

# Founders Choice™

A guide to your startup options at Imperial College  
London

# About Founders Choice™

Founders Choice™ is a programme for startup founders at Imperial College London. It offers Imperial staff different levels of support when forming a startup based on Imperial intellectual property (IP).

This approach reflects the fact that the entrepreneurial ecosystem at Imperial has grown and evolved over the past two decades. Many academic researchers now have experience of forming and building businesses. Others have a personal network with experience that can support the creation and management of a startup. Those in these groups will not require as much support when setting up a new startup and will be able to handle most (if not all) aspects of the startup journey.

In cases where founders take on most of the responsibility, it makes sense that they should also have a greater share of the founding equity in their companies. This is why Imperial College London developed Founders Choice™.

The programme accommodates Imperial College London staff who consider that they are capable of finding the resources, finance and expertise necessary to make a startup company successful (with minimal assistance from Imperial College London's Enterprise Division) by providing them with a choice of level of support.

The two options under Founders Choice™ are the Founder Driven route and the Jointly Driven route. Those who opt for the Founder Driven route receive the basic support package from the Industry Partnerships and Commercialisation (IPC) team and the Startups and Investments team,

while those who opt for the Jointly Driven route receive an enhanced support package. The different levels of support are explained in detail later in this document.

This guide contains useful information to help you decide which level of support is right for you.

To discuss any aspect of the Founders Choice™ programme please contact:

Neil Simrick, Startup Formations Executive  
[n.simrick06@imperial.ac.uk](mailto:n.simrick06@imperial.ac.uk)

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# About the Imperial Enterprise Division

The Imperial Enterprise Division supports Imperial staff and others within the thriving entrepreneurial ecosystem to collaborate with other organisations and apply their work to industry.

When you found a startup at Imperial, you will work with two different teams within the Enterprise Division. These are the Industry Partnerships and Commercialisation team (IPC team) that represents your faculty (or faculties) and the Startup team (SU team). Details of these teams, and an organisational chart, are provided on this page and overleaf.

## Industry Partnerships & Commercialisation teams

The IPC teams manage commercialisation and industry research partnerships at Imperial College London. Each faculty, and the Business school, has its own IPC team. If you intend to found a company based on IP developed at Imperial, then you should first make contact with your relevant IPC team, as you would for any invention disclosure.

The IPC directors are:

**Engineering:** Dr Marika Reay (Senior Executive and Acting Director (Commercialisation))  
[m.reay@imperial.ac.uk](mailto:m.reay@imperial.ac.uk)

**Medicine** Dr Vjera Magdalenic-Moussavi  
[v.magdalenic@imperial.ac.uk](mailto:v.magdalenic@imperial.ac.uk)

**Natural Sciences:** Dr Viraj Perera  
[v.perera@imperial.ac.uk](mailto:v.perera@imperial.ac.uk)

**Business School:** Julian Sikondari  
[j.sikondari@imperial.ac.uk](mailto:j.sikondari@imperial.ac.uk)

## The Startup team

Imperial's SU team is responsible for the startup process and is responsible for administrating the Founders Choice programme.

Working in concert with the IPC teams, the SU team will guide Imperial company founders through the process of starting an Imperial staff startup as described in the rest of this guide. The SU team is led by:

Neil Simrick, Startup Formations Executive  
[n.simrick06@imperial.ac.uk](mailto:n.simrick06@imperial.ac.uk)

## The Investment team

In addition to the IPC and SU teams, the Investment team is available to support the relationship between Imperial startups and investors. The team engages with the wider investment community to connect Imperial innovators with investors.

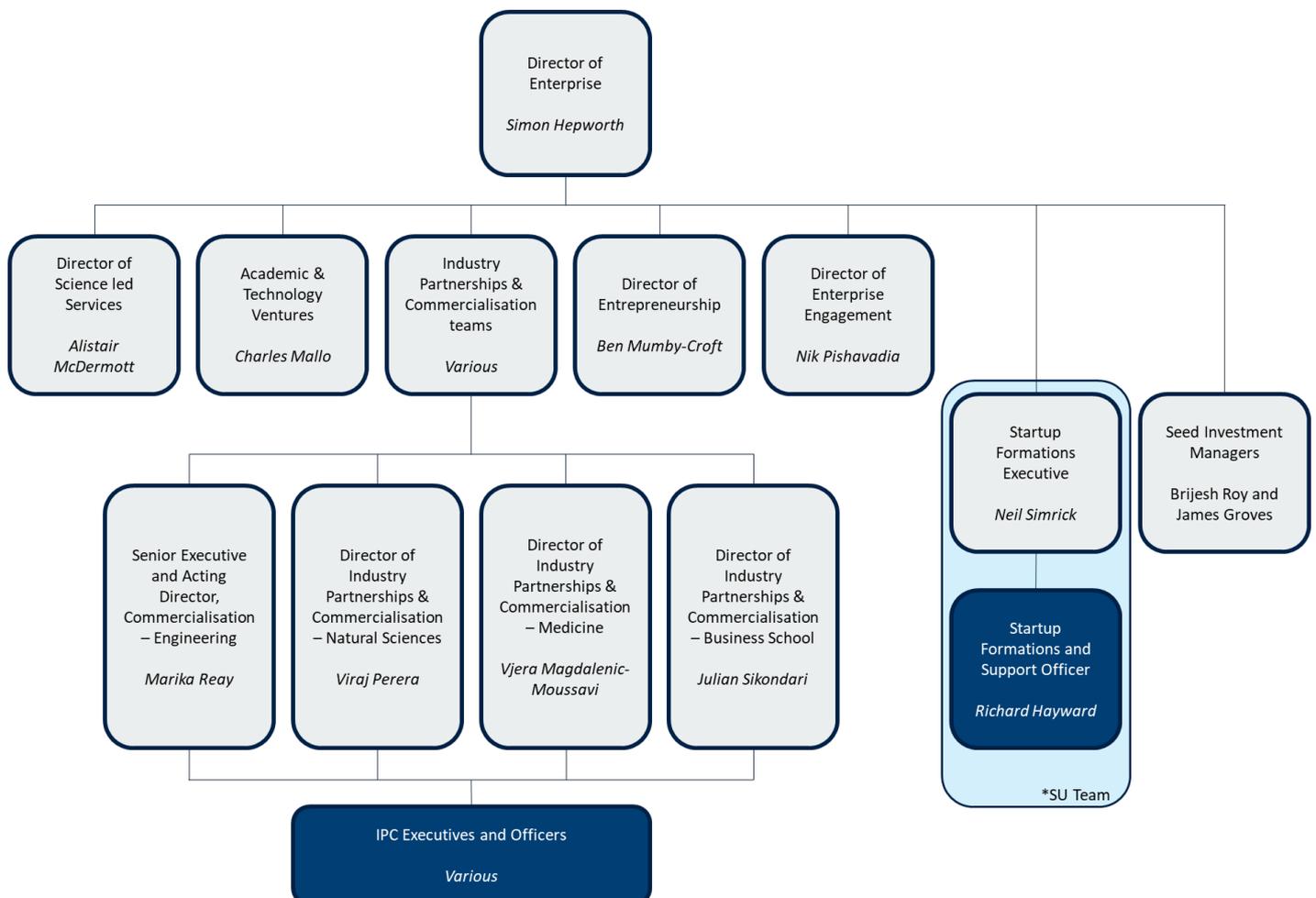
## Imperial College Innovations Limited

Imperial College Innovations Limited (ICIL) is a private limited company that is a wholly-owned subsidiary of Imperial College London through which commercial transactions related to IP are conducted. Imperial College holds its equity stake in startup companies through ICIL, whose operations fall within the larger Enterprise structure.

# Summary

## Organisational Chart

The diagram below presents the key teams and personnel responsible for forming spinouts from Imperial College London, namely the IPC and SU teams, and how they fit in within the wider Enterprise structure. Further details of the teams can be found on the [Enterprise staff webpage](#).



# Your options under Founders Choice™

## Two options exist for founders of IP-based startups at Imperial College London

Irrespective of which of the two options Founders opt for from the choice below, it is expected that a number of key pre-requisites are met prior to embarking on the formation process. These are:

- IP due diligence completed and encumbrances addressed (Appendix 4) with IP released for licencing;
- Provision of a [business plan](#) (Appendix 5) and subsequent endorsement by the relevant Faculty IPC team and SU team, which enables fair commercial terms to be proposed;
- Signing of the [IP Standstill Letter](#) to enable the relevant IPC team to put the marketing of the IP on hold for third party licenses for up to 12 months whilst maintaining IP protection up to an agreed cost ceiling;
- Signing of the [Letter of Understanding \(LoU\)](#) to confirm which level of support Founders opt for.

Once these pre-requisites have been met, the founders commit to forming the startup within a 3-month timeframe. It should be noted that although these are pre-requisites for the 3-month countdown to begin, the SU team is able to progress some of the startup formation process in parallel to ensure progress on formation is still made.

Once the 3-month process has been completed and upon formation, the IP will be exclusively licensed in an agreed field from the College into the new company on fair and reasonable commercial terms. This is a similar approach to that used by a number of successful universities (though details may differ) and recognises the developing maturity of the entrepreneurial ecosystem around Imperial and London more generally.

### The Founder Driven route

The Founder Driven route is for experienced company founders, or those who feel comfortable with the basic support package. Founders choosing this route will:

- take developmental responsibility for their startup
- receive less hands-on assistance

The College will:

- retain only 5-10% university founding equity
- retain a non-dilution protection on its percentage equity share, up to a pre-agreed level of investment, from £3 million to £15 million, depending on the nature of the company being formed (see Appendices 1 and 2 for further explanation of the effects of dilution and non-dilution).

The decisions on the initial university equity holding and the investment threshold will be taken simultaneously and will take into consideration a range of factors including:

- the nature of the technology
- the likely time and route to market
- the extent to which the IP has been funded by charities or other institutions
  - In some instances, the IP that needs to be licensed into the company may be 'joint IP' where it has been co-developed with another institution or the work has been funded by a charity. In such cases, these third parties may also be due equity and this will be taken into account with the equity agreed.

The lower equity holding and investment threshold option (5%/£3m) will apply to software-only startups, and the higher equity holding and investment threshold option (10%/£15m) will apply to pharmaceuticals startups. Other cases will be negotiated within these ranges.

### The Jointly Driven route

For founders electing for the enhanced support package (and where the IPC and SU teams are in agreement to support a Jointly Driven startup), the IPC team will follow a model of formation whereby founders receive the full benefit of the resources, network and expertise of the SU team in forming the company. Negotiations on the division of equity between the university and the founders will start at 50:50 as set out in the [College's IP Policy](#) (College login required). In this route, the SU team can support form the company, help find management teams and 'stay with' the company during its first couple of years to help it get up and running as well as engaging

with the Investment team to identify and pitch to investors and manage investor negotiations.

### Support

Imperial College London is a global top ten university with a reputation for excellence in science, technology, engineering, medicine and business. It is one of the [most innovative universities in Europe](#), and is one of the top ten most international universities in the world. In addition to its academic reputation, Imperial is widely recognised as a leading UK source of university startups, alongside the universities of Oxford and Cambridge. This combines to create a powerful and valuable association from which your startup will benefit.

Detailed information on the support you will receive under each option in Founders Choice™ is described later in this document.

You should remember that the starting point of the technology transfer process (invention disclosure, College due diligence and the technology and IP assessment stages) remains unchanged. More information is available within the Supplementary Information section of this document, on the College website and in [the College guide to working with industry and commercialising your research](#). You will be able to choose your preferred formation route under Founders Choice™ when we jointly agree that a startup company is the best route to create both commercial and societal impact for a given technology (or bundle of technologies).

In addition, when forming a startup, the founding team will need legal advice independent of the College; a list of [law firms](#) is provided to startups. In addition, Imperial's [Peer-suggested suppliers list](#) includes details of other third party service providers who have been recommended by startups from across the Imperial ecosystem who may also be able to support you in your journey.

Whichever Founders Choice™ option you select, the mechanics of forming the startup will remain unchanged and Imperial will always provide a basic level of support. Full details will be provided in the documentation you will receive from Imperial during discussions over startup company formation.

### Key definitions pertaining to Founders Choice™

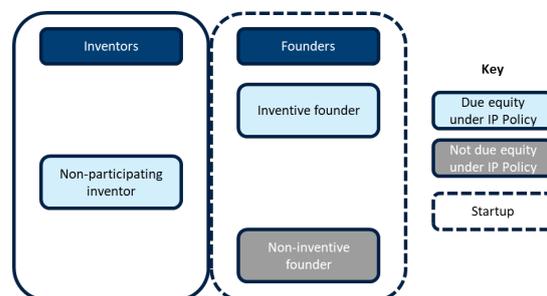
Prior to embarking on the journey to form a startup at Imperial, it is important to be aware of several key definitions that determine the roles that individuals play in a startup, namely 'Founders' and 'Inventors' and what this means under the [College's IP Policy](#) (College login required).

Founders are defined as those individuals who are active participants in founding the startup. Inventors, on the other hand, are individuals who have contributed IP that

will be licensed to the startup company upon formation. It is possible for an inventor to also be a founder if they are actively participating in the founding of the startup (inventive founder) but they remain solely an inventor if their only contribution to the startup is the IP that will be licensed into the startup (non-participating inventor). The other possible role is a non-inventive founder, defined as someone who has not contributed any IP but will play an active role in the founding of the company. If the non-inventive founder happens to also be an employee of the College then they will fall outside of the HMRC's researchers' tax safe harbour (for further information, please refer to page 13) and should seek independent tax advice from a professional adviser.

Under the [College's IP Policy](#) (College login required), all inventors are due a share of the founding equity in the startup. Inventors can decline equity but need to do so in writing to Enterprise. Non-inventive founders, on the other hand, are not due a share of the founding equity under the IP Policy. For the Founder Driven Route, any equity assigned to these individuals is shared from the initial 90-95% equity share of the founders. For the Jointly Driven Route, the equity assigned will be assessed on a case by case basis. Figure 1 outlines the relationship between Founders and Inventors and what this means under the [College IP Policy](#).

Figure 1 Startup roles and what this means under the College IP Policy.



# The Founders Choice™ Process

## The process for the Founders Choice™ programme

After an invention disclosure form has been submitted and the disclosed technology has been evaluated, the IPC team will discuss its findings regarding the technology's potential application and market evaluation with the inventors. This is in keeping with the normal technology transfer process. The IPC team will also take into account supplemental information provided by the inventors and by mutual agreement decide on the best way to commercialise the IP (which might include patents, knowhow, copyright, designs etc.) for maximum impact.

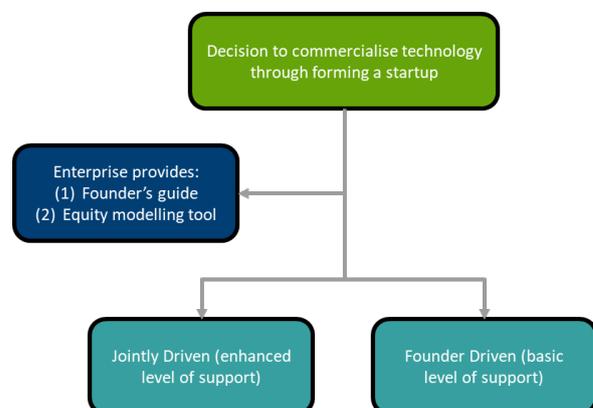
Once the best way to commercialise the IP has been decided, multiple steps are needed to secure the IP. These steps refer to the due diligence process managed by the Patent and License Management (PALM) team and includes undertaking searches and managing any encumbrances that arise (such as any IP rights from third parties) thus enabling the IP to be released for licencing. It should be noted that the due diligence process can be lengthy, especially when encumbrances with third parties are identified, thus requiring agreements to be in place with any third parties to enable all IP to be released for licencing. Further details of the IP due diligence process can be found within Appendix 4 and a video explaining how to complete an IP Due Diligence form can be found [here](#).

It is important that all IP required for the company to operate is protected and that this whole suite of IP is protected, the due diligence process followed and the IP ready to be released for licencing. There is sometimes a focus on patents, but complimentary IP is also beneficial and should not be ignored. Once the IP has been secured and the decision to pursue a startup company is made, the founders choose between the Founder Driven or Jointly Driven route. This choice will depend upon their commitment and ability to drive forward the creation of the business, taking into account the level of support they desire from Enterprise.

Figure 2 is a simple illustration of the decision-making process. The startup team will provide founders with guidance on both routes and access to an [equity modelling tool](#) in order that they may make an informed decision on the route they wish to take. When a decision has been made the founders and Enterprise will sign a

[Letter of Understanding \(LoU\)](#) detailing the agreed level of support, the process and the next steps.

Figure 2 Decision-making process to choose a startup route



## Process differences between the Jointly Driven and Founder Driven routes

Table 1 highlights the differences between the Jointly Driven and Founder Driven routes. There is some overlap in the support available between the two routes outlined below; whilst the College is always available to support, those opting for the Founder Driven Route take on the lion's share of leadership, responsibility and commitment. To the same token, Founders opting for the Jointly Driven Route are not simply handing responsibility to the SU (and Investment) team to create and operate the company but instead requires agreement on the responsibilities of each party in forming the startup.

Steps in startup formation	Jointly driven startup	Founder driven startup
Creation of shell company	Lawyers for the startup company	
<a href="#">IP Standstill letter</a> (defined below)	Not required	Provided for a fixed period
Support level from Imperial Enterprise Division (e.g. business scoping, management team recruitment and seed funding)	<p><b>Enhanced support level:</b></p> <p>The SU team can support the company founders establish the business, write the <a href="#">business plan</a>, recruit management and hire advisers and the Investment team can provide warm introductions to investors</p>	<p><b>Basic support level:</b></p> <p>The company founders will lead in establishing the business, writing the <a href="#">business plan</a>, recruiting management, hiring advisers and finding investors (with expert input, feedback and support shaping the business from the IPC, SU and Investment teams)</p>
Finding investors	<p>All Imperial startups benefit from investor introductions through the Enterprise Division's range of showcases and events, inclusion within the investor brochure distributed to the extensive Imperial investor network and consideration within the Imperial College Enterprise Fund pipeline.</p> <p>Jointly Driven Startups further benefit from warm introductions to Imperial's investor network and access to support with pitching and negotiating with investors.</p>	<p>All Imperial startups benefit from investor introductions through the Enterprise Division's range of showcases and events, inclusion within the investor brochure distributed to the Imperial Startup Investor Network and consideration within the Imperial College Enterprise Fund pipeline.</p> <p>Founder Driven Startups will seek, select and pitch to investors.</p>
Post-formation support	Post-formation support from the SU team during the early years including board seat	Imperial has observer and information rights only; no board seat
University equity	50% (negotiable) at foundation (dilutable)	5-10% (non-dilutable) to a pre-agreed investment amount of between £3 million and £15 million (dependent on various considerations outlined on the following page).
IP License	IP licensed to startup on arms-length royalty-bearing terms (for more information regarding IP Licensing, please refer to section 3 of the FAQs within Appendix 3).	

## Forming a startup at Imperial

Forming a startup at Imperial is a well-established process covered by various policies available on the College's website.

Information on commercialisation for company founders can be found on the Imperial Enterprise website [here](#).

# The Founder Driven route

Every startup proposition has its own unique circumstances. To reflect this, the exact amount of university founding equity that Imperial takes is decided on a case-by-case basis. Under the Founder Driven route of Founders Choice™, it will fall within the range of 5% to 10%. The academic founders of the company will therefore receive between 90% and 95% of the founding equity, to be distributed among themselves.

The university founding equity holding (5% to 10%) will remain unchanged through initial investment rounds until a cumulative investment threshold is reached. This threshold will be agreed on a case-by-case basis. There are no restrictions on the terms of any funding round and you may raise one or multiple funding rounds to reach the investment threshold.

Decisions on the initial university equity holding and investment threshold will be taken simultaneously and will take into account a range of factors including the nature of the technology, the likely time and route to market and the extent to which the IP has been funded by charities or other institutions (and therefore how Imperial shares its equity with these third parties).

The founding team (inventors) will receive between 90% and 95% of the founding equity. As founders have the vast majority of founding equity, it is also expected that any equity or option pool you or any other founding partners decide to set aside for incoming management will come from the founders' equity holding, not the university's. To decide on the founding equity split, Founders will need to consider various factors, such as who was involved in the idea generation, who has contributed to the commercial development above and beyond the invention stage and who will be putting in the future effort to transform the idea into a revenue generating company. The SU team is available to support Founders who need assistance in reaching an agreement on the founding equity split.

Figure 3 compares the increased equity for founders under the Founder Driven route to the equity split in the Jointly Driven route under Founders Choice™.

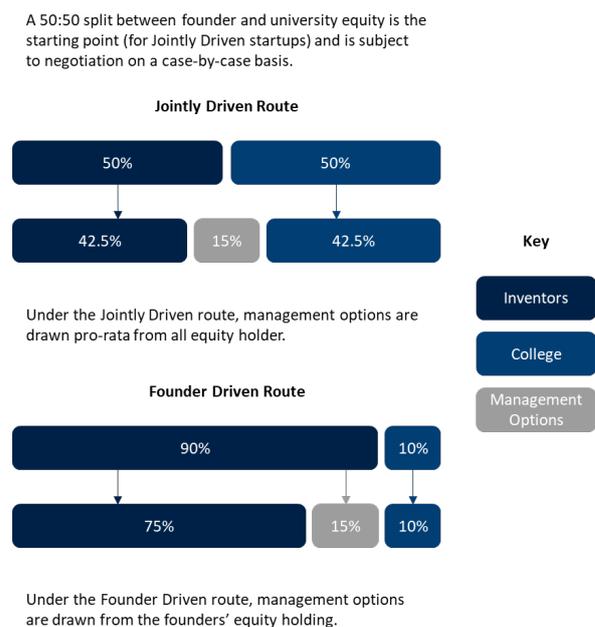
A clause is included in the Articles of Association of the new startup that will act to maintain the university founding percentage shareholding at the agreed minimum threshold (accomplished by the issue of the

appropriate number of additional shares to Imperial). This will last until the cumulative investment in the company reaches the pre-agreed amount and after this point the university equity will be subject to dilution in the same way as that of other shareholders.

Our approach to the agreed investment threshold will differ depending on the capital requirements of the new company. For example, a pharmaceutical company may require tens of millions of pounds of investment to progress its technology, so we would seek a relatively high initial threshold – say £15 million. For a software company, in which the required investment may be relatively low, we would expect to agree a lower hurdle – say £5 million. The precise threshold that the non-dilute will be set at will therefore be agreed on a case-by-case basis.

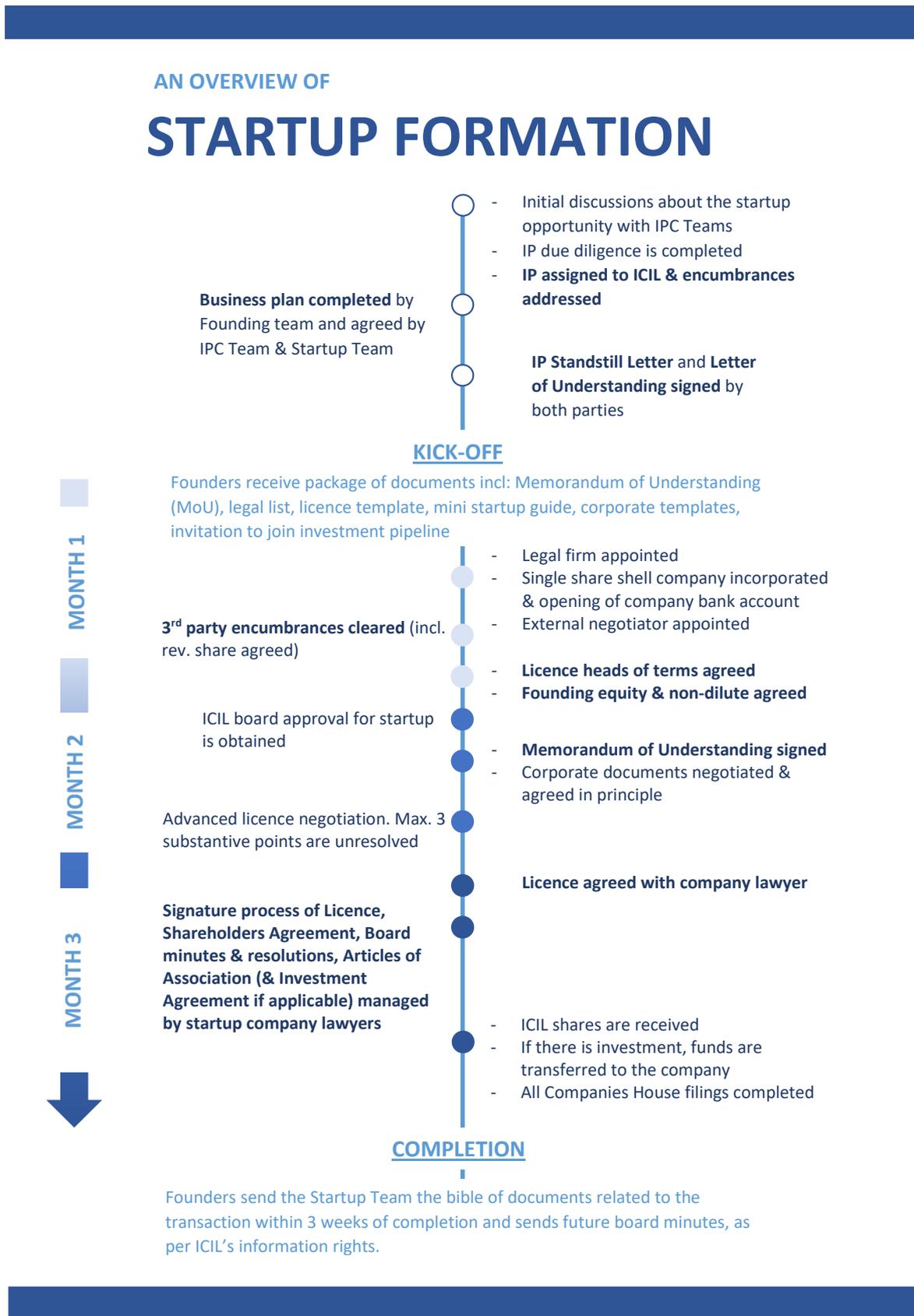
We provide an [equity modelling tool](#) to founders to allow you to do your own scenario analyses of the impact of these investment ranges on your founding equity.

Figure 3 Suggested initial equity distribution under Founders Choice™



The flowchart in Figure 4 below provides a summary of the key stages in founding a startup via the Founder Driven route.

Figure 4 Key stages in founding a startup via the Founder Driven Route



On this route, the aim is for startup completion to be completed within a 3 month time frame once several key pre-requisites have been met:

- IP due diligence completed and encumbrances addressed (Appendix 4) with IP released for licencing.
- The business plan produced by the Founders is endorsed by the Faculty IPC Director and the SU team (a [business plan](#) template is provided by the SU team; please refer to Appendix 5). Note the provision of a business plan is essential in ensuring fair commercial terms (regarding the license terms and equity proposal) are proposed.
- The [IP Standstill Letter](#) has been signed. The IP Standstill letter is principally a commitment from the IPC team confirming that it will maintain the patents (or other registrable IP) relating to a specific invention for a fixed period (typically 6-12 months) and also that it will not market or engage with any other company that could have an interest in licensing the technology. This commitment has a cost which will be covered by Imperial up to an agreed ceiling (not to exceed £20,000). The cost will be decided on a case-by-case basis and will reflect the maturity and extent of the patent portfolio to be licensed to the startup.
- [Letter of Understanding \(LoU\)](#) has been signed. The LoU is a non-binding expression of the route that founders will take under Founders Choice. In this route you will state in good faith that you intend to take the Founder Driven route. After making the decision, the LoU makes clear that founders cannot switch between routes without there first being a re-assessment of deal terms and initial equity positions. The LoU also sets out a number of points of principle that founders are expected to adhere to during the process of forming and building their company.

Once these pre-requisites have been passed, the 3 month process begins. The flowchart in Figure 4 provides a summary of the key stages in founding a startup via the Founder Driven route

### Startup package

Imperial will provide those founders opting for the Founder Driven route with a startup support package which includes a set of documents designed to assist the founders in driving forward the business and engaging with potential investors. It will contain:

- a template Memorandum of Understanding (MoU) which all parties will need to fill in and sign once the initial activity of the company has been agreed. This will show that the distribution of equity between founders, and the IP-startup process, is fully understood. It also acts as guidance for startup lawyers to draft the full legal documents (based on templates provided by Imperial) which will be finalised in association with the founders and any incoming investors;
- a suite of company formation template documents

(including template corporate agreements, namely Articles of Association and Shareholders Agreement);

- an [IP essential terms sheet](#) which lists the terms which must be included in licences from Imperial.
- an IP licence commercial term sheet tailored to the technology and giving ranges on licence terms (e.g. milestone payments and royalties);
- a list of [law firms](#) that are familiar with the unique process for forming Imperial College London IP startups;
- advice on activities to avoid if you wish to take advantage of the College's HMRC-approved company formation process;
- an [equity modelling tool](#) to enable founders to see what the effect of different- sized future funding rounds and non-dilute provisions might be on a founder's shareholding;
- Supplier and Customer forms for completion when the company bank account is setup to enable setup on the College financial system. the College will need to pay for its shares (at par value) and at any future event when this is required. To do this the company will need to be registered as a supplier with Imperial's finance system. This is not for the purpose of providing a service to Imperial. Similarly, the company should be set up as a customer so it can pay the College e.g. royalty fees due to an IP licence to the company.

### Shell company formation

Founders who wish to set up a shell company for their future startup are free to do so but care should be taken to avoid adding any taxable value. For example, the technology licence must be signed before grant funding comes into the shell company and it is not encouraged to form a shell company to apply for grant funding. Always discuss with the SU or IPC teams before applying for funding with the startup.

### HMRC Inland Revenue approved academic startup formation process

It is important to note when creating a shell company for any academic startup that the shell company should be of negligible value until the university licenses the IP. Activities such as receiving grant or investment money, trading, or engaging employees or consultants in the shell company should be avoided prior to signing the IP licence as these activities may create tax or other liabilities for the founders. Following the agreed protocol will ensure that the Imperial staff founders benefit from HMRC's researchers' tax safe harbour, which provides income tax relief for founders taking equity in academic startups for the given tax year. It is also not necessary to set up a shell company at an early stage, and you may therefore be wise to wait until the startup is ready to form before incorporating the company so that there are no issues for founders in relation to tax and founders will not need to liquidate the company if investors cannot be found. Founders are advised to seek independent tax advice from a professional adviser.

Under the general income tax rules, when an employee receives shares in a spin-out company connected with their employer they should be liable for income tax – ‘benefit in kind’ (full HMRC guidance can be found [here](#)). University academics have an exemption as long as University IP is licenced into the company. The specific HMRC guidance can be found [here](#).

The order of the process is important and in essence the process is: (1) set up a shell company with no value, money, contracts etc. but shares can be issued to the inventors and research institutions (2) IP licenced (3) all other activity, investment or otherwise.

This is the standard policy followed at Imperial. If Founders are going to deviate from this then you need to take your own tax advice and confirm to us in writing that you have done this and are comfortable proceeding. In addition, if there is value in the startup prior to the IP being licenced and the acquisition of the Inventive Founders’ company shares, the Inventive Founders will obtain an accountant’s value of the company and the valuation will promptly be shared with Imperial College in full for the purposes of calculating liabilities and assessing the risk to College. By entering into the corporate documents, the Inventive Founders agree to indemnify Imperial College on demand for any income tax assessed upon it through the PAYE system, along with any national insurance liabilities, to the extent to which recovery of these amounts from the Inventive Founders is permitted by law. If the recommended approach is followed, there should be no liabilities; however, if the recommended approach is not followed and there is value in the company prior to the IP being licenced, then there could be tax requirements which the Inventive Founders agree to indemnify for.

### **Expiry of the IP Standstill Letter (Founder Driven route only)**

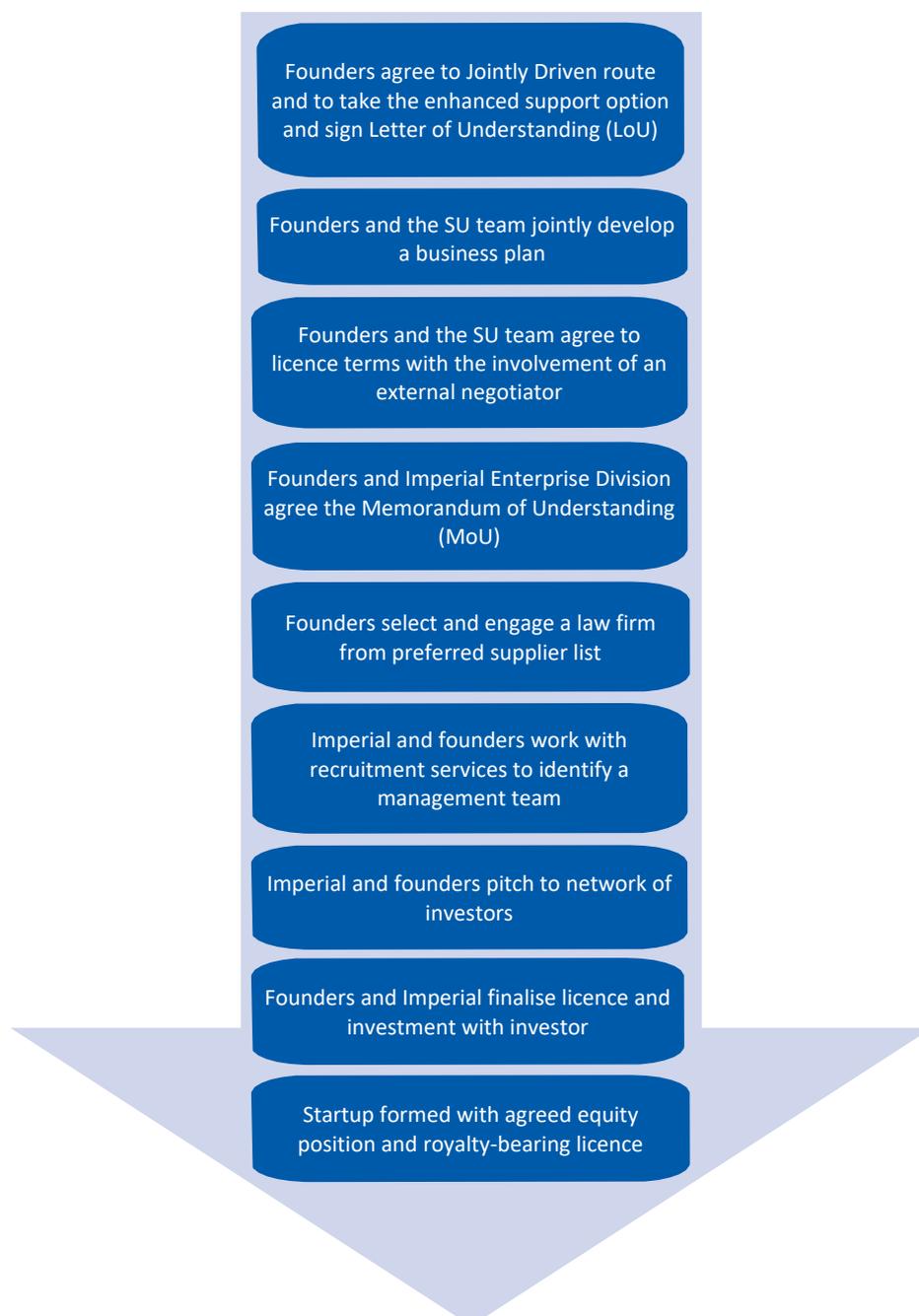
The [IP Standstill letter](#) is a key component of the Founder Driven route as it provides comfort to the founders, who are driving the creation of the business, and also assurance to potential investors that the new company will have exclusive access to well-maintained IP. The fixed period (typically 6-12 months) can be extended for a limited period by mutual agreement to allow an investor to complete on a funding round.

At the end of the fixed period defined by the IP Standstill letter the terms offered to the founders by the IPC team will expire. At this stage, the IPC team will discuss with the inventors the next steps in relation to the IP, which may involve re-marketing it to potential licensees.

# The Jointly Driven route

The flowchart in Figure 5 below provides a summary of the key stages in founding a startup via the Jointly Driven route.

Figure 5 Key stages in founding a startup via the Jointly Driven Route



Under the Jointly Driven route of Founders Choice™, founders have chosen the enhanced level of support from the SU team. This route is not simply a case of the Founders handing responsibility to the SU team to create and operate the company but instead requires agreement on the responsibilities of each party in forming the startup.

As with the Founder Driven route, the aim is for startup completion to be achieved within a 3 month time frame once several key pre-requisites have been met, namely the IP being released for licencing, provision and endorsement of a [business plan](#) and signing of the [Letter of Understanding \(LoU\)](#). The requirement of signing an IP Standstill Letter falls away on the Jointly Driven route.

The route follows the traditional process of IP-startup formation at Imperial in which negotiations begin with a presumption of an equal split between the academic founders and the university (50% for the university and 50% for all the founders group).

This is the starting position and is subject to negotiation, taking into account that an option pool will also be created to reward founders taking an active role in the company.

As detailed in the list of enhanced services (page 17), Imperial's SU team will work with you to crystallise your idea into a commercial business proposition, and agree the short- and medium-term activities the company will undertake (and how it will find funding for them, with support from the Investment team). This, together with the agreed equity split and basic corporate governance structure for the startup, will be laid out in the Memorandum of Understanding (MoU).

The MoU acts to ensure that all founders agree on the route forward and the equity split. It also acts as guidance for Imperial's lawyers to draft the full legal documents which will be finalised in association with the founders and any incoming investors.

The Enhanced Support package comprises the following benefits:

- business planning;
- identifying management; and
- identifying investment.

### **Business planning**

Imperial Enterprise Division can help with the preparation of the [business plan](#) (see Appendix 5), which will provide the basis on which your investors will construct their proposals. Imperial can assist in deciding how best to structure the new company (debt/equity; shares, share options etc.). Enterprise will also provide a wide range of business planning support as described in the services list.

### **Finding management**

Imperial will work with you in identifying the skills and experience you need to attract into the startup

company to make it a success. You may be the world's leading expert in your area of research, but investors in your business will expect it to be led by a team that includes someone with proven and relevant management experience. Imperial has an extensive network of potential commercial leaders and other team members (some of whom may have successfully led previous startup companies), and can also provide access to a low-cost external recruitment service for senior leaders and team members. In the very early stages, you may neither need nor be able to afford full-time senior managers in specialist fields such as marketing, finance or regulatory processes; however you will still require access to that sort of knowledge if your business is to be credible and successful. Imperial can help find this specialist advice via its network.

### **Finding funding or investment**

Imperial can assist in identifying sources of investment finance through its early-stage investment network and other contacts. The early-stage investment network is a group of private investors (often called 'business angels') and venture capital companies with a keen interest in investing in university startup companies. It is not uncommon for business angels to take an active role in their investee companies and this can bolster the startup team. Investment opportunities are presented to members through Imperial's Investor Brochure that is distributed to the investor network, meetings and formal presentation events held throughout the year.

# Shared features among the routes

## College approval

### Consultancy Agreements

Imperial Founders, in their capacity as College employees, and any other College employees doing work for the College startup as an individual should have a written personal consultancy agreement with the company which specifies the nature of the engagement and clarifies ownership for IP generated under said contract. The College's preferred route for external consultancy work is through [Imperial Consultants \(ICON\)](#) to enable any contractual risks and liabilities to be managed appropriately. If the work is not through ICON, College staff and the startup must sign the College's [Waiver for Private Work](#); this is a requirement of the [EI Policy](#). The Waiver must be appended to the consultancy agreement (and the Waiver referred to within the agreement itself). It is advisable to seek legal advice before signing personal consultancy agreements with the startup if they are not arranged by ICON. The same [EI Policy](#) applies to College staff accepting Directorships with the startup and Directors should also agree a consultancy agreement if they intend to work with the startup.

### Head of Department approval and Imperial College's Register of External Interests

Staff wishing to create a startup via the Founder Driven route must seek approval from their Head of Department (HoD) because the startup may have an impact on a member of staff's capacity to perform their current academic and teaching duties. As per the [Guidance for HoDs and line managers for reviewing and/or approving requests for External Interests](#), requests should be considered alongside an individual's role at College and the responsibilities assigned to that role; both from a capacity point of view and also the nature of the external interest, to determine how it will impact on the delivery and relativity of the staff's duties and serve their and College interests, and ensure it does not create an unmanageable conflict of interest (see [Conflict of Interest Policy](#)).

Approval should be sought via [ICIS \(Imperial College Information Systems\)](#) in line with [College's External Interests Policy](#) (EI Policy). Specifically, this requires the applicant to upload the agreed commercial agreement (e.g. a Consultancy Agreement) in relation to their external interest *prior* to signing the agreement so that the HoD can approve or reject the External Interest

before it has been entered into. If in cases where the commercial agreement has been arranged externally to ICON, the [signed Waiver for Private Work](#) should also be uploaded to [ICIS](#) at the time of applying for approval. Once HoD approval has been provided, the applicant is able to sign the commercial agreement at the appropriate time alongside the other documentation to be signed at startup formation.

Whilst HoD approval is not guaranteed until formally signed off via ICIS, Imperial Founders are strongly advised to notify their HoD as soon as the possibility of participating in an External Interest such as a startup arises. In addition, it is recommended that the HoD is kept updated regarding startup formation timelines. Following these recommendations will help enable the HoD to formally sign off the External Interest via ICIS without potential delay as they will have been kept up to date with proceedings throughout.

## Equity and the IP licence

Whatever route founders opt for under Founders Choice™, the College always holds the university's equity stake in the venture and will always license the IP into the new venture on arms-length commercial terms (e.g. including milestones and royalties) following a negotiation led by an external negotiator. This enables founders to legitimately describe the company as an Imperial College startup. IP is always licensed rather than assigned to the startup for two reasons:

- Imperial has a responsibility to ensure the IP is exploited to deliver maximum impact. If the College cannot recover IP if the company fails to progress the development of such IP or the company becomes insolvent, Imperial cannot fulfil this obligation;
- If the company were to further assign the IP to another company, then any royalty obligation 'attaching' to IP that formed part of the original assignment would fall away

An external negotiator acting for the company, rather than an inventor or Imperial staff member, is required to negotiate the IP. The external negotiator needs to be independent and free from influence or interference from Imperial inventors. This is due to the conflict of interest that exists for inventors and Imperial staff in relation to the Reward to Inventors Scheme (please

refer to section 2 of Appendix 3 for further details regarding the Reward to Inventors Scheme, or on the [College website](#) (College login required).

In all cases, the inventors (as described in Figure 1) and the university are both due an equity stake in any startup from or associated with Imperial, although inventors can waive their right to equity in writing to Enterprise if they wish (thus becoming a 'non-participating inventor'). The university's equity stake is ultimately held by ICIL (as Imperial is a charity and cannot trade). The formation of an IP-startup company at Imperial starts from its definition as a company founded upon IP generated by the academic founders working for Imperial.

FAQs in relation to Equity and IP licenses can be found in sections 3 and 4 of Appendix 3.

### **Accessing the College's entrepreneurial ecosystem**

Whichever option is selected under Founders Choice™, all founders are free to use the growing entrepreneurial ecosystem at Imperial to develop their startup:

- [Imperial College Incubator at White City](#)
- [White City Invention Rooms](#)
- [Imperial Enterprise Lab](#)
- [Techcelerate](#)
- [Advanced Hackspace](#)
- [Imperial Venture Mentoring Service \(IVMS\)](#)
- Imperial Technology Experts Service (ITES)

Please note that under the Founder Driven route of Founders Choice™ academics are not opting out of the [College's IP Policy](#) (College login required) nor opting out of working with the College's IPC team within the Imperial Enterprise Division. They are simply choosing between the levels of support provided by Imperial in the commercialisation of the technology which, in turn, affects the level of university equity that the College will hold in the new company.

# Founders Choice™

## support options at a glance

Every startup journey is unique. Imperial has a well-developed and increasingly flexible process to suit your needs. As set out earlier, there is some overlap in the support available between the two routes under Founders Choice™; whilst the College is always available to support, those opting for the Founder Driven Route take on the lion's share of leadership, responsibility and commitment. To the same token, Founders opting for the Jointly Driven Route are not simply handing responsibility to the Startup team to create and operate the company but instead requires agreement on the responsibilities of each party in forming the startup.

We can guide you on your entrepreneurial journey and we have developed a set of support services that can be adapted to suit your needs and the needs of your project. Whether you choose Basic Support or Enhanced Support, Imperial Enterprise Division's SU team will provide a named individual from who will work with you throughout the assessment and startup process in order to help you make your journey a success.

The following table outlines the steps required on the startup journey and the levels of assistance that can be provided by the SU team (and Investment team where applicable) if required under the different routes under Founders Choice™.

Assistance provided if required by Imperial's SU team (and Investment team where applicable) to support startup formation during the Founders Choice™ programme	Enhanced Support (Jointly Driven)	Basic Support (Founder Driven)
<b>Setting the scene</b>		
1. Communicate potential challenges and rewards for scientific entrepreneurs embarking on an entrepreneurial journey	✓	✓
2. Ensure awareness of the various stakeholders within the Imperial entrepreneurial community and what will be expected in the startup process	✓	✓
3. Provide initial assessment of potential customers and the size of the market so that all parties reach a common understanding of the key unique selling points (USPs) of the company/value proposition	✓	
<b>Crystallising the founders' idea into a business (after commercial potential has been established)</b>		
4. Find credible sources of information for detailed customer/market analysis	✓	

and undertake an iterative process of market and customer evaluation.		
5. Brainstorm to help determine the initial target markets, competitive advantage in those markets, and commercial rationale to test with customers	✓	
6. Identify key market metrics and impact on the business proposition	✓	
7. Undertake an iterative process of market and customer evaluation and formulate a technology marketing plan	✓	
<b>Planning the business</b>		
8. Build the financial modelling template that will underpin the <a href="#">business plan</a> . This involves identification of input data and main KPIs of the company, and cross-checking these against the competition and available market data	✓	✓
9. Help prepare the <a href="#">business plan</a> including: interim goals and strategies, a three-year vision and identification of resources needed to reach business goals	✓	✓
10. Provide specific advice on developing an IP strategy for the startup	✓	✓
<b>Preparing the company for funding / facing the investor challenge</b>		
11. Support founders in finding potential sources of grants and assist in writing bids. Imperial has built a relationship with an independent company that can provide specialist grant-writing support in exchange for a fee	✓	✓
12. Help to prepare an executive summary, public one-pager and investor presentation deck	✓	
13. Assist with preparing and practising the pitch to investors. Usually this is an iterative process that may involve 'friendly' external feedback on the investment deck and pitch	✓	✓
14. Undertake initial company valuation exercise based on comparable market data, discounted cash flow analysis of future revenue streams, and experience and feedback from the investor network	✓	
15. Prepare a share capitalisation table and model the impact of different investment scenarios on founders' percentage ownership (dilution)	✓	
16. Provide an <a href="#">equity modelling tool</a> to enable founders to see what the effect of different- sized future funding rounds and non-dilute provisions might be on	✓	✓

a founder's shareholding		
17. Introducing founders' company proposition to network of investors	✓	✓
18. Provide warm introductions to appropriate early-stage venture capital investors (VCs) and angel investors from extensive networks	✓	✓
<b>Building the startup team</b>		
19. Match founders to the right external mentors and domain expert consultants as needed. This support and access to Imperial's networks will continue during the whole startup journey	✓	✓
20. Provide low-cost external recruitment service for senior leaders and team members. Imperial has agreed a low-cost bespoke service for cash-constrained early-stage companies	✓	✓
21. Access to mentorship through the Imperial Venture Mentoring Scheme	✓	✓
22. Access to technology and market expert advice through the Imperial Technology Experts Service Scheme	✓	✓
<b>Managing the startup process</b>		
23. Provide access to a range of template legal documents (vetted by external legal firms) for company formation, licensing of IP and the investment process — including a tax-efficient HMRC-approved process for academic staff	✓	✓
24. Provide access to a range of template subsidiary documents such as consultancy agreements and non-disclosure agreements, as needed	✓	✓
25. Provide plain-English explanation of all aspects of the startup process and what to expect as the company grows and raises further funding. Imperial is available to discuss all aspects of the process in detail until founders are comfortable	✓	
26. Grant access to a panel of external legal firms who offer a fixed-price package to cover the company set-up and licensing process	✓	✓
27. Offer specialist help to open a bank account	✓	
28. Provide 'preferred suppliers' list of specialist service providers used by our portfolio of startups (wide range of services from manufacturers to designers)	✓	✓

<b>Building value in the company</b>		
29. Provide a board director offering continued support and access to the wider Imperial network as the company grows and faces commercial challenges. This may include guidance on running and documenting board meetings, regular review of the company strategy, and advice on corporate governance	✓	
30. Offer product/service development. If needed Imperial will bring together the commercial experience needed to help founders address issues and answer questions from prospective customers and users	✓	
31. Help founders identify experts and advisers who can advise on regulatory requirements and help founders overcome regulatory hurdles	✓	
32. Provide continuous support in all aspects of successive funding rounds	✓	
33. Co-ordinate Due Diligence. Larger funding rounds will require a data room – Imperial will help founders outline the documents needed and review those from the prospective Investor to highlight any concerns in advance	✓	
34. Provide support in preparing for an exit (acquisition or IPO) process including engaging the right advisers and lawyers and working with founders on all aspects of the process	✓	
<b>Wider support</b>		
35. Introduce founders to the Imperial White City Incubator (lab and office space or virtual tenancy)	✓	✓
36. Support founders to find alternative locations if no space is available in the Imperial White City Incubator	✓	
37. Provide access to a range of training seminars (for example roles and responsibilities of a director) under the Innovation Academy programme, and provide access to Imperial community networking events, workshops and seminars with other startups	✓	✓

# Supplementary Information

Further information that may inform your decisions about Founders Choice™

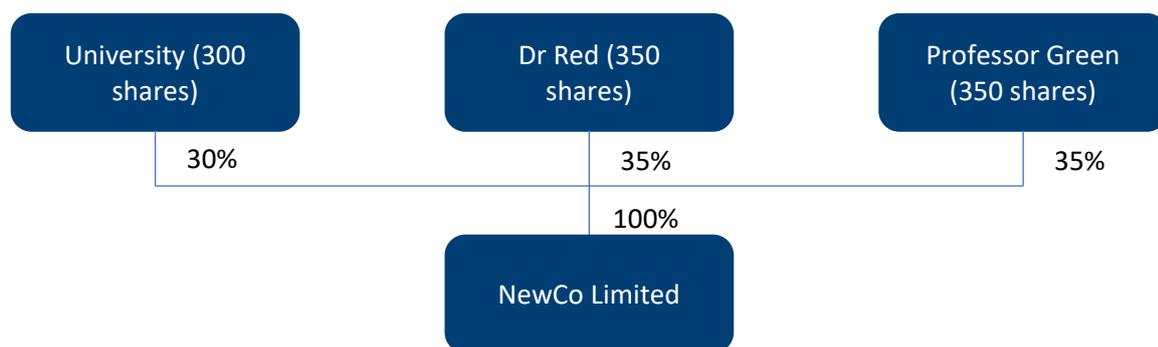
## Contents

- Appendix 1: Shares and the effect of dilution
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  - Section 1: IP identification, due diligence process, involvement of third-party inventors/institutions
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  - Section 4: Equity
- Appendix 4: Due Diligence Process
- Appendix 5: Business Plan Template

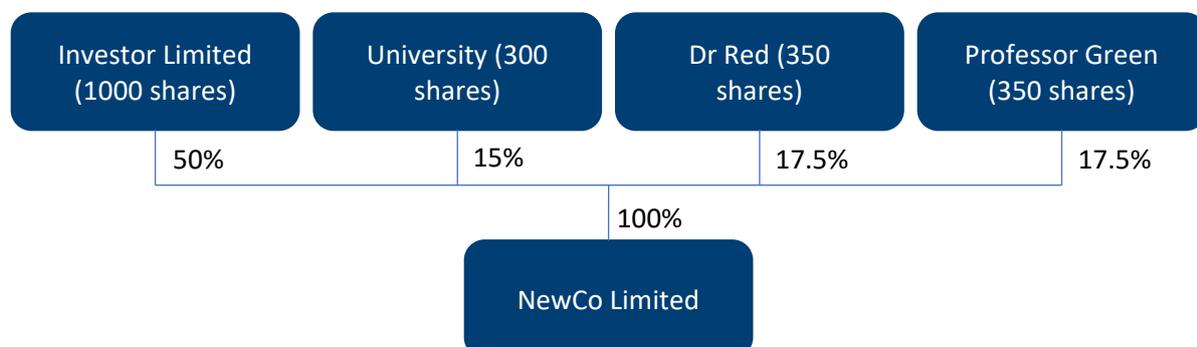
# Appendix 1: Shares and the effect of dilution

## Reduction in percentage shareholding (dilution)

The main effect of new investors becoming shareholders is that new shares will be issued to them, which will dilute the percentage holding of the original shareholders, including founders. For example, if 1,000 shares are in issue of which you hold 350, you will own 35% of the company. If a further 1,000 shares are issued to new investors, you will hold 350 shares out of 2,000 shares in issue - so you will own only 17.5% of the company. The original position is shown in the figure below:



If a new investor, Investor Limited, wishes to acquire 1,000 new shares in NewCo, the new shareholdings will be as follows:

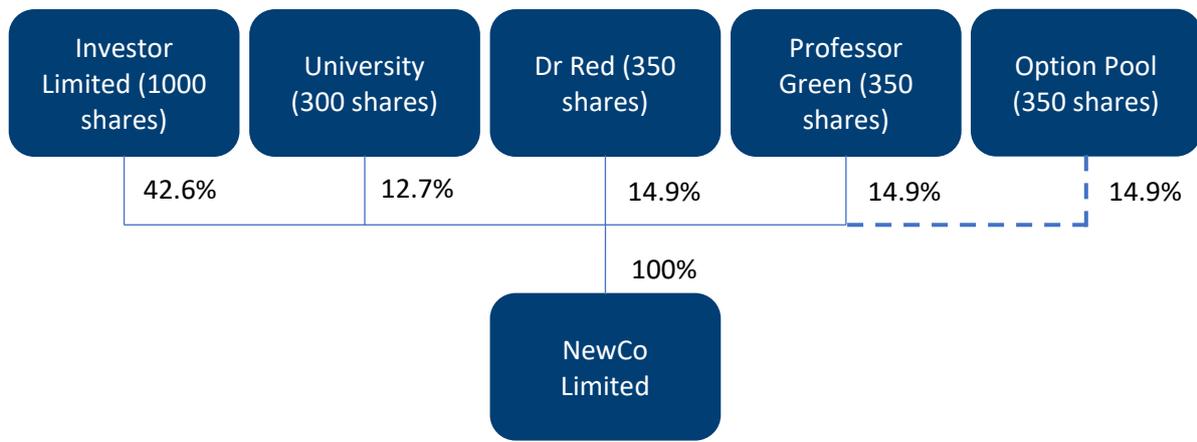


In other words, the percentage shareholdings of the original shareholders will have gone down. Their holding has been diluted. The question for the original shareholders to consider is what benefits the new investment will bring in return for them accepting a dilution of their shareholdings. Will the investment, for example, provide the injection of funds which the company needs to take the next step in its development?

You must also remember that the company may require a number of rounds of further financing in order for it to develop and grow until it reaches the stage where an exit can be contemplated. These rounds are classed by letter, i.e. 'Seed' round, 'A' round, 'B' round, 'C' round etc. This simply indicates the various stages reached, i.e. first round, second round, third round etc. as the startup progresses and achieves its predetermined targets. Typically the size of funding is larger at each subsequent round and the shares issued for these rounds may carry different rights. Such further rounds of financing will inevitably lead to further dilution.

It is good practice to reserve a certain number or percentage of shares for key people who are yet to join the startup, who will help drive it towards success. Around 15% of the issued shares of the company is commonplace. This is called an 'option pool'. When the shares which have nominally been allocated to such a pool are allotted, they too will lead to dilution.

If NewCo wishes to allocate 350 new shares to an option pool (to create the equivalent of 15%), then the new shareholdings, once those shares have been issued, will be as follows:



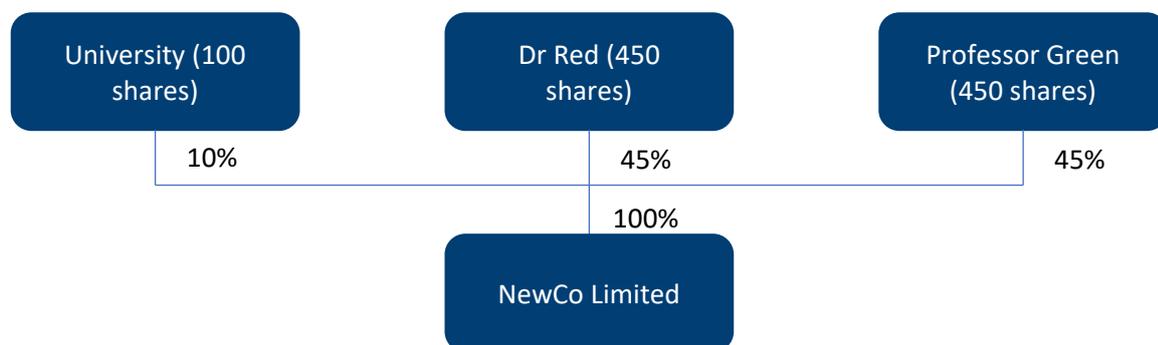
Though it may seem that dilution should be avoided in order to protect your interests, ultimately it is more worthwhile to have a small percentage shareholding in a large company than a very large percentage shareholding in a small company. Five per cent of a £100 million exit is worth more than 33% of a £10 million exit, after all. Given that for almost all technology companies, outside funds are required to grow and develop the business, resisting further investment in order to protect your shareholding may result in you having a large holding in a company that cannot reach its potential.

# Appendix 2:

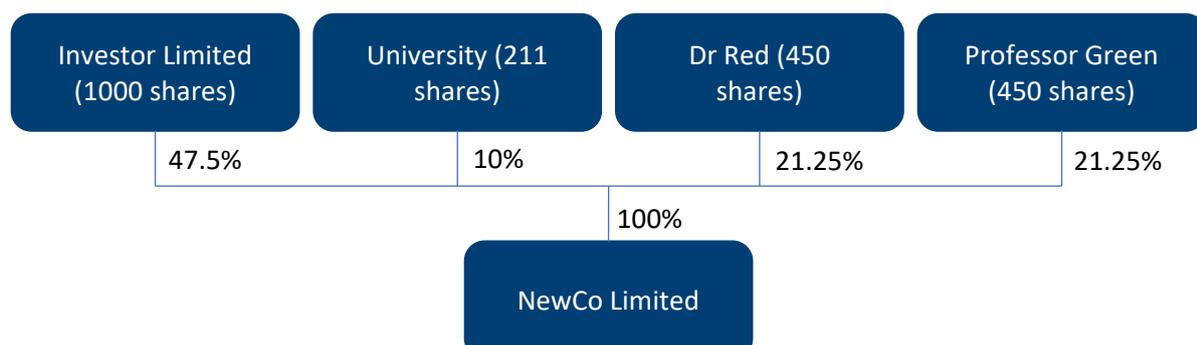
## Understanding non-dilution

Non-dilution provisions protect the shares from dilution effects until certain conditions are reached. Whilst a minority of investors may push back due to unfamiliarity, the non-dilution provisions have not prevented investors from investing in Imperial startups. The SU team is available to discuss the non-dilution provisions with any prospective investors where required.

In the following example, we assume a 10% non-dilutable equity stake is taken by the university and the cumulative investment threshold is set at £10,000. If the founding share capital of the company is divided into 1,000 ordinary shares and 100 non-dilutable shares are issued to the university, 450 ordinary shares are issued to Dr Red and 450 ordinary shares are issued to Professor Green, the ownership of the company will be as follows:



If a new investor, Investor Limited, wishes to acquire 1,000 new shares at £10 a share (for a total investment of £10,000) then NewCo Limited will issue 1,000 new shares to the investor. It will also issue 111 new shares to the university in order to keep its stake at 10%. The total number of shares in issue for NewCo Limited will therefore be 2,111:



As the cumulative funding threshold has been reached, the non-dilution provision falls away and university shares will be diluted the same way as others at the following investment rounds.

Please note: non-dilution provisions are distinct from anti-dilution provisions, which you may also be familiar with. Unlike non-dilution provisions, anti-dilution provisions protect against future financing when the value of the company decreases (also referred to as a down-round). Anti-dilution ensures that equity stakes do not drop below a certain fixed percentage by adjusting the share price agreed at previous financing rounds.

# Appendix 3: FAQs

## Section 1: IP identification, due diligence process, involvement of third-party inventors/institutions

1.	Better understanding of Due Diligence	See Appendix 4 for an overview of the Due Diligence process.
2.	Why it is important to identify <u>all</u> IP to be licensed by the startup (so the startup will be operational) and to do so early on?	To ensure no holdups during IP due diligence and to provide clarity on the IP strategy.
3.	Questions around more complex arrangements when trusts are involved and also retrospectively getting ICL into the company structure that already exists (as the PIs set it up independently)	Related to above - it is important for everyone to be clear on who owns or has commercial rights to the IP going into the startup. College has joint working agreements with most NHS Trust research partners to facilitate the management of joint IP.

## Section 2: Policies - Rewards to Inventors, Founders Choice, limitations on activities and Investor checks

1.	Why does Founders Choice include both licence and equity?	This is standard policy and practice for UK universities – founders benefit from both alongside Imperial and licence returns do not get diluted like the equity. A 2020 <a href="#">Research England report on Best Practice in Equity Stakes for University Spinouts</a> highlighted Founders Choice as one of the best in the UK as Imperial inventors receive both founding equity and a share of royalties.
2.	As a PhD student, does the reward to inventor's scheme differ to my PI when the technology is licensed, since I am not staff?	Students are treated on the same basis as Imperial staff under the <a href="#">Reward to Inventors Scheme</a> (College login required) when Imperial commercialises IP that <a href="#">students jointly invent with staff</a>
3.	What are my rights as an inventor once the patent is filed and who makes the final decision regarding licensing the technology?	All inventors are named on the patent application. The <a href="#">College's IP Policy</a> (College login required) outlines the ownership of IP generated by staff, students and associates. For staff, IP generated in the course of their research (or normal duties) is owned by College and they benefit from a share of licence revenue under Imperial's discretionary <a href="#">Reward to Inventors Scheme</a> (College login required). Imperial's <a href="#">IPC Teams</a> have the resource, expertise and experience in finding the best commercial partner for Imperial's technologies whilst working in the framework of Imperial's charitable objectives and mission. The IPC Teams work closely with the inventors, Department Champions and ITES (Imperial Technology Experts Service; a pro bono support network working with Enterprise) to assess the best route to impact. Note that Imperial has an obligation to maximise impact of Imperial's inventions and this usually requires the involvement of the academic team.
4.	Upon formation of the startup will the IP be owned by Imperial, and not the new startup company?	Yes, Imperial College's policy (similar to most other universities) is that it retains ownership of the IP and provides an exclusive licence to the IP to the startup. There are two main reasons for this: <ul style="list-style-type: none"> <li>• that if they assign the IP they may not be able to recover it if the company fails to progress the development of such IP or goes insolvent.</li> <li>• that if the company were to further assign the IP to another company, then any royalty obligation 'attaching' to IP that formed part of the original assignment would fall away.</li> </ul> Consequently, many UK universities would prefer to follow the US model and exclusively licence IP into new startups.

5.	Is there a difference for inventors in terms of reward to inventors whether their IP is licensed to a startup or a 3 <sup>rd</sup> party?	No in terms of licence payments but in a startup inventors get equity as well as benefitting from reward to inventors (see Question 6 below). The College's share of licence income is shared between inventors in accordance with their agreed % inventive contribution to the new technology's creation and distributed under the <a href="#">Reward to Inventors Scheme</a> (College login required). The inventors' agreed % inventive contribution is recorded in the IP Due Diligence Form (see Appendix 4) and is signed by all inventors and kept in College's records until there is revenue to distribute. The distribution model operates in the same way for revenue received from startups or other types of licensee. Inventors can change the % revenue share between themselves and/or include other College members in the share, at any time, provided all inventors agree.
6.	How good is the Imperial "deal" compared to that offered by other Universities (via their Technology Transfer Offices)?	See the 2021 <a href="#">QuickStart Guide</a> to University Equity Stakes compiled by UK and US universities and 2020 <a href="#">Research England report on Best Practice in Equity Stakes for University Spinouts</a> which highlighted Founders Choice as: <ul style="list-style-type: none"> <li>• Providing clear guidance</li> <li>• Inventors receive both founding equity and a share of royalties</li> <li>• Inventors take up to 95% founding equity</li> </ul>
7.	Reward to inventors – is it possible to waive personal reward and divert it to the Department/Group?	Yes. There are opportunities for inventors to express their wishes on the recipient of <a href="#">Reward to Inventors Scheme</a> (College login required) revenue either in the IP Due Diligence Form or at the point of payment when they are asked if they would like to receive revenue via payroll. This includes the option to transfer the reward to a departmental account or divert it elsewhere.
8.	For non-IP startups, do I still need to come to Enterprise?	If the basis of the startup is completely unconnected with your research work, then no, e.g. charitable activities. If it is connected, then yes, you should get in touch with your IPC team to discuss and agree a way forward and make sure all necessary approvals are in place before the startup is set up.
9.	What other College policies do I need to be aware of?	Just focusing on startups, the College expect that College staff continue to observe the same limitations it has on research activities in <a href="#">tobacco</a> , weapons and terrorism to activities carried out by the startup company. Founders should ensure that the startup avoids future business with the tobacco industry and complies with Government regulations on export controls.
10.	Government legislation	All companies will need to abide by all relevant government legislation and guidelines. Your company lawyers will be able to advise if you have any specific questions. However, to highlight one new piece of legislation that has recently become law, The National Security and Investment Act 2021 increases the importance for startups to conduct KYC (Know Your Customer) checks on all their investors. Imperial College will expect to see evidence that this has been done by all startup companies.

### Section 3: License

For more information about Imperial's IP Licences please check the glossary of licence terms [here](#) which is provided to explain the meaning of some common words and phrases found in the terms of licence agreements. During your commercialisation journey, you may encounter or be asked to comment on these terms by [Industry Partnerships and Commercialisation \(IPC\) team members](#) or your commercial or legal representatives if you are forming a startup company. This glossary is provided as an information guide and is part of the [Enterprise Division's](#) commitment to provide you with support during the commercialisation process.

1.	If IP is owned by Imperial and it is licenced to the startup, what assurances do we have that a) the licence will not be given to other parties too, and, b) the licence will not be	If the licence is exclusive in all fields and territories, then Imperial cannot licence to a 3 <sup>rd</sup> party. This will be discussed with the founders.  Note that a standard clause in all licences covers diligence conditions which are there to ensure the startup makes use of the IP. These are important for Imperial College to meet its charitable objectives and mission to maximise the societal impact of its research outputs. Startups can often experience changes
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	withdrawn from the new company?	of direction or unforeseen circumstances; in the event a company is struggling to reach these goals the licence agreement provisions specify that dialogue is required between the licensee and licensor as the purpose of the licence is to promote development and commercialisation of the IP for the benefit of both Parties and Imperial College. Licensors can impose penalties or terminate the agreement to “encourage” the Licensee to meet its obligations or give other potential licensees the opportunity to develop the IP.
2.	Why do we need a suitable <a href="#">business plan</a> in place before startup formation/licence negotiation begins?	The requirement to produce a <a href="#">business plan</a> is primarily for the benefit of the startup; it is very important to be clear how the startup will generate revenue and what investment will be needed. Note that we do provide a template PowerPoint presentation to guide the founding team in preparing the plan and will also seek to provide feedback and support from the Departmental Academic Champions and ITES as needed. The final plan is also important to obtain approval from Faculty and Enterprise and the detail of the revenue model is needed to ensure that fair commercial terms (regarding the license terms and equity proposal) are proposed. See Appendix 5 for a sample of the <a href="#">business plan</a> template.
3.	Once IP/patent is licensed to the startup, who will cover historic/future patent costs?	In the case of an exclusive licence the Licensee covers these costs. Terms might vary for non-exclusive licences.
4.	Can the startup have assignment of the College’ IP?	No, as per FAQ Section 2, question 4 above. IP can be licensed, not assigned, to the startup. Should the opportunity arise typically at the time of acquisition, we can discuss and exceptionally consider assignment on terms to be agreed at the time.
5.	Why is it important to identify <a href="#">all IP</a> to be licensed by the startup?	So the startup will be operational and to do so early on (no holdups during Due Diligence checks, see Appendix 4).
6.	What is the basis for the commercial terms (benchmarks used) and why might they look different from other universities?	Overall terms, not just selected terms, need to be considered when comparing with other TTO’s. Commercial terms are crafted in consultation with market trends, royalty databases and our own internal assessment which often includes feedback from ITES (Imperial Technology Experts Service; a pro bono support network working with Enterprise).
7.	Can a startup have access to arising IP from a Founder’s lab?	Yes. The team should discuss an Option Agreement for access to an IP pipeline arising from that lab in a defined field for a defined period of time.
8.	How can a startup work with the founders’ academic research lab/group?	In most cases the founding teams research group is best placed to carry out the technical development of the product. In these situations, the startup should be treated as any external research funder and a separate research agreement put in place via the Faculty’s <a href="#">Research Contract Teams</a> .
9.	As researchers, can we continue doing research using the IP which has been licensed to a 3 <sup>rd</sup> party or a College startup?	All Imperial licences include a Reservation of Rights Clause to ensure that Imperial academics and researchers can continue to use the IP under licence for research and teaching purposes; core to its mission as a university it “reserves the right” for them to do so. Note the wording of this clause does not grant Imperial (or anyone else) any rights to use the IP for commercial purposes.  Research funders and collaborators often require additional reserved rights to appear in any licence to IP developed from a research project (for example, reserved rights for external academic groups working on the research project).

#### Section 4: Equity

1.	Inventors and equity due; Inventor vs. Inventive founders vs. non-participating inventors vs. non-inventive founders	Founders are defined as those individuals who are active participants in founding the startup. Inventors, on the other hand, are individuals who have contributed IP that will be licensed to the startup company upon formation. It is possible for an inventor to also be a founder if they are actively participating in the founding of the startup (inventive founder) but they remain solely an inventor if their only contribution to the startup is the IP that will be licensed into the startup (non-participating inventor). The other possible role is a non-inventive founder, defined as someone who has not contributed any IP but will play an active role in the founding of the company. If the non-inventive founder
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		<p>happens to also be an employee of the College then they will fall outside of the HMRC's researchers' tax safe harbour (for further information, please refer to page 13) and should seek independent tax advice from a professional adviser.</p> <p>Under the <a href="#">College's IP Policy</a> (College login required), all inventors are due a share of the founding equity in the startup. Inventors can decline equity but need to do so in writing to Enterprise. Non-inventive founders, on the other hand, are not due a share of the founding equity under the IP Policy.</p> <p>For the Founder Driven Route, any equity assigned to these individuals is shared from the initial 90-95% equity share of the founders. For the Jointly Driven Route, the equity assigned will be assessed on a case by case basis.</p>
2.	Why do we need a suitable <a href="#">business plan</a> in place before startup formation/licence negotiation begins?	The requirement to produce a <a href="#">business plan</a> is primarily for the benefit of the startup; it is very important to be clear how the startup will generate revenue and what investment will be needed. Note that we do provide a template PowerPoint presentation to guide the founding team in preparing the plan and will also seek to provide feedback and support from the Departmental Academic Champions and ITES as needed. The final plan is also important to obtain approval from Faculty and Enterprise and the detail of the revenue model is needed to ensure that fair commercial terms (regarding the license terms and equity proposal) are proposed. See Appendix 5 for a sample of the <a href="#">business plan</a> template.
3.	The equity that Imperial will have equates to the shares in the company. Will these shares be at different classes to the founders?	In the Jointly Driven route, Imperial has the same class as the Founders. In the Founder Driven route, Imperial has non-dilute protection so has a class of shares that allows this to be defined in the Articles of the company. All other share rights are the same as the founders.
4.	Noting Imperial shares are non-dilutable, but the founders' are, can this be negotiated as the majority holding can be lost very quickly?	Non-dilute protection is fixed in the Founders Choice™ policy. The key is that the founders have 90 to 95% of the equity and they make the decisions on how much money to raise on what terms.
5.	With a 50% jointly driven model, a) will Imperial have the final say on the level of investment accepted (i.e. how diluted the shares will be made?), and; b) how are decisions driven? Which management support to engage, business strategy, research strategy, etc; will Imperial have a supportive role, or a decision making one?	<p>Imperial will be part of the decision with one person on the board and a shareholder. The final decision lies with the company, i.e., jointly with all board members and shareholders.</p> <p>These are all covered in the <a href="#">Letter of Understanding (LoU)</a>. Who does what is decided jointly but the principle is that Imperial is helping the founding team be successful, not running the company on their behalf.</p>
6.	Is there precedence for the Jointly Driven model with Imperial having less than 50% shares?	Yes. The policy sets 50:50 as the starting point and considers any special conditions to adjust that split. The final split is therefore case by case.
7.	Is there precedence for the founders to also have non dilutable shares?	No. The basis of the Founders Choice™ policy is that the founders get 90 to 95% of the equity and then have the control. College is in the back seat with some protection from the non-dilute hurdle to ensure there is some return to College and the funders of the research if there are charities involved.
8.	What options do I have if the College does not think the <a href="#">business plan</a> is not good enough?	Enterprise will discuss with you what is needed to improve the <a href="#">business plan</a> and help you identify resources (Faculty Enterprise Champion/IVMS/ITES) that could help with that.

# Appendix 4: Intellectual Property (IP) Due Diligence

This note has been put together to illustrate the steps that need to happen to confirm IP ownership and transfer it from Imperial College London (Imperial) to our technology transfer subsidiary Imperial College Innovations Limited (ICIL).

It is crucial to remember the following three points:

1. To disclose all the IP (such as software, database, knowhow, design documents, etc) and inventors to the IPC teams as early as possible, during the technology disclosure phase. This will avoid delays in the Due Diligence process and in forming startup companies;
2. To discuss with the IPC teams as early as possible how the IP was funded, and to make them aware of any unusual funding terms that you might be aware of;
3. Interact with and reply to the IPC, PALM (Patent and License Management, which manages the Due Diligence process) and SU teams promptly.

Your cooperation will help us greatly in progressing swiftly, without delays.

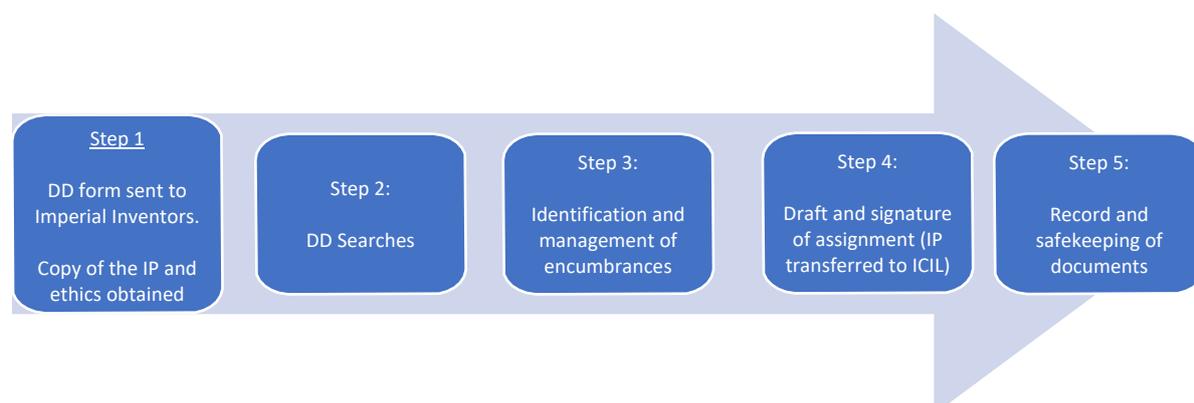
## Introduction

ICIL is Imperial College's fully owned subsidiary and whose operations fall within the larger Enterprise structure. Imperial is a charity and cannot enter into commercial agreements with external organisations. Hereafter, the IP that is generated by research and academic staff (and students if appropriate; please refer to the [College's IP Policy](#) (College login required), at Imperial needs to be transferred to ICIL.

The transfer is executed with a legal document named "assignment agreement". The assignment agreement needs to clearly identify the IP in question and who generated it. In order for the assignment agreement to be drafted and signed, the PALM team needs to perform "Due Diligence", meaning we identify anyone who might have rights to the IP, so that we are sure that we are able to license it via ICIL.

## Due Diligence process

The IP Due Diligence process begins once the IP has been disclosed and a patent/trademark/design rights have been filed or software/knowhow is deemed of commercial interest.



## Step 1

The PALM team contacts the Imperial inventors, asking them to complete the Due Diligence form. Some of the information might have already been provided in the Invention Disclosure Form (IDF) (inventors, inventors contributors, funders etc). If the information is the same, still valid and current, please confirm this in the Due Diligence form, and complete the remaining sections.

However, this is the stage where the information is confirmed and verified. The IP Due Diligence form is important as it records information that are vital for the PALM team to act on (step 2: Due Diligence searches). Only the Imperial inventors are required to fill in the form.

**IMPORTANT:** The Due Diligence process cannot start without the Due Diligence form, without a copy of the IP (software, knowhow document, database, or a copy of the filed patent application) and without a copy of the patient consent form/patient information sheet, for inventions with clinical data. Your cooperation is appreciated if you could return the form to us promptly. Please get in touch if you have any questions about how to fill in the form.

A quick instructional video is accessible [here](#), to guide you through on how to complete the different sections of the form.

In certain special circumstances, for example in case of a patent, the PALM team might contact you at this stage, asking you to sign and return an assignment to Imperial College, to facilitate the management of the patent.

## Step 2

The Due Diligence searches are at the core of the activity, and include the following:

- Confirm what the IP is, and obtain a copy of it;
- Establish the relationships of the inventors with Imperial;
- Confirm ownership of the IP

In addition, research agreements which funded the research work leading to said IP need to be identified, their terms and conditions analysed before acting on any terms and conditions that need to be acted on.

**IMPORTANT:** During this stage, the PALM team might contact you for clarification questions if things are not clear. Again, your cooperation is important, as we need your input to progress.

## Step 3

The PALM team acts on the findings of the searches and manages the necessary encumbrances to enable the IP being assigned to ICIL. Encumbrances are legal rights

that other parties and entities might have on the IP, as they funded or co-generated the IP.

As examples, encumbrances might include:

- notification to the funder that the IP has been created;
- consent to commercialise the IP;
- revenue share

Some actions are quick to be acted on whilst we might need an active reply on others. There are instances where we need to honour the terms of the funding contract and we need to wait for a specified period of time, as agreed in the contract (which could vary, up to 60 days, for example). If the IP is jointly developed with somebody else, we need to find an agreement with them.

Both the PALM and IPC team work together to manage these required actions. All this work usually happens in the background and is usually the most time consuming step as we rely on others to progress.

## Step 4

Once the Due Diligence work is concluded, the PALM team will liaise with the Legal team to draft an assignment to formalise the transfer of the IP to ICIL. Usually, you will be required to sign such an assignment agreement. The signature process is managed electronically via DocuSign.

# Appendix 5: Business Plan Template

The screenshots below highlight the information required within a startup Business Plan. The template can be accessed [here](#) to allow startup companies to begin preparing their Business Plans.

Imperial College London Business Plan Template  
v.2021-01-15

## [Startup Company] Business Plan

[Single line description of the company]

**GUIDANCE**

The slides within outline the information required by IPC/Startup teams to assess the business opportunity

Keep the technology information concise and focus on the business information

The bullet points on each slide are suggestions for the content on that slide. You may not be able to provide it all in the first instance, but you should provide some initial assumptions

Keep each section to one slide ideally but 15 slides total length. You can use appendix slides to provide further information if you wish

[Authors] [Date]

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Imperial College London **Executive Summary**

**Tip:** complete abstract/summary slide after rest of the pack

CONFIDENTIAL 2

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Imperial College London **Background/Opportunity**

- What problem are you solving and for whom (market pull)?
  - Who is the customer?
- Why?
  - What is your motivation/goal for the company?

**Tip:** think about the long term vision? Does it involve an exit? If so at what price? How far do you want the company to go? E.g. scale up to be a major global leader

CONFIDENTIAL 3

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- What is the eventual product/service (or family of products) as you see it being packaged and delivered, in marketing not technical terms?

Tip: think about the context of the problem described

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CONFIDENTIAL

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- What is the technology offer?
  - Have you validated the technology? E.g. feasibility studies with potential customers, field trials, etc.?
  - What are the key benefits to customers?
  - Is there any cost analysis?
  - What are the advantages over the competition?
  - Why is it unique and for whom?
- How is the idea protected?
  - Details of IP e.g. patents, knowhow, software, other
  - Is there any IP from other organisations or individuals outside Imperial?
  - Freedom to operate

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- Market size?
  - Total Addressable Market / Specific Addressable Market
  - Where is your product(s) positioned in the market?
- Customer discovery and feedback?
  - Any interactions to date?
  - Does your solution (product) address the needs of those experiencing the problem?

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- Who are the key players?
  - Where are you in the value chain? E.g. service provider, technology development etc.
  - How will you get into the market?
- What other solutions are currently available?
  - Think widely
  - If you have one or two competitors, you have probably not thought widely enough
  - Why is your product different?
  - Where is your competitive edge?
  - What are the barriers to entry for competitors?

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- What is your business model?
  - Will the IP be part of a product or service for sale and/or sublicenced to others in the value chain? (If sublicencing is envisaged, what is the timeline?)
  - Will the company provide consultancy or other services using the IP?
  - How would the customer buy the product / service?
    - Do you have any data to support this e.g. customer surveying to inform the pricing strategy?
  - When will you have a product ready to sell?
- Barriers to entering market and customer adoption
  - How will these be overcome?

Tip: Is it a one-off sale? Annual licence? Standalone product or as a component? Are 3rd parties required? Price range? Etc.

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- What is the approximate TRL level now and what else is necessary to "productise" it?
  - Will you be developing additional IP to go into the startup? Knowhow? Software?
- What is the path to profitability?
  - What is the first concrete demonstration of value i.e. value inflection point?
  - Estimate (i) the total money required for profitability and (ii) the number of stages envisaged in raising it. (If more than 2 stages envisaged this estimate will likely be rougher) (iii) sources of finance e.g. angels, VC, bootstrapped by grants or developmental contracts?
  - Use of funds at each raise? E.g. team development, lab space, tech. development, business development, team building
  - Timeline of key activities from conception to beyond market entry - milestones?

Tip: See <https://www.imperial.ac.uk/enterprise/staff/industry-partnerships-and-commercialisation/guide/> for more on TRLs. Note Imperial login details are required.

Tip: (i) what resources are needed, including time? If medical device/pharma then identify the clinical trials required

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- Financial model
  - Simple profit and loss, and cash flow (especially if a bootstrapping model is planned) for up to 2 years after the first sale
  - What are the assumptions made?

Tip: Example [template / sample financial model](#). Please review the terms of use and note Imperial login details are required.

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- Current members and their expertise
  - Will they be full time?
  - Are they committed to being with the company in the longer term (assuming funding)?
- Skillsets missing?
  - Recruitment plans
  - What commercial expertise do you have in the team? Do you have a credible company chair and/or CEO who could be the independent negotiator?

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- Why this company?
- Why now?

**Tip:** consider important dates on your timeline, impact to Imperial, society, etc, the journey so far, traction (e.g. are there customers waiting to buy?), market trends and window of opportunities etc.

# Founders Choice™

Founders Choice™ gives Imperial inventors greater freedom to take advantage of the Imperial entrepreneurial ecosystem and to take their ideas forward themselves if they feel capable. This guide contains the information you need to know about Founders Choice™, and how you can participate.