

## Background

Discoveries and inventions frequently require financial support for further development before seeking commercial investment. The University of Oxford provides proof-of-concept funds for this purpose through Oxford University Innovation ("OUI").

**University Challenge Seed Fund ("UCSF")** - The Oxford University Challenge Seed Fund was established in 1999. The UCSF aim was to accelerate the exploitation of scientific and engineering research outcomes from the UK's research base through overcoming the classic "valley of death" encountered by early-stage businesses seeking equity finance. The original UCSF was for £3.85m supported by the UK Government, Wellcome Trust, Gatsby Foundation and the University of Oxford. Over the twenty-year life of the UCSF, the fund has awarded £11.3m of investment across 163 projects, of which 62 spinout companies were formed. The fund's longevity has been made possible through the conversion of grants into equity at the formation of spinout companies. The financial returns from these companies are recycled into future UCSF awards.

The UCSF is unlike other research or translational funds. It is highly competitive and only makes a small number of awards per year. This approach tries to mimic the criteria taken by commercial investors at the next stage of investment.

The Oxford Invention Fund ("OIF") launched in 2010 was an alumni-based donation fund of £1.5m. The OIF was created through support from the University of Oxford and donations from University of Oxford alumni. As it shared a common goal with UCSF, in December 2018, it was agreed to combine the UCSF and OIF into a single UCSF fund.

In September 2019, the University entered a new funding partnership with Oxford Sciences Innovation. In this partnership, OSI would provide funding alongside the University in the UCSF. OSI has provided £5m of funding alongside £1.5m of existing UCSF funds. As a result of the partnership, OSI will provide financing on a 3:1 ratio (OSI : UCSF) and has a member on the UCSF committee.

## Awards

It is anticipated that individual projects' awards would be in the £10k - £100k range. The maximum award the UCSF can make is £250k. More than one investment may be made in a particular project if it continues to show promise, up to the maximum.

Finance beyond this stage should be provided from other sources, e.g. business angels, venture capitalists, industrial partners or licensees. UCSFs may be used to supplement other sources of funds, even if these sources are in the form of investments instead of donations. Other sources of funding in a project is encouraged.

## UCSF/OIF Application timelines

Applications are received four times a year. The UCSF committee meets in early March, June, October and December. The application timetable is centred on the timing of the UCSF committee meeting.

The application is a twelve-week process. The UCSF committee meeting is held in Week 10. Below is an outline of the application timetable:

| Task  | Week Number |
|---|-------------|
| Remind L&V Managers of UCSF meeting and request for projects    | Week 1      |
| Expression of interest for projects presenting to UCSF          | Week 1-2    |
| Applications open for review                                    | Week 3      |
| Final drafts confirmed  | Week 7      |
| Pitch practices with PIs and teams                              | Week 8-9    |
| Signed applications (with signatures from PIs and HoD) received | Week 8      |
| Issue board pack to UCSF committee                              | Week 9      |
| UCSF committee meeting  | Week 10     |
| Issue feedback letters and offer letters to PIs                 | Week 12     |

### Confirmation of Projects

Awards must offer the potential of a financial return to UCSF. Each award is made under the terms set out in the pro forma Award Letter (Appendix B). The Decrees and Statutes will apply when dealing with the exploitation of Intellectual Property.

Investments may only be made in projects arising from research carried out at the University of Oxford. Researchers wishing to apply to UCSF for funding must contact their Licensing & Ventures Manager at OUI. The project will be reviewed by the L&V Manager, who will discuss the project with the Head of Investments and New Ventures ("INV") following a request for projects. If the Head of INV believes that the application meets the UCSF criteria, the application will be placed on a list of applicants who have expressed an interest ("EoI"). All applicants who have submitted an EoI will be invited to apply to the next UCSF committee available.

Three applications are typically presented during a UCSF committee. The number of applications is due to the requirement that each applicant presents directly to the committee. This process limits the number of applications the committee can review in any meeting.

The Head of INV will determine how many applications the UCSF can review in any committee meeting. An applicant will only be guaranteed their position at the next UCSF committee when a final application form is completed to the Head of INV's satisfaction. The Head of INV has the right to withdraw applications before the meeting if he feels that they do not meet the minimum threshold criteria. ***Applications will be received on a first-come, first-serve basis. If there are no more available slots for the UCSF meeting, the application can be allocated to a future UCSF meeting date.***

### Completing Applications

All applicants are expected to complete a written application form. A copy of the application form can be found in Appendix A.

Applications should be completed by the applicant and not the L&V Manager. The L&V Manager can be used to advise the researcher on the criteria of the UCSF. The INV team will provide feedback to applicants but will not draft applications.

Applications must be approved by the applicant's Head of Department. The Head of Department is required to countersign the completed application form. An application will not be presented to the UCSF committee if the Head of Department has not signed it.

When costing a project, the applicant should be aware that:

- 1) Permanent members of staff are not able to charge their costs to a project.
- 2) VAT on external purchased can typically not be reclaimed by a Department. VAT should be added to the cost of any external capital items or services purchased as part of the project.
- 3) Only salary costs can be claimed for University staff. A UCSF award will not cover FEC.

### UCSF Committee meeting

The UCSF committee is a subset of the full OUI board. Details of the OUI board can be found at:

<https://innovation.ox.ac.uk/about/board-overview/>

Each applicant will be given a 30-minute presentation slot. Applicants will be expected to provide a 10-minute presentation on their application to the UCSF committee. Applicants are encouraged to practice their presentation with the INV team before the UCSF committee meeting. The L&V Manager should arrange a time slot for practice. The presentation should cover the project background, market opportunity, the invention, IP position, team overview, commercial engagement, project timeline and why UCSF funding is being sought.

Before the UCSF committee, the INV team will confirm the agenda timings with applicants and the L&V Manager. Applicants are expected to be available between 9am and 11am on the morning of the UCSF committee meeting.

### UCSF Offer letter and feedback letter

After each committee meeting, all applicants will receive an award letter or a feedback letter detailing why funding has not been offered. The decision of the UCSF committee is final. There is no right of appeal. An example of an offer letter can be found in Appendix B

If the requested funds are not awarded, applicants may be invited to resubmit their application to a future UCSF committee. However, we cannot guarantee that an unsuccessful applicant will be asked to resubmit. ***The re-application date will be dependent on a slot being available.***

Once an award letter is received, the PI and the Departmental Finance Office will need to sign the letter and return it to OUI. The Department to which funds will be paid will also need to raise a project's cost centre. The award letter and application will then be sent for approval for payment to the University Finance Office.

The signed documents will then be handed over to the OUI Finance Department for payment.

### Funds Awarded

Funds can be awarded either to the Department (1) or a Company (2):

- (1) **If the funds are awarded to the Department**, any intellectual property generated as a result of work financed by the grant will remain the University's property.
  - a. **Suppose a licence results from work financed by the grant. In that case**, the net revenue will be distributed as per the table below, where the portion allocated to the

General Revenue Account will be transferred back to the fund once the University has discharged its obligation to pay the employer's National Insurance Contribution.

- b. **If a new company results from work financed by the grant**, the grant will be treated as an equity investment in that Company, and the fund will be allotted ordinary shares in the Company. The University and OSI will be assigned ordinary shares in the Company per their funding contribution. Also, at the formation of the Company, the University and OSI each has the right to subscribe for further shares at the same price as, and on a basis no less favourable than, the first-round investors up to an aggregate limit of £250,000 per Company.

- (2) **If the funds are awarded to a Company**, a separate agreement between the University and the Company will be required to document the award and its future conversion into equity. The grant will be treated as an equity investment as detailed in (1b).

| Total net revenue         | Researcher(s) | General Revenue Account | Department(s) |
|---------------------------|---------------|-------------------------|---------------|
| Up to £50K                | 85.7%         | 14.3%                   | 0%            |
| From £50K and up to £500K | 45%           | 30%                     | 25%           |
| Over £500K                | 22.5%         | 40%                     | 37.5%         |

### Request for Project Extensions

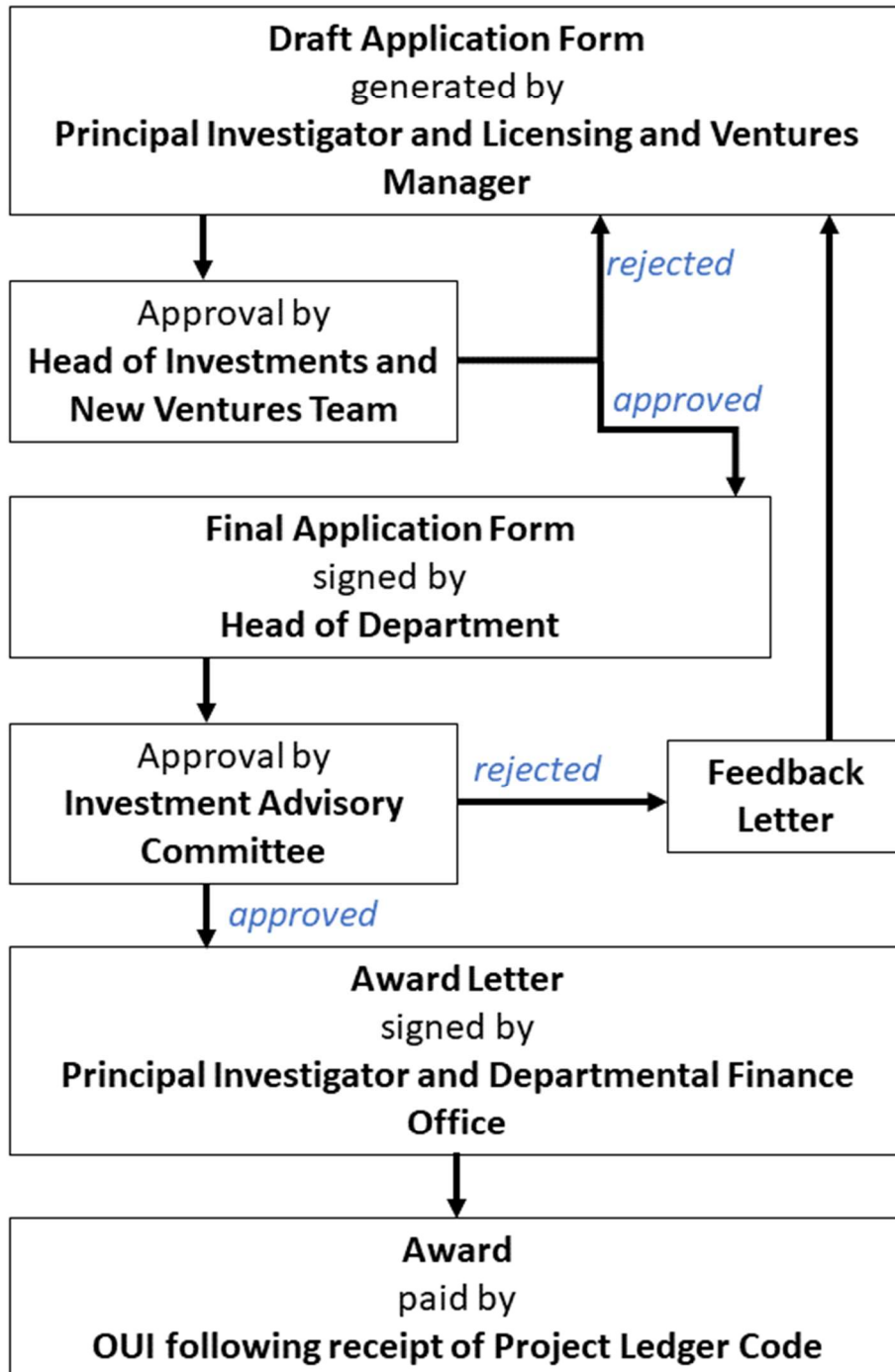
Project extensions can only be awarded at no additional cost. To request a no cost time extension to the UCSF project, the project lead named on the application should email the Head of INV (Adam Workman, [adam.workman@innovation.ox.ac.uk](mailto:adam.workman@innovation.ox.ac.uk)) ahead of the project's initial end date. The project lead should provide reasons for the requested extension and, where possible, evidence to support the request. Extensions are granted at the discretion of the Head of INV. Time based extensions beyond six months will only be granted in exceptional circumstances.

### Audit of Projects

Within two years following the end of each UCSF project, the project lead will be contacted to report on the project's development. They will be requested to fill in an academic audit form as well as a finance audit form (Appendix C – Audit forms). The finance audit form should be forwarded to the appropriate person in the Finance Department for completion. If the reports are not returned, the applicant and the applicant's research group will be unable to apply for future funding until the audit forms are returned.

Any funds not used at the project's end date will be required to be returned to the UCSF.

# Fund Application Process Flowchart



## Appendix A – UCSF application form

UCSF/ OIF Application Form

Page | 1

|   |                                  |                            |                              |                                 |  |
|---|----------------------------------|----------------------------|------------------------------|---------------------------------|--|
| <b>Project Title:</b>   |                                  |                            |                              | <b>OUI Project No:</b>          |  |
| <b>OUI Licensing and Ventures Manager:</b>  |                                  |                            |                              |                                 |  |
| <b>Researcher name (s):</b>   |                                  |                            |                              |                                 |  |
| <b>Department (s):</b>  |                                  |                            |                              |                                 |  |
| <b>Correspondence Address:</b>  |                                  |                            |                              |                                 |  |
| <b>Email address:</b>   |                                  |                            |                              |                                 |  |
| <b>Funding sources</b>  | <b>Total value of project:</b>   | <b>£</b>                   |                              |                                 |  |
|   | <b>Value requested from UCSF</b> | <b>£</b>                   |                              |                                 |  |
| <b>Project Dates:</b>   | <i>[Start date]</i>              |                            |                              | <i>[End date]</i>               |  |
| <b>Project Stage:</b> <i>(delete as appropriate)</i>  | <b>Initial proof of concept</b>  | <b>Pre-patent research</b> | <b>Reduction to practice</b> | <b>Commercial demonstration</b> |  |
| <b>Brief description of technology/invention (100 words)</b>  |                                  |                            |                              |                                 |  |
|   |                                  |                            |                              |                                 |  |
| <b>Market opportunity and industrial engagement (200 words)</b>   |                                  |                            |                              |                                 |  |
| <i>(include information relating to gaps in market, market size, customer interaction, possible route to market (e.g. license))</i> |                                  |                            |                              |                                 |  |
|   |                                  |                            |                              |                                 |  |
| <b>Innovation of the science (200 words)</b>  |                                  |                            |                              |                                 |  |
| <i>(What is it, how does it work, why is it novel?)</i>   |                                  |                            |                              |                                 |  |
|   |                                  |                            |                              |                                 |  |

CONFIDENTIAL

| <b>IP position (150 words)</b><br>(include views of patent agents and/or OUI regarding prior art searches, patent/ competition landscape, patentability) |             |            |          |      |
|--|-------------|------------|----------|------|
|  |             |            |          |      |
| <b>Project plan (please add additional rows where necessary)</b>   |             |            |          |      |
| Task breakdown   | Description | Start date | End date | Cost |
| Work Package 1   |             |            |          | £    |
| Sub-task 1a  |             |            |          | £    |
| Sub-task 1b  |             |            |          | £    |
| Work Package 2   |             |            |          | £    |
| Sub-task 2a  |             |            |          | £    |
| Sub-task 2b  |             |            |          | £    |
| Work Package 3   |             |            |          | £    |
| Sub-task 3a  |             |            |          | £    |
| Sub-task 3b  |             |            |          | £    |
| <b>Project deliverables: (what you hope to achieve) (100 words)</b>  |             |            |          |      |
| <b>Brief description of deliverable</b>  |             |            |          |      |
| Work Package 1   |             |            |          |      |
| Work Package 2   |             |            |          |      |
| Work Package 3   |             |            |          |      |

**Background to research group/ management team (200 words)**

*N.B. UCSF projects within the University are relatively short term and small scale and are treated as incremental activity for Departments. They must be costed on a marginal basis and only additional costs to the University will be granted by the funds. Thus, there are no indirect costs to be added to the direct costs you identify below.*

| Item   | Amount (£) |       | * Please provide details. NB include VAT for any external purchases or bought-in services. |
|--|------------|-------|--|
|  | UCSF       | Match |  |
| <b>Salaries</b> <i>(incl employer's costs)</i> |            |       |  |
| <b>Consumables*</b>                            |            |       |  |
| <b>Equipment*</b>                              |            |       |  |
| <b>Computer Hardware*</b>                      |            |       |  |
| <b>Computer Software*</b>                      |            |       |  |
| <b>Bought-in services*</b>                     |            |       |  |
| <b>Other*</b>                                  |            |       |  |
| <b>Sub-total</b>                               |            |       |  |
| <b>TOTAL (UCSF + Other sources)</b>            | £          |       |  |

**CONTRIBUTIONS FROM MATCH SOURCES** *(Detail source of contributions and their value as appropriate)*

| SOURCE | TYPE<br><i>Grant/ in kind?</i> | AMOUNT |
|--------|--------------------------------|--------|
|        |                                |        |
|        |                                |        |
|        |                                |        |

**Please explain why the UCSF is the most appropriate funding source for this project.**

*Please indicate why other sources of funding cannot be used e.g. IAA, MRC CiC, OSI. (100 words)*

**Next steps after UCSF funding: (100 words)**

*(e.g. license technology, further research, form company)*

CONFIDENTIAL



|   |                              |              |  |
|---|------------------------------|--------------|--|
| <b>Form completed by:</b><br><i>(Researcher)</i>  | <i>(sign and print name)</i> | <b>Date:</b> |  |
| <b>Application authorised by:</b><br><i>(Head/Administrator of Department(s)<br/>to which funds will be paid)</i> |                              | <b>Date:</b> |  |
| <b>Cost Centre:</b>   |                              |              |  |
| <b>Approved for payment by:</b><br><i>(for the University)</i>  |                              | <b>Date:</b> |  |
| <b>Recommended to the University by:</b><br><i>(for the UCSF/ OIF Investment Advisory<br/>Committee)</i>          |                              | <b>Date:</b> |  |

CONFIDENTIAL

## Appendix B – UCSF award letter

Professor

Oxford OX

16 January 2020

Dear Prof.

### **University Challenge Seed Fund (the 'Fund')**

**ref: Award UCSF**

I am pleased to confirm that, in response to your application, the Investment Advisory Committee of the Fund is prepared to recommend an award of up to £XXXX under the following conditions.

1. Of the award, the University of Oxford ("the University") will contribute £XXXX and Oxford Sciences Innovation ("OSI") will contribute £XXXX.
2. The money will be used exclusively for the work described in your application (as appended in Appendix 1). Prior to the transfer of the award to the Department a project code will be created on the Department's finance systems. This is required to ensure transparency of expenditure on the project. The code will have to be given to Oxford University Innovation in order to transfer the award to the Department.
3. The project will start on 01/01/2020 and finish on 30/06/2020. There will be no cost extensions allowed in the project. Any time extensions must be submitted in writing to Adam Workman, Head of New Ventures at Oxford University Innovation.
4. Any intellectual property generated as a result of work financed by the grant will remain the property of the University.
5. If a new company results from work financed by the grant, the grant will be treated as an equity investment in that company. The University and OSI will be allotted ordinary shares in the company in accordance with their funding contribution detailed in condition 1 above. These shares will be subscribed for by the University and by OSI, in such number as is equivalent to the value of the contribution of each party, at the price paid by the first round investors. In addition, at formation of the company, the University and OSI each has the right to subscribe for further shares at the same price as, and on a basis no less favourable than, the first round investors up to an aggregate limit of £250,000 per company.
6. If the company is spun out without first round investors, the company will agree a side letter with the University and OSI at the time of spinning out which sets out a

mechanism under which shares will be issued to the University and OSI under the terms in above in condition 5.

7. If, rather than a new company, results from work financed by the grant generate licensing income, a portion of the net revenue will be allocated to the University and OSI in accordance with the University's Regulations. The revenue will be allocated to the University and OSI in proportion with their initial contribution to the award. The researcher(s) share will not be affected.
8. In order to help monitor the success of the project, Oxford University Innovation will expect project close out reports to be completed by the Principal Investigator and Finance Department at the end of the project. If the reports are not returned the Principal Investigator will be unable to apply for future funding until the project close out reports are returned.
9. If a project has not commenced within six months of the award date Oxford University Innovation reserves the right to terminate the project and request the return of the funds.
10. At the end of the project any residual funds should be transferred back to the Fund if a new company has not been created. If a new company has been created any residual funds should be transferred to the new company following the allocation of shares. Any assets purchased by the award should be transferred to the new company following the allocation of shares.
11. This offer will remain open for four weeks from the above date.

Yours sincerely

Adam Workman

Oxford University Innovation

Jim Wilkinson

Oxford Sciences Innovation

*Please sign and return this letter to Adam Workman, Oxford University Innovation, Buxton Court, 3 West Way, Oxford, OX2 0JB to indicate your acceptance of these conditions.*

Accepted:

\_\_\_\_\_  
Principal Investigator(s)

Date:

Accepted:

\_\_\_\_\_  
Departmental Finance Office

Date:

## Appendix C – Audit forms

### UNIVERSITY CHALLENGE SEED FUND / OXFORD INNOVATION FUND PROJECT CLOSE OUT REPORT

|   |  |                                    |  |
|---|--|------------------------------------|--|
| Project Title   |  | UCSF / OIF ref                     |  |
| Principal Researchers   |  | OUI Project ref                    |  |
| Department  |  | OUI Technology<br>Transfer Manager |  |
| Lead Researcher   |  |                                    |  |
| Contact address   |  |                                    |  |
| Contact email   |  |                                    |  |
| Please detail the key activities undertaken during the project  |  |                                    |  |
|   |  |                                    |  |
| What outputs/outcomes have stemmed from your completed project? Did you achieve what you set-out to do as detailed in your application? |  |                                    |  |
|   |  |                                    |  |
| What are your plans for taking the project forward and how is that to be funded?  |  |                                    |  |
|   |  |                                    |  |
| Has there been any interest expressed to take the project forward by commercial partners or financial investors?                        |  |                                    |  |
|   |  |                                    |  |

# UNIVERSITY CHALLENGE SEED FUND / OXFORD INNOVATION FUND PROJECT CLOSE OUT REPORT

|   |              |                                    |                        |
|---|--------------|------------------------------------|------------------------|
| Project Title   |              | UCSF / OIF ref                     |                        |
| Principal Researchers   |              | OUI Project ref                    |                        |
| Department  |              | OUI Technology<br>Transfer Manager |                        |
| Finance Dept Contact  |              |                                    |                        |
| Contact address   |              |                                    |                        |
| Contact email   |              |                                    |                        |
| <b>Budget and contributions – Please detail the actual expenditure on your project against the budget requested</b> |              |                                    |                        |
| Expenditure type  | Description  | Budget awarded (£)                 | Actual Expenditure (£) |
| Salaries (inc. employer's costs)  |              |                                    |                        |
| Consumables*  |              |                                    |                        |
| Equipment*  |              |                                    |                        |
| Computer Hardware*  |              |                                    |                        |
| Computer Software*  |              |                                    |                        |
| Bought-in services*   |              |                                    |                        |
| Other*  |              |                                    |                        |
|   | <b>TOTAL</b> |                                    |                        |

\* Please include VAT for any external purchases or bought-in services