WSU OC Start-Up Company Formation Guide

Review the company's business model with professionals to determine whether a viable business case is possible. WSU’s Office of Commercialization (WSU OC) can help with the review.

Let your TLA in the WSU OC know you are interested in forming a startup. You may then want to enter into a standstill or option agreement to ensure the University will not license the technology to any third party. This allows time for an individual or a company to develop a business plan and satisfy other licensing requirements. Some of the fundamental steps to this plan are outlined below:

*Developing the necessary components of the start-up plan*

Develop a preliminary business plan and submit to WSU OC. The business plan should identify product(s), the business model, markets (size, competition, fields of use and territories), company management personnel, the development process and timeline, financial costs, capitalization or funding required, and financial projections for five years. The plan should also identify what technologies are needed and their benefits to the company. The business plan needs to be specific enough that the WSU OC and the company can begin to negotiate the deal framework and to identify meaningful milestones for the license.

*Conflict of interest management plan approval*

When a start-up company involves a University faculty member, a plan is developed describing the relationship between the company and the faculty's university research and students. This plan identifies and mitigates potential conflicts of interest and should be initiated as early as possible with the Office of the Vice President for Research.

Negotiate a license deal framework with the WSU OC

The deal terms represent a package whose value depends upon the type and significance of the technology being licensed and external market factors. Components of the package include exclusivity, field of use, equity, royalty rates, sublicense sharing, diligence milestones, minimums and other payments. The terms are interrelated, and there is trade-off among terms in arriving at the entire deal. Equity is typically taken in start-up company deals in exchange for lessening the cash burden on the company in the early years.

*Establish the company as a legal entity*

A license for a technology will only be granted to a company demonstrating the capability of developing the technology into a commercial product. The required documentation includes Articles of Incorporation, by-laws and founders agreements or the equivalent.
Finalize the license agreement. License drafts are exchanged and the final deal terms and contract language is negotiated and agreed upon.

Complete a business plan acceptable to the University.

Finalize the investment agreements. Investment documentation and agreements are reviewed and approved by the University and should be ready for signing. These include:
- Charter (Articles/Certificate of Incorporation)
- Stock Purchase Agreement
- Investor Rights Agreement/Registration
- Rights Agreement
- Stockholders Agreement

Have experienced management on board at the time of signing the license agreement. If that management is on an interim basis, specify assembly of a qualified management team within a period of time after execution of the license agreement.

Provide a capitalization plan and capitalization table. A start-up must disclose the current levels of financing, equity value or capitalization at the time of license signing and must reach specified levels of such financing within an agreed-upon time.

If you have any questions about any of these steps or need more resources, then contact the WSU Office of Commercialization to get assistance.