Onstage SPVs
How it works for investors

If you're reading this document, we assume that you must be interested in investing in one of Onstage's special purpose vehicles (SPVs). If not, then you've got way too much time on your hands!

This document summarises why Onstage creates SPVs, how you can invest, how the SPVs are structured and what happens after investment.

Why does Onstage create SPVs?

As you'll know if you're reading this, Onstage runs a demo day where the founders of early stage start-ups pitch to thousands of investors.

We receive 2k+ applicants for each demo day, which is run semi-annually. These applicants are then whittled down to just 20 / 30 finalists, by the many VC funds which partner with Onstage. Through having an open application portal, we seek to democratise startups' access to leading early stage investors.

On the other side of the equation, we want to enable individuals, who are not just multi-millionaires, to invest in burgeoning startups and alongside some of the leading VCs in the business.

We've already co-invested with funds like Creandum, SNO, Coatue, Speedinvest, Lightspeed and GV!

This is where the SPVs come in. They are a vehicle into which individuals can commit funds, from as little as £1k, which are then invested into a startup which pitched at Onstage's demo day (or another great startup we've come across!).

Investing in early stage startups is high risk, and you should bear this in mind when considering whether to commit funds to an SPV.

Investing in the SPV

We select companies in and out of demo day for SPVs which are at pre-seed to Series A stage, provided a top VC fund has committed to lead their round.

Ahead of marketing these SPVs to Onstage's community, we perform due diligence on these companies.

We will let our mailing list know that an SPV is happening but you have to register as a sophisticated investor with Onstage to hear more information. Instructions on how to do this will be provided when we share news of the SPV.

Once you're registered as a sophisticated investor, you will receive an email with a bit more detail. If you're interested, you can then sign up to the SPV deal page where you will find:

- A description of the company
- The company's pitch deck and demo day video
- Our investment thesis
- Q&A session with the founder
- The key terms of the round
- The deadline for investing

If you are not already registered with Odin, you will need to do so to access the deal page. Here, Odin will assess your suitability to invest and capture your home address to see whether you qualify for EIS tax relief.

Once you've entered the funding page on Odin, you will be invited to invest.

If the SPV floor has not been met (see definition of 'SPV floor' in section below) by the funding deadline, funds will be returned to investors who have transferred funds asap.

If the SPV ceiling is breached (again, see definition of 'SPV ceiling' in section below), those funds committed over and above the ceiling will be returned to investors asap. Funds are taken on a first come, first served basis. Therefore, this would not affect investors who transferred funds early on.

Deal terms

The terms of the round are set by the lead investor.

The key rights to consider here are:

- **Liquidation preference -** where Onstage's SPV ranks when cash distributions are being made at exit. Typically, Onstage's SPV will convert into EIS shares (which cannot have a liquidation preference feature), or occasionally into the most senior class of preference shares at the subsequent fundraise if the company is not EIS eligible. In the latter case, shares created as part of new fundraising rounds will often have what's called a 1x non-participating preference feature, where these shares will be returned at least 1x over before any distributions are made to ordinary shareholders. Shares created as part of subsequent rounds would then likely rank senior to these shares. In this case, the preference feature would remain, but the subsequent shares would be paid out 1x, then our shares 1x, and then ordinary shareholders 1x, and then remaining cash distributed pro rata among all shareholders. However, liquidation preference will vary by company and fundraise. There's plenty more that could be said here but it's worth doing wider reading around this if you're interested. As mentioned, Onstage's SPVs will often convert into EIS shares which are unable to have a liquidation preference
- **Information rights** - the information to which each investor has access. Many startups will only share information with 'Major Investors' where an ownership %

threshold must be met to qualify. We will likely own a small % of companies and our information rights will, therefore, likely be limited
- You may want to read up separately on further rights such as anti-dilution, co-sale, drag along and tag along

Our SPV provider, Odin, charges a setup fee, details of which you can see here. Onstage does not charge a setup fee or management fee.

SPVs are subject to a carry pool of 15%. This is where the Onstage team and the VC who referred the company to Onstage receive a total of 15% of any value created over and above 1x return. There is no carry if the investment returns 1x or less. For example, if OnstageI's SPV totalled £100k and returned £1m, £865k (8.65x return) would be returned to investors and there would be £135k distributed as carry (15% of £900k profit).

Post-investment

Once you've transferred funds into the SPV via Odin, you will receive a confirmation of receipt from Odin, who will also let you know once the SPV has been subsequently closed to new investments and invested into the company.

We will then coordinate with Odin and the company to prepare EIS certificates (where applicable) for qualifying investors. The investee company will absorb the cost of producing these certificates. Once complete, we will then distribute EIS certificates among underlying investors. This can take several months, so please bear with us here!

We will then share semi-annual updates with the underlying investors, sharing a few commercial highlights, revenue growth and news of any subsequent fundraising rounds.

Through the holding period of the investment, you will be able to see your equity holdings on your Odin portal. Odin will be able to answer any additional questions you have here.

At exit, Odin will organise distributions among the underlying investors. You will then be responsible for ensuring you are taxed correctly on these returns.

Any questions

If you have any other questions, please feel free to contact us at hq@onstage.vc.