

DARTMOUTH COLLEGE POLICY ON ACCEPTANCE OF EQUITY IN ACADEMIC - INDUSTRY COLLABORATIONS

[APPROVED BY THE BOARD OF TRUSTEES ON MARCH 5, 2016; EFFECTIVE MARCH 5, 2016;
REVISED AS OF SEPTEMBER 30, 2019. THIS POLICY REPLACES THE DARTMOUTH COLLEGE POLICY
ON ACCEPTANCE OF EQUITY DATED OCTOBER 28, 2009.]

A. Preamble

Dartmouth College recognizes the importance of encouraging the practical application of College-based research and educational activities for the public benefit. In order to accomplish this aspect of its mission, the College enters into a variety of relationships with business enterprises. These relationships include research agreements, licensing or transfer of College-owned inventions and works of authorship (see [Dartmouth College Policy on Patents, Copyrights and Other Intellectual Property Rights](#)), collaborative ventures to conduct educational activities or produce educational materials, and pre-incubation or incubation services to nascent companies.

In forming such relationships, it may be desirable for the College to receive equity in a venture as partial or full consideration for the College's contribution. Equity ownership, however, has the potential for creating conflicts of interest because equity holders are part owners of the company. The possibility that the College may profit if the company is successful creates a risk that College officials may take actions and make decisions that favor the interests of the company over academic goals. Accordingly, this policy permits equity participation but sets forth rules intended to:

1. Help to manage or mitigate actual or perceived institutional conflicts of interest;
2. Safeguard against price manipulation or speculation; and
3. Avoid any adverse effect on the reputation of the College and its faculty, staff, and students.

This policy governs the College's receipt of equity in commercial ventures that are owned in whole or in part by third parties other than the acquisition of equity solely for passive investment of the College endowment.

As noted above, this policy addresses conflicts of interest relating to institutional ownership of equity. Individual faculty or staff members' ownership of equity — like other financial relationships between individual members of the College and business organizations — is subject to the College [Conflict of Interest Policy](#). Faculty and staff members should periodically review that policy to be sure that they are in compliance with it.

B. Definitions

- **"Agreement"** means an agreement described in the Preamble, pursuant to which Equity is received by the College and/or Author(s), Creator(s) or Inventor(s) as partial or full consideration pursuant to a license, assignment, or other agreement.
- **"Author"** means has the meaning given to it in the IP Policy.
- **"College"** means Trustees of Dartmouth College, including all of its schools, institutes, and centers.
- **"College Equity"** means any Equity received by the College from the Equity Pool after distribution or allocation of the Creator Equity.
- **"Commercial Venture"** means a business, regardless of form or organizational structure, which has entered into an Agreement with the College that involves the receipt by the College of Equity. It does not include a wholly-owned College business or a business in which the College holds an interest solely for passive investment purposes.
- **"Covered Person"** means (i) any individual holding a College academic appointment, including without limitation a Faculty Member, a Distinguished Fellow and a Postdoctoral Scholar, (ii) a Staff Member, (iii) a Research Visitor, or (iv) a Student, as each of the foregoing terms is defined in the IP Policy.
- **"Creator"** means it has the meaning given to it in the IP Policy.
- **"DEN"** means Dartmouth Entrepreneurial Network or any successor organizational unit.
- **"Effective Date"** means March 5, 2016
- **"Equity"** means to (i) shares of stock, general or limited partnership interests, membership interests in a limited liability company, or any other instrument conveying an ownership interest in a corporation, a partnership, a limited liability company, or any other entity and (ii) any security or obligation that by its terms is, directly or indirectly, convertible into or exchangeable or exercisable for, any interest described in clause (i), or any option, warrant or other right to subscribe for, purchase, or acquire, any interest described in clause (i).
- **"Equity Pool"** means the total amount of Equity allocated to the College as partial or full consideration for the Agreement, including any Individual Equity. It does not include such additional Equity, if any, as Author(s), Creator(s) or Inventor(s) may receive directly from the Commercial Venture as founder's Equity, in consideration of consulting services or for any other reason.
- **"Individual Equity"** means that portion of the Equity Pool allocated to Author(s), Creator(s) or Inventor(s) pursuant to Section C.3.

- **"Inventor" means it has the meaning given to it in the IP Policy.**
- **"IP Policy" means the Dartmouth College Policy on Rights and Responsibilities with Respect to Intellectual Property, as in effect from time to time.**
- **"OGC" means the Dartmouth College Office of General Counsel.**
- **"OETT" means the Dartmouth College Office of Entrepreneurship and Technology Transfer.**
- **"OSP" means the Dartmouth College Office of Sponsored Projects.**

C. Rules

Authorized College Representative. In all negotiations with Commercial Ventures involving the receipt of Equity, the College shall be represented by OGC in conjunction with the following School(s) or administrative unit(s):

- In transactions where the College is to receive Equity in consideration for the license or assignment of College-owned intellectual property: OETT together with the responsible School or administrative unit.
- In transactions where the College is to receive Equity in consideration for business incubation or pre-incubation services furnished by DEN: OETT.
- In Research Agreements: OSP and the responsible School or administrative unit.
- In other transactions: the administrative officer (Dean, Vice President, or other senior officer) with responsibility for the College activity involved in the transaction, or his or her designee.

2. Final College Approval

Acceptance of Equity under this policy requires the prior written approval of the Provost and the Executive Vice President or their designee, provided, that such written approval is not required for acceptance of Equity in connection with transactions described in Section D.6 of the IP Policy if all the conditions set forth in such section have been satisfied. Schools and administrative units that are planning to enter into transactions involving the acceptance of Equity under this policy should notify the OGC as soon as possible, so that that office can familiarize itself with the transaction and advise the Provost and the Executive Vice President or their designee.

3. Allocation of Equity Pool

a. General Rule: Except as provided in subsection b. or c. below, Equity shall be allocated as follows:

Section C.1, clause i. transactions as provided in the IP Policy

Section C.1, clause ii. transactions To the Provost

Section C.1, clause iii transactions In accordance with the procedure for allocation of indirect costs on federal Sponsored Projects

Section C.1, clause iv transactions As determined by the Provost upon the recommendation of the administrative officer (Dean, Vice President or other senior officer) of the unit conducting the transaction

b. Determination of Applicable Transaction: If the Provost determines that the transaction does not fall within any of the categories set forth above, or that it falls within more than one category, then he or she shall establish a distribution that fairly allocates the Equity Pool, given the nature of the transaction and the contributions of the various Schools, administrative units and individuals involved. The Provost's decision in allocating the Equity Pool shall be made in his or her sole discretion and shall be final.

c. Permitted Reallocations: If the Provost determines, after consultation with the Executive Vice President, the Dean or other persons affiliated with any affected school or administrative unit and such other persons as he or she deems appropriate, that it is in the best interests of the College to reallocate all or any part of any distribution, either among the portions described above or for other institutional needs, such portion shall be distributed as determined by the Provost.

4. College Equity

a. Title and Holding: All College Equity shall be taken in the name of "Trustees of Dartmouth College."

b. Relationships with Commercial Ventures: The College will not act as a principal investor or syndicating agent for any Commercial Venture. Except with the prior approval of the Provost and the Executive Vice President or their designee, a Commercial Venture may not use the names, insignias, or other indicia of Dartmouth or its components in any advertising, promotional material, or material prepared for investors.

c. Maximum Equity Percentage: Except with the prior approval of the Provost and the Executive Vice President or their designee, immediately following the issuance of Equity to the College, such College Equity shall not exceed ten percent (10%) of all of the Equity ownership of the Commercial Venture on a fully-diluted basis.

d. Board Participation by College. Except with the prior approval of the Provost and the General Counsel, the College will not accept a position on the Board of Directors or similar body of any Commercial Venture, but may accept and exercise observer rights on such Board or similar body.

e. Cash Investments by College: The College shall not make cash investments in connection with the formation of any Commercial Venture nor in connection with later rounds of private financing for any Commercial Venture unless the investment is part of the College's routine investment activities (e.g., participation in a venture capital fund) and decisions are made by personnel insulated from the conduct of research or other academic activities that could have an effect on such Commercial Venture

D. Individual Equity

Individual Equity may be issued directly by Commercial Ventures to Author(s), Creator(s) or Inventor(s) in the portions required, or determined by the Provost, under subsection 3.a. above. Such issuance may be subject to restrictions imposed under the College Conflict of Interest Policy or other policies of the College. Notwithstanding the foregoing, at the request of a Commercial Venture or an Author, Creator or Inventor, title to Individual Equity may be retained by the College for the benefit of one or more Authors, Creators or Inventors in the manner set forth in Section C.4.a and upon such terms and conditions as are approved by the OGC in its sole discretion. In the case of any such retention, any Author, Creator or Inventor to whom Equity has not been issued directly by a Commercial Venture shall be entitled to such portion of any dividends or distributions, including sale proceeds, received by the College from such Commercial Venture as required under the applicable provision of Section C.3, less any allocable portion of any administrative costs or outside legal, service or other fees incurred by the College with respect thereto.

Author(s), Creator(s) and Inventor(s) shall be responsible for retaining their own business advisors, legal counsel and tax counsel and shall be responsible for all financial, tax and legal consequences related to the Equity they receive. (Transactions involving Equity have complex tax and securities law considerations. The College strongly recommends that Author(s)/Creator(s)/Inventor(s) seek separate counsel from an attorney or accountant familiar with tax and business law issues.)

E. Interpretation and Dispute Resolution

Questions or disputes regarding the application, interpretation or implementation of this policy shall be resolved by the Provost (or his or her designee) in consultation with the Vice Provost for Research, the OSP, the OETT and the OGC. The Provost's decision on the matter shall be binding on the College and all Covered Persons.

F. Effectiveness of Policy; Amendment or Revocation

This policy is effective as to all Equity which any Commercial Venture proposes to issue to the College on or after the Effective Date except that to the extent that this policy conflicts with any obligation of the College with respect to the issuance of Equity pursuant to any license or other agreement between the College and any person or entity entered into prior to the Effective Date this policy will not apply.

This policy replaces as of the Effective Date the College's Policy on Acceptance of Equity dated October 28, 2009.

This policy is subject to revocation or amendment by the College, in whole or in part, from time to time. The Board of Trustees of the College, the President of the College, and the Provost of the College each acting alone shall have the power to make revocations or amendments. Any such revocation or amendment shall become effective upon adoption by the Board or Trustees, the President or the Provost, as the case may be, or as of such other time as the Board of Trustees, the President or the Provost, as the case may be, shall specify.