KickStart Venture Services Start-Up Program

Services and Responsibilities

The KickStart Venture Services (KVS) Start-Up Program (SUP) works with UNC faculty members to support the launch and growth of UNC startups. These start-ups are built around intellectual property arising from UNC research. The program is a partnership between KVS and the faculty founders (Founder(s)). As such, KVS and the Founder will commit to certain commercialization activities (assessment, launch, growth), as outlined below and tracked in the KVS NEWCO Process Google Doc.

Opportunity Assessment
One of the first tasks is to assess the commercial opportunity presented by the research innovation. This will be done by the KVS staff working with faculty inventors, UNC Entrepreneurs-in-Residence (EIR), KickStart interns and external advisors to develop the Business Case for the opportunity. The Business Case will answer the following:

- TECHNOLOGY AND PRODUCT
  - What are the unique, enabling features of the technology?
  - What is the application of those features
  - What problem is being solved?
  - What is the product?

- MARKET AND CUSTOMERS
  - How big is the potential opportunity (patients, units, dollars spent)?
  - What is the unmet need or customer demand to have the problem solved?
  - Who is the typical customer?
  - How is the customer solving the problem today?

- INTELLECTUAL PROPERTY AND COMPETITIVE ADVANTAGE
  - What is the state of the IP filings?
  - Is there any potentially interfering or overlapping IP?
  - What other technologies, approaches, or products are addressing this need?
  - What additional filings are anticipated? Cost of those filings? Geographic coverage?

- TECHNOLOGY AND PRODUCT DEVELOPMENT
  - What is the current stage of development of the technology?
  - What major milestones would be required to get the product to market?
  - What short-term experiments or development activities are next?
  - What grant funding in the PI’s lab is available to fund these development activities?
  - If an SBIR is appropriate, what specific aims would be submitted?

The business case will be a template form easily accessible (KVS Business Case Google Doc) by the Founder(s), KVS staff and student interns. Once a significant portion of the business case has been developed, KVS will assemble a Commercialization Advisory Panel (CAP). This panel will review the Business Case, presented by
KVS and the faculty team. The CAP will provide feedback, help define next steps, and help to identify advisors and/or management.

The result of this phase will be either 1) gather more information and/or demonstrate more validation of the technology (i.e. too early), 2) proceed with incorporation, or 3) don’t proceed with a startup because either licensing is a better commercial option or the commercial potential has not been sufficiently demonstrated.

Company Launch

Potential startups with a sound business case can access KVS company launch services. These include the following:

- Streamlined incorporation as a C Corporation (or LLC if applicable)
  - By-laws
  - Stock purchase agreements
- Help in establishing a board of directors
- Consultation on equity splits among founders and founder vesting
- Help in navigating conflict of interest and conflict of commitments
- Establishment of faculty consulting agreements

In order to establish a legal entity KVS, working with a non-university law firm, will register a new company (“Company”) with state and federal agencies, as appropriate. The Company will be formed as a C Corporation (“C Corp”) in Delaware with the Founder(s). The Company’s initial address of record will be the home address of a Founder or another address deemed acceptable to the Founder(s). KVS has negotiated the cost of incorporation of $1,500 for the generation of all corporate documents (stock incentive plan, formation documentation, operations documents and stock issuance documents). The cost of incorporation will be split where UNC-CH pays $750 and the Founder(s) pay $750. This will also establish the Company as a client with Hutchison PLLC where they will maintain corporate documentation and provide legal counsel. Additionally, based on the share price set at founding, the founders will be purchasing the stock granted to them through the initial grant and the consultant option pool. The money exchanged for stock can be utilized within the NEWCO to pay bills for the company such as the incorporation costs from Hutchison. Also, the NEWCO should be prepared to pay for other out of pocket expenses due to incorporation such as Delaware C Corp filing (~$420, expedite fee is $100 more) and NC Secretary of State filing (~$252).

The suggested initial stock distribution can be divided into three parts:

<table>
<thead>
<tr>
<th>Shareholders</th>
<th>%</th>
<th>Shares</th>
</tr>
</thead>
<tbody>
<tr>
<td>Founders</td>
<td>33.33</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Founder Consultants (subject to vesting)</td>
<td>50</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Stock Incentive Plan</td>
<td>16.67</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100</td>
<td>6,000,000</td>
</tr>
</tbody>
</table>

** 10,000,000 shares will be authorized at incorporation. 6,000,000 shares will be issued or reserved at founding using the distribution listed above. The remaining 4,000,000 shares will be authorized but unissued/unreserved. This is recommended by legal counsel as a way to reduce complexity when the company needs access to more shares after incorporation.

- **Founders**: The founders are usually considered the faculty (or graduate students) who have contributed to the research forming the core of the startup. The founding stock will be divided among all Founders with guidance from KVS. The faculty founding stock will vest completely at incorporation (i.e. the founders own the stock on the day of incorporation).
• **Faculty consultant(s):** Some of the founders will be actively involved in the startup after the company has been founded. For these faculty, additional stock ownership can be given and distributed over time (vesting). We recommend one-third of the consultant stock vest in the first year with an active consulting agreement (see Founder Consulting Agreement document). The remaining two-thirds will vest each year for three years as long as an active consulting agreement is in place.

• **Stock Incentive Plan:** The stock incentive plan will be used to compensate compensate advisors, board members or employees of the Company.

Upon completion of the incorporation, KVS will complete the following:

- Obtain an Employer Identification Number (“EIN”), which is used in the grant proposal process as well as a tax identifier for the government.
- Obtain a DUNS number, which is used as a standard business identifier and is required to obtain government funds/contracts.

Note: Upon completion of the incorporation the Company, the Company will become a client of the non-university law firm and will utilize their expertise in management of documents.

Founders agree that their Company formation and governance efforts will be conducted as extramural activities under the university’s Policy on Individual Conflicts of Interest and Commitment. As part of this agreement, the Founder(s) will initiate contact with the Conflict of Interest Officer for the University so that their situation can be reviewed at the appropriate School’s Conflict of Interest Committee. Additionally, the Founder(s) agree to make de minimis use of UNC-CH facilities and resources in furtherance of their company formation and governance activities, as outlined in the Policy for Use of University Resources in Support of Entrepreneurial Activities (UNC-CH).

**Company Growth**

Once a company has been launched, KVS provides a number of support services to grow the business:

**The Management Team**

KickStart Venture Services will work with the Founder(s) to identify a person to take a leadership role in the business, help establish business strategy and seek funding for the company. KVS can also provide guidance and agreements for establishing the relationship between the business leader and the company (e.g. setting milestones and distribution of equity). One of the first responsibilities of the business lead will be writing the business plan and non-technical sections of an Small Business Innovation and Research (SBIR) grant. In some cases this person will serve as the PI on the SBIR and execute the specific aims of the grant.

**Funding**

- **KickStart Venture Services Commercialization Awards.** The KickStart Venture Services Commercialization Award Program will provide up to $50,000 in non-dilutive funding to UNC faculty-led startup companies. These companies are founded around UNC research-related intellectual property. The primary purpose of these awards is to provide funding for early-stage proof-of-concept experiments, validation studies, and prototyping. This funding will help generate the data and results that can be leveraged for the next round of funding. For example, the award can be used to generate preliminary data for an SBIR/STTR grant or develop a prototype to attract a seed round of investment. A secondary purpose will be to gather business intelligence for the company. This could include market research, partnership discussions, or competitive landscape analysis.

- **SBIR/STTR Support.** Grant writing, review and submission support will be provided by Grant Engine, LLC or other consultant. The Founder(s) will bear primary responsibility for preparing the technical and scientific content of the SBIR proposal, including the specific aims and associated budgets, in collaboration with KVS and any appointed consulting services, in accordance with project and grant
submission deadlines. The Founder(s) will also be solely responsible for ensuring that the appropriate UNC-CH agencies (e.g. Departmental Administrators, Office of Research Services, Conflict of Interest Committee, etc.) have been properly notified of the intended SBIR submission and the Founder(s)’ ownership interests in the Company, as appropriate. KVS will support submission, resubmission and writing and review for UNC start-up companies through the grant consultant. KVS has negotiated a price of $750 for submission, $500 for resubmission, and $4000 for writing and review with the grant consultant. These rates are based on the Company agreeing to pay a portion of the overhead (~3.5%) to the consultant as a success fee.

- **Investor and Partner Relations.** For many UNC IP-based startups, having access to capital or corporate partners is critical for their success. KVS provides links to a number of local investors:
  - Carolina Angel Network (CAN)
  - Carolina Research Ventures Fund (CRVF)
  - Hatteras Venture Partners
  - Pappas Ventures

In addition, KVS reaches out each year to investors and corporate partners at the following meetings:
  - BIO International Meeting
  - JP Morgan Healthcare Conference/Biotech Showcase
  - RESI Conference
  - SEBIO Partnering and Investor Conference

**IP Support.** Up to 12 hours of pro bono IP advice will be provided by Wilson Sonsini Goodrich Rosati or other IP law firm. If mutually agreeable, WSGR and the Company enter into a client relationship wherein WSGR will provide services on a deferred basis up to a capped limit and payable upon Company funding.

**Incubation Space.** KVS will work with UNC start-ups to find incubation space. Options included on-campus space using a Facility Use Agreement as well as off-campus space.

**Questions/Additional Information**
If you have any questions or would like to discuss this document in more detail, please do not hesitate to contact KickStart Venture Services: kickstart@unc.edu or 919-843-2554.