OCC LAUNCH 20

Frequently Asked Questions "FAQs"

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Introduction

These FAQs are provided for informative purposes only. They are not intended to provide advice of any kind (including legal, financial, tax or other professional advice). You should seek professional or specialist advice before doing anything on the basis of this content.

General FAQs

1. **What is the Launch 20 Initiative?**

   The Launch 20 initiative has been set up by Old College Capital, the University of Edinburgh's in-house venture investment team, with the aim of making small early-stage investments of £20,000 into companies that have high growth potential and are associated with the University. Investment will be provided by way of an Advance Subscription Agreement (ASA).

2. **What is the difference between the Launch 20 and Launch 50 initiatives?**

   OCC Launch is our pre-seed investment initiative the earliest stages, to help founders explore, experiment, and build traction. Within this initiative, we have two programmes, OCC Launch 20 and OCC Launch 50.

   - Launch 20 is our earliest pre-seed investment initiative that invests £20k to help companies validate and experiment. No match funding is required, and it typically funds a discrete work package such as (but not limited to) feasibility testing, prototype development or customer engagement.
   - Launch 50 is our pre-seed investment initiative that invests £50k at pre-seed stage to leverage other pre-seed funding. This typically requires match-funding (grants or co-investment) and is expected to deliver milestones that would result in a significant value inflexion point and enable the Company to subsequently raise a Seed round.

3. **How does OCC Launch differ from OCC Ventures?**

   OCC Ventures invests at a later stage in a Company's development to OCC Launch. OCC Ventures is our co-investment fund that provides Seed to Series A investment to accelerate high growth businesses alongside an appropriate lead investment partner. Our first investment for OCC Ventures is on average £200k, typically c. 10-30% of the overall round.

   Each of our initiatives is targeted at a different stage in a Company's development, and therefore it may be relevant for a Company to apply for OCC Launch 20, Launch 50 and OCC Ventures as the Company develops.

4. **What is Old College Capital (OCC)?**

   Old College Capital (OCC) is the University of Edinburgh's venture investment fund. We support the most exciting ideas and technologies emerging from the University. We invest responsibly and are in it for the long-term, working with founders, investor partners, and the University ecosystem, to help build disruptive, ambitious, and sustainable companies. We invest from pre-seed to Series A stages, to accelerate the journey of startups and spinouts looking to make a positive impact on people and our planet.

5. **How many companies will receive funding for Launch 20?**
We hope to make up to 10 awards each academic year, across two calls for applications – one in Autumn and one in Spring. This will be subject to demand and availability of funds.

6. **If I am unsuccessful, can I apply again?**
Yes, you may apply to the following call for applications if you are not successful.

7. **If I have already received a Launch 20 award, can I apply again?**
We will consider follow on applications but would typically expect the initial Launch 20 investment to support the delivery of milestones that would enable the Company to subsequently raise pre-seed funding that would qualify their eligibility for OCC Launch 50.

8. **What is the company eligibility criteria for OCC Launch 20 Initiative?**
To be eligible for the scheme, a company must meet the following eligibility criteria:
   i. the company must have an appropriate association with the University of Edinburgh.
   ii. the company must be at an appropriate pre-seed stage and have raised less than £250,000 of equity investment (or similar fundraising instruments).
   iii. The company must be incorporated in the UK, or in the process of being incorporated in the UK.
   iv. The company must have completed a full application for Launch 20.

9. **What information is required for a company to submit to complete an application for Launch 20?**
To submit the application, you must be a statutory director of the company (unless the company is in the process of incorporation, in which case you must be a statutory director at the time of the award, if you are successful). Along with the Application, you will need to provide the following information:
   i. company name and registration number (unless the company is in the process of incorporation, in which case the name and registration number will need to be supplied to us before any award is made);
   ii. registered address and/or operating/trading address (if different);
   iii. full details of all directors and shareholders;
   iv. website address (if applicable); and
   v. nature of the company (and any intellectual property it owns).

10. **Are sole traders / freelancers eligible?**

No. To be an eligible a business must be a UK incorporated private company limited by shares. Sole traders, partnerships, LLPs, and unincorporated bodies are not eligible, nor are companies whose shares are traded on public exchanges.

11. **What happens if the eligibility criteria are not met?**

    If the eligibility criteria are not met, your application will not be able to proceed.

Investment Instrument FAQs

12. **How will the Launch 20 investment be made?**

    All investments will be made via a standard Advance Subscription Agreement (ASA). This is non-negotiable.

13. **What is an Advance Subscription Agreement (ASA)?**

    An ASA is an equity instrument where the investor (in this case OCC Holdings Ltd) pre-pays for shares in a company that will be converted into shares later, typically at a future funding round.

14. **What is OCC Holdings Ltd?**

    Old College Capital Holdings Ltd (OCC Holdings) is a fully-owned subsidiary (limited company) of the University that was previously known as Edinburgh Technology Fund Ltd. OCC Holdings holds University shareholdings and can make investments directly. For the Launch 20 initiative, OCC Holdings is the investment vehicle that will issue the ASA, as a nominee for the University of Edinburgh, which remains the beneficial owner.

15. **When will the ASA investment convert into shares?**

    i. Automatically on the company raising more than £250,000 in equity funding (in one or a series of fundraisings)
    ii. At the election of OCC Holdings Ltd, on an equity fundraising which is less than £250,000.
    iii. Automatically in the event of a sale or listing of a company.
    iv. Automatically if there is no conversion event within two years of signing the ASA.
    v. Automatically on the mutual agreement of the company and OCC Holdings Ltd.

16. **Are there restrictions on the use of proceeds from the fund?**

    The funds must be used toward the general working capital of the company to provide cash flow for trading activities. The funds may be used for other purposes provided they are agreed in advance between the company and OCC. The company may **not** use the funds to:

    i. Pay any personal costs of costs which are not directly related to the company and its ordinary course of business.
    ii. Repay any debts (including but not limited to loans, such as director's loans) except for debts incurred in the ordinary course of business (such as trade creditors)
    iii. Make any dividends, other distributions, or transfer of funds to shareholders or associated companies and / or persons other than in the ordinary course of business; or

iv. Pay any bonus or discretionary payment to any employee, consultant, contractor, or director of the company, other than in accordance with the company's contractual obligations.

17. **What price will the shares convert at?**

The price at which the conversion shares are valued will be dependent on the circumstances surrounding the conversion. The conversion price may be:

i. The price paid per share on the most recent subscription for the equity in the company; or
ii. A price based on a fully diluted pre-money valuation of £1 million; or
iii. A price agreed by the company and OCC Holdings

18. **Is there a conversion discount?**

No, although common in early-stage investments, given the nature of this initiative and its intention to support early-stage businesses associated with the University, the conversion price is not subject to any discount.

19. **Will the fully diluted pre-money valuation impact the valuation for future fundraisings?**

No, the pre-money valuation limit referenced in FAQ 17 above does not limit the valuation for the next or any future fundraising.

20. **What rights does Old College Capital Holdings Ltd (on behalf of the University of Edinburgh) have under the ASA agreement?**

The company will have to provide OCC with basic financial and trading information on a quarterly basis. There is also the requirement to provide an annual financial statement. OCC may also request further information which it reasonably requires to monitor its investment. The information rights of OCC are set out in clause 3.1 of the Launch 20 Standard Terms, which will be available on the website.

21. **Does the company need to give any warranties?**

The company is required to make various statements of fact (representations and warranties) as follows:

i. that the company is duly incorporated under the laws of the UK will full power and authority to enter into and perform its obligations under the agreement;
ii. there are no third-party consents, authorisations or approvals of any kind required which would otherwise prevent the company from entering into and performing their obligations under the agreement;
iii. performance of the Agreement by the company does not contravene any provision of the articles of association of the Company, or any applicable law, or breach any other agreement that the company is bound by;
iv. the company owns (or believes it is able to acquire) sufficient legal rights to all Intellectual Property necessary to conduct its business as now conducted and as presently proposed to be conducted without any known conflict with, or infringement or, the rights of others;
v. the company has not or is not subject to allegations that it has (or will be contributed conduct) infringe another person's rights in connection with any Intellectual Property;

vi. there are no current, outstanding or pending claims that could have a materially adverse effect on the company or any of its officers or managers (in their capacities as such) and could negatively impact the Company's ability to enter into this agreement;

vii. the company has disclosed a full and up-to-date record of its statement of capital, including any warrant agreements or convertible instruments that Company is subject to;

viii. the agreement is valid and binding upon the company and enforceable in accordance with its terms.

ix. the company has not raised more than £250,000 in equity funding (including any funding which is convertible to equity).

No individual directors are required to give any representations and warranties. The representations and warranties to be given by the Company are set out in clause 5 of the Launch 20 Initiative Standard Terms.

22. **Is there a requirement to consult with the University ahead of any future fundraising?**

Yes. You will be asked to consult with OCC prior to any future fundraising from private investors. This is so the OCC can keep up-to date with your plans and potentially support your fundraising (if you would like us to) via our investment funds and relationships with private investors.

23. **Does the University have any rights once the funds convert to shares?**

OCC expects to have the same rights as any third-party investors when the funds convert to shares. The ASA agreement includes a set of standard terms that have been used on multiple deals in early stage, pre-seed companies. As part of these terms OCC seeks rights to maintain its pro-rata shareholding on any future issue of shares. OCC and the University's investment management team are experienced in working collaboratively with university companies and the investment community.

24. **Is the agreement transferrable/assignable?**

The company will not be able to transfer or assign its rights under the agreement. OCC will be able to transfer or assign its rights to any other member of the University group.

25. **Can the money be repaid if the company decides?**

No, the company cannot choose to repay the Advance Subscription Funds, the funds will always convert into shares automatically on one of the trigger events.

26. **What if I am in the process of discussing external funding that may result in an investment greater than £250,000?**

You are still eligible for OCC Launch 20, but you will be required to give a warranty to say you have not raised more than £250,000 in equity funding prior to entering into this agreement and therefore your company may be better suited to applying for OCC Launch 50.

27. **Will entering into the ASA affect the SEIS or EIS compatibility of investments made prior to the ASA?**

It is our understanding that the investment by OCC should not affect SEIS or EIS investments made prior to entering into the ASA. Ultimately, HM Treasury and HMRC are responsible for all decisions on tax reliefs, including on SEIS and EIS.

28. Can I speak to someone about the OCC Launch 20 programme?

If you have any questions, you can email investment@ei.ed.ac.uk.

We are also available during weekly office hours which rotate between Thursdays and Fridays. These slots can be booked by sending an email to the same address requesting access to the office hours Calendly link.