UNIVERSITY OF LIVERPOOL

Enterprise: Licensing and Ventures

SPIN-OUT COMPANIES

GUIDELINES AND PROCEDURES 2026

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Spin-out Companies – Guidelines and Procedures

Introduction

The University of Liverpool encourages its academic and research staff to form new spin-out companies, with the involvement and support of the Enterprise Team, following the procedures outlined below. A spin-out company is a new company (NewCo) formed to generate impact by commercialising intellectual property (IP) derived from University research outputs and often involves University academic and research staff in its management.
In recognition of the University's role in supporting the research and IP development, as well as providing ongoing support and/or investment, the University expects to become a shareholder in spin-out companies. Likewise, the University recognises that University staff actively involved in the new company also expect to become shareholders.
The procedures for University staff becoming involved in companies other than spin-out companies through consultancies, advisory roles, or directorships are described elsewhere, e.g. the Consultancy Policy and the Conflict of Interest policy.

Role of the Enterprise Team

The Enterprise Team is part of the University's Research Partnerships and Innovation Directorate (RPI). It supports the protection and development of University IP and assists the spin-out team in developing and establishing the new spin-out company. This includes licensing the IP into the new spin-out, providing access to University facilities, and seeking necessary University permissions for the formation of the new company.
These arrangements relate to new companies where at least one of the founding team members remains a staff member at the University. If all the University staff involved are leaving the University to join a NewCo, these arrangements do not apply. In such cases, the University may treat the company as a wholly independent and, for example, licence IP to the company on a wholly commercial basis rather than taking shares.
If all those involved in the NewCo are students and not staff at the University, then these guidelines do not apply. Student start-up companies are currently supported via the Careers and Employability Service.

Approval by the University

The spin-out team will be supported by the Enterprise Team, and the overall arrangements relating to shareholdings and IP licensing will be approved by the Head of Enterprise. University staff involvement must also be approved by their line manager and/or their Head of Department, taking into account any potential conflict of interest.

The Enterprise Team uses a two-stage approvals process.

Stage 1: The purpose of stage 1 is to:
·recognise the intent of the spin-out team to form the company
·ensure all those involved are informed
·identify any issues for the spin-out team to address.

This stage requires the spin-out team to complete **Spin-out Deal Form A**, together with a description of the proposed business. University signatories complete Deal Form A to confirm awareness of and support for the plans.
This does NOT constitute formal approval to proceed.

Stage 2: The purpose of this is to provide details of the arrangements which have been agreed by all stakeholders for shareholdings, IP licensing and access to University facilities. The Enterprise Team will then request approval from the University for the spin-out to proceed. This requires completion of **Spin-out Deal Form B**.

The Pro-Vice-Chancellor for Research and Impact (PVC) has the authority to approve NewCo formation for the University, on the recommendation of the Head of Enterprise. The PVC will approve or indicate any objections to Spin-out Deal Form B via the Head of Enterprise. In the event of a conflict of interest, the authority to approve a NewCo will be delegated to the Deputy Chair of the Enterprise Investment Group (EIG).
The forms will be made available to the team at the appropriate time.

Shareholdings

The founding shareholders of the company are likely to be (i) the University staff involved in the underpinning research and creating the business opportunity, and (ii) the University; followed by (iii) financial investors and (iv) external management.

The University has arrangements in place, described here, for determining the relative shareholdings between (i) the University staff involved in the underpinning research, and (ii) the University.

Future shareholdings obtained by (iii) financial investors and (iv) external management are a matter for negotiation with the company.

In some cases, external research funders expect to become shareholders in spin-out companies that use IP developed under research arrangements where they have provided funding. This will be identified as part of the Invention Disclosure Form, and subsequent due diligence process mandated by the University IP Policy and completed by the University staff member with the assistance of the Enterprise Team. Where this is the case, the allocation of shares between the University and the staff involved in the underpinning research will be adjusted such that all parties will dilute equally.

The University expects to be a shareholder in the spin-out for the following reasons, under these four headings:

i. The University has provided the environment and facilities in which the underpinning research has been developed

ii. The University has supported the protection of the IP and is allowing the University-owned IP to be licensed to the spin-out business

iii. The University is providing the support of the Enterprise Team and its other administration teams (e.g. Legal, HR) and networks in establishing the NewCo

iv. The University is giving its permission for its staff to participate in an external business venture.

In most cases, the University expects to start with a shareholding that is based on its substantial involvement in the opportunity, however the founding academic(s) will receive a larger proportion of the equity. The creation of an option pool is anticipated. When creating a NewCo, the University expects the following as the norm:

i) The University will take a 20% equity stake in a conventional spin-out, with an approved option pool of 10% – 20% and the remainder of the equity being distributed between the founding managers and actively engaged academics.

A University conventional spin-out is a company established to commercialise innovations that are deeply rooted in IP developed within the University, often involving significant use of University facilities, research groups, and technical expertise. These ventures typically rely on protected IP, such as patents and other formal rights, that the University has actively invested in securing. The spin-out's viability is closely tied to this IP foundation, which often represents a substantial competitive advantage and reflects a higher level of technical complexity, significant grant funding and capital investment over a number of years.

ii) The University will take a 5-10% equity stake in software-based spin-outs, with an option pool between 15– 25%, and the remainder of the equity being distributed between the founding managers and actively engaged academics. A software spin-out is defined as a company formed to commercialise software developed from academic research, requiring only the transfer or licensing of source or object code from the university to become operational. These ventures typically have lower capital requirements compared to other technology-based start-ups, benefit from fewer regulatory hurdles, and can reach the market more quickly due to the nature of software development.

Any variations to this approach must be considered by the Pro-Vice Chancellor for Research and Impact. The Pro-Vice Chancellor for Research and Impact will review the case with the Enterprise Investment Group (EIG) and make a decision. In this case, the University staff agree the decision of the EIG is final, and there can be no further appeal.

In taking this approach, the University is recognising that the University staff are due a substantial stake in the spin-out company because they have made an intellectual contribution to the underpinning research; they are committing to invest a substantial amount of effort in developing the business venture; and the business effort will require their full support and commitment. The University recognises that following formation, the company may enter into arrangements with university staff such that the staff member acquires further shares in the company (beyond any taken up through pre-emption rights and future investments). The University staff member involved is responsible for ensuring that there are no unreported conflicts of interest.

Licensing of University Intellectual Property

Spin-out companies use intellectual property (IP) owned by the University and licensed into the company. This may be a combination of patents/applications, copyright, know-how and data.

The University recognises its position as a shareholder in the spin-out company and licenses its IP into the company on reasonable terms, recognising the challenges facing the company in its early years. Licence terms are negotiated on a case-by-case basis, with the University seeking commercially reasonable terms, particularly when the company is in its start-up phase.

The University does not immediately assign (transfer ownership) of its IP to the new spin-out company due to the inevitable risks associated with a new start-up company. The licence terms will be negotiated between the Enterprise Team and the NewCo.

In all university spin-outs, a royalty rate will be negotiated between the NewCo and the University in good faith with the aim of reaching reasonable commercial terms. The University will normally look to take a royalty rate between 0.5 – 5% dependent on the maturity of the technology.

Use of University Facilities and Premises

The University recognises that the NewCo may wish to use University facilities and/or undertake its business activities from premises owned or controlled by the University.

The University has access to specialist equipment and facilities that the NewCo may find difficult or costly to access independently. The Newco must agree on appropriate arrangements and contracts with representatives of the University, including the Head of Department and/or Operations Manager. Access to facilities should be identified early using the Spin-out Deal Form A, to ensure that appropriate arrangements are agreed prior to spin-out. The University may have constraints on how these facilities are used and may require third-party consent before allowing access by spin-outs.

Directorships

The University recognises that its staff may become Directors of the new spin-out company.
University staff joining a NewCo's Board should undertake University-approved training for Directorship or demonstrate that they have undergone formal Directorship training delivered by a recognised external body, such as the Institute of Directors, Training should include the responsibilities and liabilities of a company director. The University encourages its staff to obtain appropriate Directors and Officers insurance from the NewCo.
The University takes no responsibility for the consequences of its staff becoming directors of a spin-out company.

Consultancies

The University recognises that the spin-out company may wish to engage University staff as consultants to the company via a buy-out of time from the University. Such arrangements must be approved by the staff member's line manager or Head of Department.
The University recognises that consideration for these consulting services may be in cash or further shares and share options.
The University requires its staff to use the University's normal procedures for arranging any consulting contracts where the staff are being personally remunerated. See www.liverpool.ac.uk/intranet/consultancy/

Part-time Working

University staff may wish to change their employment arrangements with the University to, for example, work part-time for the University and part-time for the NewCo. Where this is the case, individuals should discuss this with the Head of Department with the support of the University HR team.

Secondment

Similarly, University staff may wish to remain fully employed by the University whilst the NewCo contracts with the University for secondment of the staff member for a proportion of their time. Such arrangements must be approved by the staff member's line manager or Head of Department.

University Directorships

The University will require the right to appoint a Director to the Board of the company whilst it owns at least ~10% shareholding in the company. The University may appoint an Observer to the Board in addition and/or in place of the Director if it wishes.

If the University holds less than ~10% shareholding, it will retain 'Information Rights' such that it receives copies of Board Papers for the first five to seven years that it is a shareholder.

Enterprise Investment Fund

The University Enterprise Investment Fund can make awards to accelerate the formation of spin-out companies. Any award granted which facilitates the company formation will be included as an investment in the company. For information on how to apply for Enterprise Investment Fund Awards, see [Hyperlink to be added]

Following formal approval to spin-out, from the Pro-Vice Chancellor for Research and Impact, the NewCo may apply for investment from the EIF via a formal pitch to the University's Enterprise Investment Group (EIG). Approval to spin-out does not automatically result in a commitment to investment by EIG.

Conflicts of Interest

Involvement in a spin-out company can result in conflicts of interest arising between the interests of the company, the interests of the University staff involved and the interests of the University. Conflicts may arise in the following areas, but are not limited to:

- disclosure of IP
- research funding relationships
- involvement of student projects in company activities
- shareholding in multiple spin-out companies

The University has a Conflict of Interest Policy explaining procedures for managing Conflicts of Interest, see https://www.liverpool.ac.uk/about/the-university/reports-policies-and-governance/governance-policies/disclosure-of-interest/

The University's approach is for individuals to identify and report potential conflicts and for all those involved to seek effective ways to manage them, so that any associated risks are minimised. In some cases, resolution may not be possible, and the University may not allow certain activities to proceed.

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Disputes
Any disputes relating to these arrangements will be considered under the University's Disputes Procedure, see https://staff.liverpool.ac.uk/media/livacuk/collaborate/Intellectual,Property,Policy.pdf

University Shareholder Management
The University's shareholdings in spin-outs are assets of the University, and the University Finance Director has overall responsibility for their management.

The University identifies two categories of shareholding:
1. University Founding Shares – acquired at NewCo formation, for the same low subscription price as the University staff acquire their Founder shares, or Enterprise Investment Fund shares, when the University's Enterprise Investment Fund has made awards that support the formation of the spin-out company and/or pre-spin-out activities.

2. Investor shares – acquired by the University as part of an investment finance round by the company. The University will pay the same price as other investors at this stage.

The University may buy shares in the company as an investor at early or later stages. The University's Founding and Enterprise Investment Fund shares will carry pre-emption rights, which enable the University to buy more shares in future investment rounds. The University may retain the right to transfer its pre-emption rights to investors with which it has a close relationship.

Dividends
The University may require a dividend policy to be put in place at the time of company incorporation. Dividends allow shareholders to benefit from any profits a company makes, prior to a share sale. This issue will be considered on a case-by-case basis.

Decisions to Sell
The University alone is responsible for making decisions about when to sell its shares in spin-out companies (subject to commercial lock-in agreements).
These decisions are taken by the University Finance Director after consultation with the Enterprise Investment Group.

Distribution of Proceeds
Proceeds from the University's shareholdings in spin-outs from both dividends and share sale will be distributed within the University, after recovery of any investments made from the Enterprise Investment Fund, as follows:

1. University Founding Shares
   - University Centrally 50%
   - Host School/Institute(s) 50%

Where more than one University School/Institute is involved, the respective Heads of School/Institute will agree on the arrangements for splitting the proceeds.

Where a restructuring takes place, resulting in a change in School/Institute, the income will be allocated to the School/Institute most closely related to the original School/Institute.

Where the equity realisation is significant, the University may decide to cap the distribution of proceeds to the University School/Institute. Any profits which are distributed to the School/Institute will be subject to the University's normal budgeting and financial planning processes.

The University may consider using the proceeds of the sale of shares acquired via the Enterprise Investment Fund to stimulate further enterprise or entrepreneurship activities. Further information on the Enterprise Investment Fund can be found here: staff.liverpool.ac.uk/research/enterprise/funding-and-training/enterprise-investment-fund/

2. Investor shares
Proceeds are for the University Centrally.

University staff do not receive a share of these proceeds as they may be beneficiaries from their own personal shareholdings or under the University's intellectual property license revenue distribution arrangements.

Glossary

Assignment – The transfer of ownership of intellectual property between one person or organisation to another. This includes patents, trade marks or designs and needs to be completed in writing.

Assignment fee – An amount payable by the assignee (the person receiving ownership of the intellectual property rights) on assignment.

Convertible loan – A loan offered by a funder that can be converted into company shares. They can be offered ahead of funding rounds as a rapid financing option.

Dilution of shares – this occurs when a company issues additional shares of stock, diluting existing shareholders' percentages of ownership in the company.

Founding equity – the amount of shares owned by the founders of a company.

Intellectual Property (IP) – the results and outcomes of research which can be legally protected. Includes patents, trade marks, software, algorithms, copyright and other unregistered IP, such as 'know-how', databases, animal models and data.

Mandatory option pool – a portion of company shares set aside to issue to employees, directors and advisors that can be used to incentivise and/or reward.

Non-founding IP – Intellectual property that is developed by academic founders within the University but not through funding from the spin-out company.

Pre-money, fully diluted shareholding – The total shares of a company, including any agreed option pool prior to outside investment (pre-money).

Royalties – A payment made by another party to the owner of intellectual property for its use.

Royalty-bearing licence – A licence to use intellectual property in return for a fee, which can be a fixed rate or a percentage of a product developed from the intellectual property.

Spin-out company - A spin-out company is a new company that involves the participation of University of Liverpool staff (academic and research staff) and the use of intellectual property owned by University of Liverpool.