

Policy on formation of spin-out companies - 2025/26

This document should be read in conjunction with the University Intellectual Property Regulations.

1. General Policies

1.1 Where the circumstances suggest that it would be advantageous, the University encourages the forming of a Spin-out Company to implement the commercial development and exploitation of IP owned or controlled by the University.

1.2 Subject to University regulations, codes of conduct and market practices from time to time, members of the academic staff may:

- (a) own shares and/or share options in a Spin-out Company;
- (b) act as directors of a Spin-out Company;
- (c) act as paid consultants to a Spin-out Company.

1.3 Members of staff may not set up a Spin-out Company and/or become an officer (director or secretary) of a Spin-out Company without prior written authorisation by the University.

1.4 A full-time member of staff at the University may not also be an employee of a Spin-out Company. Any formal time commitment of staff towards a Spin-out Company must be approved by the Pro-Vice-Chancellor for Research & Innovation (PVC R&I).

1.5 In all cases, the University will be entitled to a founding shareholding in Spin-out Companies, in recognition of its contribution in one or more of the areas as below:

- i. The University provided the environment and facilities in which the research leading to the spin-out was developed
- ii. The IP was developed from research conducted at the University and funded by research and or other funds from public or charitable sources.
- iii. The University is or has provided support to establish the spin-out such as support from the Research and Innovation services and its other administration teams and networks.

iv. The University is permitting its staff to participate in an external commercial venture (outside the scope of their employment contracts).

1.6 UEA Enterprises Ltd, a company wholly owned by the University to manage commercial exploitation activities, will be the vehicle used to own and control the UEA shareholding in a Spin-out Company. Accordingly, the Director of UEA Enterprises Limited, together with the University's Director of Finance shall be consulted during the spin-out approval and formation process as part of consultation with the University Executive Teams outlined in the following sections.

2 Process for approval of a Spin-out Company

2.1 The interests of the University, the Originators and all staff and others who wish to participate in the Spin-out Company must all be considered, and legal issues must be addressed in the formation of a Spin-out Company.

2.2 Approval for Spin-out Company formation and staff participation in such Spin-out Companies must be provided by the PVC R&I in consultation with the University Executive Team. A business case and relevant information must be prepared by the Spin-out Company's founding team (**Spin-out team**) for review. See attached template for business case preparation. Members of staff are advised to contact the Intellectual Property Team in RIN (**IP team**) in the first instance to discuss the opportunity and complete key steps towards preparation of the business case

2.3 As a general guide, a timeframe of 4-5 months would be reasonable to complete the key steps to inform the business case and this will need to include the following matters:

(i) IP report – IP relevant to the Spin-out Company is disclosed to the University through the COD Form available from Research and Innovation Services as detailed in 4.4.1 in the University IP Regulations and a review has been conducted by the IP team to establish the Originators, any other contributors to the IP, and any pre-existing agreements covering such IP. IP protection requirements, terms for licensing any IP from the University into the Spin-out Company, including responsibilities of IP management, costs relating to the IP and any license fees, royalties, and other fees have been considered by the IP team.

(ii) Technology readiness for commercial exploitation detailed by the Spin-out team.

(iii) Market research conducted by the Spin-out team supporting the commercial potential of the opportunity.

(iv) Staff roles in the Spin-out Company: the impact on existing and future duties of staff participating in the spin-out. Support from the Line Manager (Head of

School/Department), Faculty PVC and PVC R&I will be required to release staff to participate in Spin-out Companies. University staff are advised to contact their Line Managers at the earliest involving the IP team and discuss any potential arrangements for consultancy and/or secondment for staff to the Spin-out Company.

(v). Proposed shareholdings of the University staff members as founders, the University, any professional managers to be appointed by the Spin-out Company, and investors.

(vi). Any arrangements for research collaboration between the Spin-out Company and the University and the use of University resources, such as space and equipment, by the Spin-out Company.

2.4 The IP team shall submit completed Spin-Out business case to the PVC R&I for review. The PVC R&I shall then review the business case, include relevant members of University and advisors as appropriate, and convene a meeting with the Spin-Out Team to discuss the spin-out opportunity. Where full information is available on the Spin-Out PVC R&I shall present the business case to the University Executive Team. A decision and written communication shall be provided by the PVC R&I approving the SpinTCompany formation . A decision shall be provided within 2-3 months of review of the business case. Spin-out Company formation process may only commence on receipt of written approval from the PVC R&I.

2.5. The University recognises that not all Spin-out Company formations can be completed in the same way. The list of key steps in the business case template is a general guide and additional information may be required in some cases. Where additional information is required and/or multiple parties may be involved requiring matters to be resolved, completion of the business case and review of the spin-out opportunity and approval may require a longer time frame and/or different process. The University will keep all parties informed of the progress and wherever possible use standard agreements to complete the process efficiently with the cooperation of all parties.

3. Allocation of shareholding in the Spin-out Company

3.1 The founding shareholders of the Spin-out Company are likely to be (i) the University staff who conducted the research to be exploited by the Spin-out Company and/or who created the business opportunity, (ii) the University; and (iii) any external individuals whom it is intended will manage the Spin-out Company in the immediate future. Where any financial investors are involved at the spin-out setting up stage, they may also subscribe for founding shares. In some cases, funders who funded the underpinning research and or generation of IP may require

shareholding in Spin-out Companies at the foundation stage. Pre-existing arrangements with research funders should be identified in the IP review stage in 2.3. Where research funders are to receive any shares in Spin-out Companies, the University and the University staff to be involved in the Spin-out Company will enter discussions with the funder to agree an appropriate shareholding for the funder.

3.2. The proportion of shares in any Spin-out Company to be owned by the University and by an Originator shall be determined by negotiation in the light of the circumstances of company formation. The default position is that the University shall be allocated a founding shareholding of 20% immediately prior to the first dilutive investment round in the Spin-out Company. Any change to this position depends on the circumstances and is subject to agreement on a case-by-case basis and will require appropriate timeframe for completion of such negotiations.

3.3. The allocation of founding shareholding to the University may vary depending on the industry or technology sector and the market conditions. For instance, for Spin-Out Companies in the life sciences sector University shareholding will normally be between 10 to 25%; in software sector 10% or less; and in hardware or engineering between the life sciences and software sectors (10 - 20%). The University shall aim to follow these general shareholding positions, but always subject to such criteria as the market conditions in the relevant industry, the specifics of each commercial deal, the contributions and support made by the University in developing the opportunity and any further support to be required from the University, the maturity and readiness of the technology for commercial exploitation, the amount of IP, the existence of a revenue-bearing licence and any other factors which could have a bearing on the University shareholding.

3.4 The University's founding shareholding as detailed above will be on a fully diluted basis until the first round of dilutive investment. In this context 'fully diluted' means that the remaining shareholding includes:

- (i) Shareholding for University staff members as founders;
- (ii) Allocation of shares to the management team;
- (iii) Creation of an Employee Share Options Pool of 10-20% prior to the first external round of funding. This Options pool to be used to incentivise incoming employees to the Spin-out Company; and
- (iv) Shareholding allotted as part of a third-party incubator/accelerator programme, or other means of support available prior to an external funding round.

3.5 Where there might be more than one Originator and all such Originators wish to be part of the Spin-out Company as founders, their shares of the available shareholding for founders in the Spin-out Company should be agreed between them.

Founders should adopt proportionate shareholdings recognising their contributions towards the originating IP and their continued support towards the Spin-out Company, and the need to reward and incentivise those individuals who will commit considerable effort in taking the Spin-out Company forward. The University will facilitate discussions around shareholdings between founders and key members to ensure the company structure is in line with market expectations. Where appropriate, external advice should be sought by the Spin-out team to ensure the company structure is in line with market expectations.

3.6 The University shall retain the right to appoint a Director or to have observer status to attend board meetings of the Spin-out Company and receive board minutes to maintain insight into company's business operation and performance. At the Spin-out Company's request the University may provide a director at the Spin-out Company's expense.

3.7 No member of the administrative staff of the University in a position to influence the relationship between the University and a Spin-out Company may own shares or share options in a Spin-out Company; nor act as a director of a Spin-out Company, except as the University's nominee.

4. Licence of IP to the Spin-out company

4.1 At the foundation stage, the University will licence relevant IP into the Spin-out Company on an exclusive or non-exclusive basis depending on the Spin-out Company's requirements and as supported by its business plan. During this period when the IP is under licence to the Spin-out Company, the University will manage that IP (with related costs attributed to and payable by the Spin-out Company) and retain ownership of that IP. The University may subject to the terms of the aforementioned IP licence grant exclusive licence to the IP or assign the IP (i.e. transfer ownership of the IP) to the Spin-out Company in future. All licences to the relevant IP to the Spin-out Company or IP assignment will be provided in return for financial compensation, and subject to negotiation between the University and officials of the Spin-out Company as stated below.

4.2 During this period when the IP is under licence to the Spin-out Company, the University will seek for payment of licence fees, royalties, and milestone fees from the Spin-out Company in exchange for the IP licence. If the IP involves payment of costs to protect it and maintain it, e.g. patents, the University will be entitled to reimbursement of such costs on an ongoing basis and of the Spin-out Company will pay the historic patent costs incurred by the University before the licence agreement.

4.3 In relation to the determination of license fees and royalty rates, these will be determined based on any market rates, valuation method and benchmarking data available together with consideration of the sector, technology, and specific deal. As a general guide, early-stage technologies and IP may typically have a royalty rate in the range 0.5 to 2% and later stage technologies or more advanced IP may typically have a royalty rate over 5%.

4.4 Any University IP that is not declared by the Originators and founders at Spin-out Company inception stage and that the company subsequently wishes to licence from the University will be subject to negotiation of appropriate commercial terms between the University and the Spin-out Company.

5. Company registration or incorporation

5.1 Post approval from the University the Spin-out Company may be set up and registered by the University, or the University staff founder, or an authorised representative, e.g. lawyer.

5.2. Setting up a Spin-out Company involves the negotiation and completion of several agreements between the University, the Originators and Founders, and any investor(s) or other person(s) who join the company, such as a term-sheet, Shareholders Agreement, IP Licence Agreement, Consultancy Agreement, Secondment Agreement and Research Collaboration Agreement. These agreements between the Spin-out Company and the University should be completed within 3 months of formation of a new Spin-out Company.

6. Consultancy or secondment arrangements

6.1 Where an Originator or founder wishes to enter a consultancy or secondment arrangement with a Spin-out Company, the consultancy or secondment terms should be based on the University's policy and terms and conditions for provision of consultancy or secondment services in place at the time or as updated from time to time.

7. Research collaboration agreement

7.1 When a Spin-out Company is set up, it could require further research and development activities to be performed at the University research facilities. The University expects to enter into such arrangements through research collaboration or contract research services agreement and to develop a mutually beneficial relationship with the company in conducting such research and development work.

The research and use of University facilities will be subject to payment at commercial rates on a full economic cost basis.

8. Revenue share from Spin-out Companies

8.1 Where any net revenue arises for the University from the activity or sale of a Spin-out Company the revenue-sharing arrangement set out in Intellectual Property Regulation 4.8.1 above shall apply, except that there shall be no revenue entitlement for any Originators who hold shares or share options in the Spin-out Company. Under these circumstances the revenue share described in Intellectual Property Regulation 4.8.1 as being due to the Originator will be split equally between the University and the relevant School they belonged to at the time of creation of the relevant IP.

9. Alternative forms of Spin-out Companies

9.1. University will consider business cases for the creation of Spin-Out Companies with different structure and other than limited by shares (limited companies). Formation of all such Spin-Out Companies will require review of a business case followed by a written approval from the University. Spinout Teams are directed to follow the above terms with the support of the IP team.