

Start-up Financial Term Sheet Process

While CoMotion has always sought to provide fair and investable license terms to UW's startup teams, the culture of negotiation around getting to a license could at times be confusing and frustrating to those not familiar with university licensing practice. Just as when purchasing a car, a lack of transparency in the process creates uncertainty for the buyer about whether the terms are fair. This approach does not fit well with UW's identity as a public university or with our goal of inclusive innovation where everyone, regardless of previous experience, can fully explore their entrepreneurial interests. We have moved to a process of providing UW innovator founded startup teams with standard, sector-appropriate terms in the term sheet that represent our best understanding of what the final terms should be. We will also share the background information on how those terms are arrived at to allow the startup team to share any additional information that is relevant, and CoMotion will ensure that information is fully considered in our term sheet offer and that final terms represent the average of the data considered. The process is data-driven to ensure all parties have the same information on which to make decisions.

Step 1: There is a term sheet process kick-off meeting to fully explain how CoMotion arrives at the term sheet, and share experiences on how best to move forward. It is also an excellent opportunity to hear about the business plans for the company to ensure they are fully considered in the term sheet.

The license term sheet includes [terms that are standard for universities](#) and apply across all agreements, along with sector specific terms for royalties, minimum annual fees, financial milestone payments, and diligence milestones.

The sector-specific terms are set based on comparable terms from benchmarking we did across 8 peer universities, benchmarking from our own historical deal terms, information from VCs on terms they are seeing out of universities, and published sources of information.

Step 2: CoMotion will provide a term sheet containing terms that, based on information available to us, represent final fair terms for the license.

Step 3: Startup team will share any sector/industry comparables to be taken into consideration in addition to those identified by CoMotion. Data considered will represent a fair survey of the industry sector.

Step 4: CoMotion and startup team will agree on a revised term sheet that fairly reflects the data shared.

Step 5: The term sheet will be incorporated into the [agreement template](#) tailored for startup companies that was put together with the generous guidance and comments from an expert advisory committee comprised of top attorneys in the Seattle-area innovation ecosystem who pre-negotiated the language with the goal of creating an agreement that requires only technology-specific customization.