

Approved: January 27, 2014

**GUIDELINES FOR  
EQUITY INVESTMENT IN  
START UP COMPANIES INVOLVING GW INVENTIONS**

Preamble

These guidelines provide general direction for the structure of transactions with start up companies involving the issuance of equity in the form of company securities or company warrants/options ("Equity") to the university for (i) the licensing of discoveries, technological inventions, and medical advances developed by GW personnel and owned by the university pursuant to the GW Patent and Scholarly Works Policy ("GW inventions") or (ii) assisting in the formation of a new start up venture to develop and commercialize GW inventions. These guidelines are to be applied in conjunction with the Patents and Scholarly Works Policy. Any proposed significant deviations from these guidelines should be reviewed and approved by the Vice President for Research, the Executive Vice President and Treasurer, and the Senior Vice President and General Counsel prior to implementation.

Objectives

An important goal of the university, acting through the Office of Tech Transfer, is to seek to commercialize important GW inventions for the benefit of the university, the support of inventors, and the economic development of local and the national economy. Towards this end, an Equity arrangement may be considered in certain situations where the financial ability of the start up company to fund the licensing of GW inventions and/or to form the start-up company solely in cash is limited or not feasible. The advantages of an equity arrangement should be balanced against the benefits of developing a GW invention through licensing or similar arrangements for cash.

General Guiding Principles

1. Equity arrangements shall be memorialized in a written agreement with the start up company that provides for the basic terms upon which the university agrees to license the GW invention along with the terms of the Equity issuance. This license agreement must be approved by the Vice President for Research, the Senior Vice President and General Counsel, and the Executive Vice President and Treasurer.
2. The decision to enter into an equity arrangement should be made on a case by case basis, and should be weighed against the benefits of taking cash consideration. Equity should generally not be taken in lieu of royalty payments. Transactions that involve GW Inventions may consist of consideration to the university that includes multiple components: *e.g.*, cash, royalty payments and Equity.

3. The university's Equity shall be limited to a minority, non-controlling interest in the start up company. The amount of Equity will vary depending on the opportunity.
4. The university shall not participate in the management or have a representative be appointed/elected to the Board of Directors or equivalent body of the start up company, and no agent of the university shall serve in a fiduciary capacity of the start up company. The university may, however, appoint a representative to serve in a monitoring capacity (or as an observer) so long as that representative avoids any management, directorship or fiduciary obligations.
5. The university shall not be obligated to make future cash investment or other payments to the start up company. It may, however, preserve the option to negotiate a "follow on" right that provides the option to the university to make payments to the start up company to avoid dilution of its Equity stake and/or rights. Such future cash investments or other payments should generally be sought from other investors.
6. Equity issued to the university shall be held in the university's name until liquidated into cash. Once the Equity has been liquidated, it will be distributed to stakeholders on the same basis that royalty payments are distributed pursuant to the GW Patent and Scholarly Works Policy.
7. Equity shall be liquidated at the earliest possible time consistent with a reasonable business plan for the start up company.
8. Equity arrangements shall be reviewed for any possible conflicts of interest. Any possible conflict of interest identified shall be disclosed and addressed under applicable university conflict of interest policies prior to executing an agreement for the Equity arrangement.
9. A review of proposed Equity arrangements should be made by the Executive Research Oversight Committee, or a subgroup thereof, at such time appropriate to the schedule for negotiations when the basic terms of the arrangement have been identified.