Business Angel Networks
Add-on services

Compendium of practices across Europe
Business angel networks are providing their customers with sophisticated services (angels and entrepreneurs) as well as match-making services.

These new services range from the provision of syndication opportunities to various types of complementary investment vehicles.

This compendium aims to provide readers with characteristics of those new services available on the European market.

They have been clustered as follows:

- Business angel co-investment funds
- Formal business angel syndicates
- Other investment vehicles
- Investment readiness programmes
- Business angel academies
- Other financial support initiatives
- Non-financial instruments
- Collaboration between angels and venture capitalists (VCs)

All tools address a specific market need, such as the increasing equity gap, the lack of confidence in virgin angels, the lack of quality of projects presented to business angels, as well as the difficult communication between BAs and VCs which if solved could increase the fluidity in the market.

This compendium gathers information received from EBAN members and desk research conducted by the Secretariat. It represents the best knowledge TO DATE of the tools presented.
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Dear Colleagues,

Early growth scalable technology companies are one of the major recipients of business angel funding in Europe. The EUREKA label is a valuable accreditation for European investors as it recognises the market potential of an industrial innovation. This label is useful for business angels when assessing investment opportunities. By encouraging businesses to innovate, EUREKA plays an active role in providing investors such as business angels with an opportunity to consider top-of-the-class projects.

EBAN and EUREKA’s goal is to assisting SMEs to access private funding. Collaboration with EBAN and its member networks, through its compendium of add-on services, amongst other things, will help intermediaries and companies to fully understanding fully the role played by business angels and BA networks in European economies. The role of business angel networks goes beyond match-making activities to cover the entire supply chain of services, including training and coaching of entrepreneurs and investors to the provision of business angel co-investment funds which can be used in the follow-up rounds of investment as a business grows.

We hope that through this publication EUREKA members will have a better understanding of the role of business angels in supporting the growth of innovative companies. In addition, we encourage EBAN members to consider EUREKA for financing their R&D projects.

We are certain that the collaboration between the two associations will increase the number of innovative companies financed by private risk capital throughout Europe.

Anthony R Clarke
President - European Business Angels Network (EBAN)

Michel Vieillefosse
Head of EUREKA Secretariat
Business Angel Co-Investment Funds

1.1 BAMS Angels Fund, www.bams.be, Belgium

Business Angels Matching Services (BAMS) Angels Fund is an investment structure that includes 25 business angels who are willing to unite their strengths to increase their financial, due diligence and operational means while at the same time keeping enough initiative and personal involvement.

BAMS Angels Fund follows growing companies by filling the gap left by business angel and public institutional financing during their creation, and later-stage financing from venture capital companies.

BAMS Angels Fund enables committed BAs to gather and facilitate follow-on financial rounds in companies in which they have already invested. It also enables "Becoming" business angels to benefit from the collective experience gained from previous investment and the management expertise of BAMS Angels Fund managers. Lastly, it offers institutional investors access to an interesting and under-exploited market.

Investors are business angels investing under their name or via an investment company, as well as private or public institutional financiers, in agreement with the concept of the fund for active BAs, and recognising the prominent role played by BAs in the Investment Committee.

**Investment strategy**

- Growing enterprises looking for second or third round financing in order to raise typically between EUR 0.5 and 2 million.
- Industrial, technological and innovating companies, high growth potential enterprises and/or any investment opportunities according to their attractiveness and their international growth potential, as well as according to the competencies and experience of the associated business angels.
- Priority is given to enterprises where business angels are present and/or in which some associates plan to co-invest.
- Co-investments are possible and encouraged by associates (typically between EUR 200,000 and 500,000 in total per enterprise financed).
- Orientation of the investments chosen by the Investment Committee including all investors.
- Active follow-up of enterprises in an exit perspective of 4 to 7 years.

**Technical information**

BAMS Angels Fund is a limited partnership through shares (Société en commandite par actions S.C.A.) with a “transparent” fiscal status. Its duration is 10 years with a possible extension of 2 years.

<table>
<thead>
<tr>
<th>Number of business angels foreseen</th>
<th>25</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target size of the fund</td>
<td>EUR 8-10 million</td>
</tr>
<tr>
<td>Number of enterprises financed</td>
<td>Between 10 and 15</td>
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<tr>
<td>Phase</td>
<td>2nd and 3rd round</td>
</tr>
<tr>
<td>Type of investment</td>
<td>Equity or quasi-equity</td>
</tr>
<tr>
<td>Geographical zone</td>
<td>Belgium as well as regions close to the border. Exceptionally co-investments in the USA thanks to an agreement with similar angel groups based in Boston, Massachusetts.</td>
</tr>
<tr>
<td>Funding to be committed by each BA</td>
<td>EUR 100,000</td>
</tr>
<tr>
<td>Total basic investment for each institutional investor</td>
<td>EUR 500,000 – 5 million</td>
</tr>
</tbody>
</table>
Management Team
The manager and active associate of BAMS Angels Fund is Angel Partners L.L.C, which constitutes the permanent structure that guides and supports the associates’ actions.
Michel Helbig de Balzac, Maurice Olivier, Christophe Guisset and Michel Beelen are active in this structure. This team has extensive experience in the generation of deal flow for business angels, analysis and negotiation of share acquisitions in growth companies, their follow-up and the creation of added value in view of an exit, as well as the management of teams of angels.
Contact: BAMS Angels Fund S.C.A, bamsangelsfund@bamss.com, www.angelsfund.be

1.2 Business Angel Network Süd Ost Niedersachsen e.V., www.banson.de, Germany
BANSON initiated and successfully set up a complete set of co-investment tools/initiatives for financing seed and start-up companies in 2005.

a) Business Angel & Regional Public Money Co-investment initiative
A strategic relationship and co-operation was initiated between BANSON and Mitteländische Beteiligungs-gesellschaft (MBG) in Hanover, Germany. Each euro invested by a private party in start-up companies (e.g. from a business angel) will be doubled by another euro (co-investment with public money) up to a maximum amount of EUR 300,000 (EUR 150,000 each). A common due diligence process has been established, which guarantees a financing decision within six weeks. The initiative has been fully implemented and investments were already made in 2005.

b) Investment initiative with German “High-Tech-Gründerfonds”, www.high-tech-gruenderfonds.de
Strong co-operation and close partnership with the German “High-Tech Gründerfonds” (HTGF), investing EUR 262 million in German high-tech start ups within the next five years. BANSON/bat gave significant market input before setting up HTGF. Right from the beginning, BANSON/bat was approved as HTGF’s listed coach and is one of the active partners, making investment proposals to HTGF, coaching the companies and finding co-investments from business angels within its own or other networks.
EUR 50,000 to 100,000 from business angels will be invested, generating up to EUR 500,000 from HTGF in the form of a combination of nominal capital and loans.
- 20% equity capital is required from the founder (10% in the former East German states, including Berlin) in relation to the holdings of High-Tech Gründerfonds. Half of this amount can be represented through seed investors.
- HTGF will acquire 15% company shares (nominal, without company valuation) and grant a subordinate convertible loan.
- HTGF will defer the interest (10% p.a.) for the loan granted for a period of up to 4 years.
- The term of the loan agreement totals 7 years.
- The financing should be assured over a period of 18 months. Liquidity planning, sales planning and results planning are plausible and realistic.

Two out of eleven projects, which were financed nationwide by HTGF in 2005, were set up and successfully presented by BANSON/bat. Administrative and decision-making processes, and strong relationships, have been established – several deals involving business angels can be expected on an annual basis during the next 5 years.

1 Representing Wagram Invest
2 Representing Madian SA
3 Representing Mafibel SA
**Requirements of the management of a newly formed company:**

Personal qualification of the management staff: a high level of motivation, persuasiveness, persistence, commitment and the desire to succeed along with technological-scientific and fundamental business administration know-how, the willingness to supplement any missing management qualifications, the willingness to transfer protective rights owned by the founder to the company, appropriate financial involvement in the company.

The business plan is submitted to High-Tech Gründerfonds by both the company founder(s) and its(their) coach in Phase Three of the selection process. It should contain the following elements/topics:

- Executive Summary
- Business Model
- Products/Services
- Customer Benefits
- Status of Development
- Production and Construction Phase
- Branch and Market
- Branch and Overall Market Analysis
- Market Segments and Target Customers
- Competition
- Marketing
- Market Entry Strategies
- Sales Concept
- Sales Promotion
- Management and Key Personnel
- Knowledge Management/Technological Lead
- Finance Planning
- Strengths/Weaknesses Profile, Chances and Risk Assessment

**c) BANSON Co-investment Funds**

In 2005, BANSON started a project to implement seed and start-up venture capital funds. All legal hurdles for the incorporation of such funds have been overcome and fundraising has started. The planned funds will have a volume of approximately EUR 25 million and will be managed by experienced managers and business angels. The funds will have a regional focus and will primarily invest in innovation-driven technology companies. The funds will only invest in companies that also have a business angel investing to ensure the quality of support. Investors will be institutional and private investors. Companies that already have received funding from one of the previously described initiatives are the main focus of the funds. It is expected that the funds will be operational by end of 2006.

**1.3 BayernKapital GmbH, Germany, [www.bayernkapital.de](http://www.bayernkapital.de)**

As part of the "Bavarian Future Initiative" Bayern Kapital GmbH (Bavarian venture capital company) was founded as a wholly-owned subsidiary of the LfA Foerderbank Bayern (Bavaria’s development bank) at the end of 1995. At the same time, the Bayern Kapital Fund was set up with a capital volume of EUR 1 million. Due to the high demand for venture capital, an additional fund - the Technologie Beteiligungsfonds Bayern GmbH & Co. KG - was created at the end of 1998 with EUR 72 million capital at its disposal. In just a few years, Bayern Kapital has used these two funds to finance over 100 promising Bavarian start-ups, many of which have been able to achieve good market positions with excellent prospects.

The objective of Bayern Kapital is to finance research and development and market introduction of new products. As part of this effort, Bayern Kapital usually acts as co-investor in co-operation with a lead investor (VC or BA). In addition, KfW (a bank sponsored by the German government) is also included in most
Bayern Kapital committed an additional EUR 100 million in lead and co-investment financing to promising new Bavarian companies in addition to its own funding resources of EUR 200 million. This commitment was based on its intensive cooperation relationship. In total, Bayern Kapital was able to mobilize another EUR 00 million in lead and co-investment financing for promising new Bavarian companies.

The “Bayern Kapital model” is unique in Germany. Bayern Kapital has now developed into an essential location factor and driver of private financing in Bavaria. To ensure continued implementation of innovation and growth in the future, Bayern Kapital set up two new funds in 2002. Bayern Kapital joined forces with the LFA Forderbank (Bavaria’s development bank) and tbg-Technologie-Beteiligungs-Gesellschaft mbH (now KfW – a bank sponsored by the German government), to create Seedfonds Bayern with a volume of EUR 22 million for financing start-ups in the medical technology, environmental technology and information / communication / software sectors.

Technofonds Bayern II with an initial volume of EUR 60 million and a target volume of EUR 75 million, was also set up with the same partners plus the European Investment Bank. The fund is intended to facilitate access to venture capital for emerging Bavarian firms planning, developing and introducing new products. Overall, Bayern Kapital now manages a fund volume of almost EUR 200 million.

Bayern Kapital invests principally in small and mid-sized companies with a strong growth potential in key industrial technologies. The investments are mainly concentrated in the information technology, measuring and control equipment, medical technology and pharmaceutical industries.

**Seedfonds**

Seedfonds Bayern funds newly-established, innovative, technologically and growth-oriented Bavarian companies in preparation for participation by institutional investors in these start-up projects (early phase). The funding largely covers costs and investments associated with:

- The start-up of the company and its organization.
- The preparation of a qualifying business plan as well as the related research (patent situation, market and competitive evaluations) of feasibility studies of products, processes and services.
- Initial technology, process and product development work, including the attendant research as well as patent applications.
- Expenses incurred by the business coach up to a pre-determined amount.

**Technofonds Bayern II, a source for venture capital**

With its Technofonds Bayern II, Bayern Kapital adds to its portfolio of funds that make venture capital available primarily to finance the innovations of emerging Bavarian companies.

**Purpose of participation**

Investments by Technofonds Bayern II are intended to co-finance investments and operating resources for the innovative projects of small and mid-sized companies.

The innovation should be constituted as follows:

- Planning phase to prepare and plan a research and development project until ready for R&D work.
- Research and development phase to develop a new product or process (including technology services) to the point of manufacturing or testing prototypes.
- Build-up phase to fine-tune and prepare for manufacturing as well as market introduction of the technically-new product, process or service.
- Expansion phase to finance diversification into other innovations, enlarge market shares, or to improve the company’s net equity in order to make financial resources available in preparation for a stock market listing.
1.4 Early Growth Funds, United Kingdom, www.sbs.gov.uk

These funds were established by the UK Small Business Service. Business angels can co-invest in these funds. The objective of these funds is to increase the availability of small amounts of risk capital, of an average of GBP 50,000, for innovative and knowledge-intensive businesses, as well as for other growth businesses.

Who can benefit from Early Growth Funds?
All small businesses in the early stages of growth whether they be:
- Start-up or university spin-outs
- Innovative and knowledge-intensive businesses
- Smaller manufacturers needing fresh investment to pursue new opportunities
- Any early growth company.

How do the funds operate?
Each of the funds is managed on a purely commercial basis with each fund manager responsible for his/her own application processes. Fund managers will make all investment decisions and will be looking to make a commercial return on investments.

How much can be raised?
The funds can make maximum initial investments of up to GBP 100,000. Most funds require matched private sector investment to at least the same amount as Early Growth Fund investment.

Are there any excluded sectors?
There are no excluded sectors, but fund managers make all investment decisions and are likely to take into account the potential commercial return and the make-up of their portfolio.

Where are the funds operating?
The funds are a mixture of regional and national funds.

1.5 Enterprise Capital Funds, United Kingdom, www.sbs.gov.uk

Each fund invests in SMEs seeking equity funding in the “equity gap” (up to GBP 2 million).

Seraphim Capital Fund, www.seraphimcapital.co.uk
A GBP 30 million generalist co-investment fund that will invest alongside leading business angels and other private investors drawing on the deal flow and investment experience afforded by the funds’ diverse investor base. The fund will be managed by a coalition of ‘business angel’ networks and will focus on investments in companies throughout the UK predominantly in the early stages of development.

A GBP 10 million fund that will focus on seed technology investments throughout the UK. The fund will be managed by Cambridge-based Amadeus Capital Partners who are widely recognized as one of the country’s leading investment specialists in this sector.

The IQ Capital Fund, www.nwbrown.co.uk
A GBP 25 million fund that will operate across the Cambridge, Oxford and Bristol areas, but can invest anywhere in the UK. It will focus on technology-based SMEs and will make investments of up to GBP 1.5 million. The fund will be managed by the Cambridge-based NW Brown Group. Cambridge-based Great Eastern Investment Forum, Oxford-based Oxford Opportunities Investment Network and Bristol-based South West Angel Investor Network (SWAIN) are also key partners in the fund, who will invest alongside business angels (private investors investing their own money into the SME) and who have specific sector expertise.
A GBP 30 million fund which will operate across the UK and focus on high-growth companies employing leading-edge sustainable technology. E-Synergy Limited, that has close links with the UK’s research community and expertise in selecting and backing strong technology in early-stage companies, will manage the fund. The managers and investors in this fund believe that the business and legal environments are right for companies seeking to develop and exploit sustainable technology.

The Dawn Capital Fund, www.dawncapital.co.uk
A GBP 37.5 million fund, which includes GBP 25 million of government funding, has been created by a group of successful entrepreneurs and experienced fund managers. The fund will invest throughout the UK with an investment focus on traditional industries where pioneering companies are able to adopt innovative technology to improve products and services.

The Midlands Enterprise Capital Fund, www.catapult-vm.co.uk
A GBP 30 million generalist fund, which includes GBP 18 million of government funding, will focus on investments in the Midlands region, but will consider UK-wide opportunities. This is the only fund to come out of the initial pathfinder bidding round that has significant backing from institutional investors, in this case local authority pension funds. Catapult Venture Managers will manage the fund.

1.6 Finnish National Fund for Research and Development SITRA, Finland, www.sitra.fi/en
Sitra's PreSeed Finance runs a nationwide private investor network comprising 300 business angels (INTRO) and 100 knowledge capital investors (DIILI). In addition, the most significant private and public funds invest into INTRO, making it the single most important service in Finland channelling both private and public capital to growth enterprises in the start-up phase. So far, one out of every three companies presented at the INTRO Venture Forum has found the financing it has been looking for through this channel.

Applying for venture capital financing is a challenge for any start-up enterprise. For the enterprise, the investment brings distribution of ownership and power, for the private investor it calls for commitment and risk-taking. Experience is necessary for generating growth. Maturity and readiness are vital for success. Sitra PreSeed Finance offers a practical, well-designed environment to fine-tune the enterprise’s readiness necessary for applying for venture capital financing.

INTRO (http://www.sitra.fi/intro/eng) is involved in private investors’ venture capital activities, with a clear vision to empower public/private partnerships. INTRO aims at:

- Creating an initial investment market for start-up enterprises
- Establishing a strong private investment sector in Finland
- Accelerating the commercialisation of technology enterprises and their progress in the venture capital market.

Each year Sitra PreSeed Finance arranges five to six INTRO Venture Forum events, where entrepreneurs and investors are introduced to each other in a dynamic environment. The investment negotiations start right after the Forum, co-ordinated by Sitra. Sitra invites the entrepreneur and all interested investors to the negotiation table. This is an efficient way to determine the terms by which each investor would be ready to invest. In addition to managing the investment process, Sitra is also a potential investor itself.

For investors, INTRO provides a centralised service where business ideas are presented, and provides easy and trustworthy access to a source of a refined stream of businesses. INTRO simplifies the finding of potential investments and accelerates the progress of the investment process. Co-investments are typical and are encouraged by PreSeed Finance.
Companies are selected for INTRO on the basis of assignments. The selected companies are looking for capital financing, are promising in a business sense, are either start-ups or are undergoing a transitional phase, and can justifiably be assessed to be of interest to investors as potential investments. For the companies selected to participate in INTRO, Sitra PreSeed Finance arranges for the necessary training to manage the investment process. The companies are given a guided environment and coaching, in which their skills and readiness to present themselves and negotiate with private investors are enhanced. The concept is constantly improved based on the feedback received from both entrepreneurs and investors.

DIILL (http://www.sitra.fi/diili/eng) is a channel to the INTRO marketplace for sales professionals. They can find their way to challenging sales positions in the entrepreneur teams based on the sweat equity principle, exchanging their work contribution for shares.

**Statistics**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of private investors (June 2006)</td>
<td>400</td>
</tr>
<tr>
<td>Amount of funding available through the investor network</td>
<td>40 million €</td>
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<tr>
<td>Number of enterprises financed</td>
<td>54</td>
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<tr>
<td>Average amount of financing sought</td>
<td>250,000 €</td>
</tr>
<tr>
<td>Phase</td>
<td>0 and 1st round</td>
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<tr>
<td>Type of investment</td>
<td>Equity or quasi-equity</td>
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<tr>
<td>Geographical zone</td>
<td>Finland</td>
</tr>
<tr>
<td>Average size of funding by each BA</td>
<td>100,000 €</td>
</tr>
</tbody>
</table>

**Management Team**

The PreSeed Finance team is comprised of financing experts with business acumen, who draw from extensive experience in the financial sector and a strong international business background. The team actively maintains and manages its business contact network. Keeping constantly updated on trends within the sector demonstrate the team's continued commitment and working practices. Sitra PreSeed Finance plays a pivotal role in shaping the future of venture capitalism in Finland.

*Contact: risto.kalske@sitra.fi*

**1.7 KfW ERP Start Fund, Germany, [www.kfw-mittelstandsbank.de](http://www.kfw-mittelstandsbank.de)**

KfW Mittelstandsbank mobilizes equity for young, innovative, technology-based firms with assistance from the German Federal Ministry for Economics and Labour (BMWA) and the ERP Start Fund. In so doing, KfW enters into participations that, in most cases, do not involve assuming part of the management of the firms. The precondition is, however, that one other equity investor (lead investor) enters into a participation of at least an equal amount. The participations of KfW and the lead investor are subject to the same economic conditions. Lead investors could be venture capitalists as well as business angels.

**Who is eligible?**

**Young tech companies that:**

- are 5 years or younger, and
- fulfill the SME criteria of the European Commission.

Older companies can also seek financing from the ERP Start Fund in later rounds insofar as they have already received financing under one of the preceding BTU (Technology Participation Programme), BTU - Early stage, or FUTOUR programmes.
What may be financed?
Innovative technology-based companies that can meet their financing requirements with the equity finance they receive. They must fulfil the following conditions:
- Development of new or significantly improved products, processes or services and/or their introduction onto the market;
- The innovative core is developed by the company itself;
- New products (processes/services) differ from previous products (processes/services) of the same company in terms of their key functions and are based on the company's own R&D.

What are the conditions?
- Maximum amount: the maximum limit per tech company is EUR 3 million,
- Several rounds of financing are possible, a maximum of EUR 1.5 million for first-time financing,
- Term, conditions and form of the participation depend on the participation of the lead investor.

Who may participate as lead investor?
The lead investor will advise and support the technology-based enterprise on all economic and financial matters. He/she should offer management know-how and marketing support. Additionally, he/she should be able to provide additional financing.
The following are eligible to be a lead investor:
- Equity investment firms
- Companies (as strategic investors)
- Business angels

Equity investment firms must be accredited with KfW. Companies and business angels are eligible on a case-by-case basis.
The lead investor monitors the management and development of the tech company and informs KfW accordingly. In exchange, he/she receives remuneration from KfW.

1.8 Mittelständische Beteiligungsgesellschaft (MBG), Germany, www.nbank.de

Business Angels and State Business Development Agencies Co-operate: Broader Scope to Finance Young and Innovative Enterprises

The NBank, Lower Saxony’s investment and development bank, has broken new ground. The co-ordinator of the state's business angel networks has attracted the "Mittelständische Beteiligungsgesellschaft Niedersachsen (MBG) mbH" to co-operate in order to combine private and commercial investor activities.

According to the agreement, the "Mittelständische Beteiligungsgesellschaft (MBG)" will add one euro to every business angel euro invested. Start-ups may receive up to EUR 300,000 as business angels share their risk with MBG. Business angels and MBG analyse every business plan separately to minimise their own risk.

Start-ups need not wait for long: partners agree on a standardized process flow to reach a decision within weeks. If enterprises, business angels and MBG have not met previously during an NBank or network-matching event, NBank pre-selects appropriate business plans and forwards them to the partners.

One further element of the co-operation is the promotion of consulting by NBank. The bank subsidises the follow-up equity coaching for enterprises comprising of professional assistance in implementing the business plan. Thus, management and information deficits may be eliminated at an early stage.

This co-operation has already proved successful. A BANSON business angel and MBG will make a first joint investment. They are going to hold a stake in Securepoint, an enterprise with headquarters in Luneburg. The company operates on a global scale and develops security software for company networks and single desktops.

Contact: Stephanie Rockitt at NBANK, Stephanie.rockitt@NBank.de
1.9 Scottish Co-Investment Fund, United Kingdom, www.scottish-enterprise.com/sedotcom_home/services-to-business/businessfinance/equity/finance-sco-profile.htm

The Scottish Co-investment Fund (SCF) has been set up by Scottish Enterprise to increase the risk capital available for investment opportunities in small but ambitious Scottish companies. Part funded by the European Regional Development Fund, the SCF is a GBP 5 million equity fund which can invest between GBP 50,000 and GBP 500,000 in company finance deals of up to GBP 2 million.

Eligibility
The Scottish Co-investment Fund (SCF) has been set up by Scottish Enterprise to increase the risk capital available for investment opportunities in small but ambitious Scottish companies. Part funded by the European Regional Development Fund, the SCF is a GBP 5 million equity fund which can invest between GBP 50,000 and GBP 500,000 in company finance deals of up to GBP 2 million.

How the fund works
Through the fund, Scottish Enterprise provides equity funding to small and medium-sized firms (on a purely commercial basis) with selected co-investment partners. SCF Partners is made up of corporate ventures; institutional investors; professional fund managers and investors; business angel syndicates; private individual investors.

1.10 SeedCapital Dortmund, Germany, www.nrwbank.de

Local start-ups in the region of Dortmund are provided with a new equity seed fund with a volume of EUR 10 million. The fund is issued by NRW.BANK, Sparkasse Dortmund and Schuchtermann-Schiller’sche Familienstiftung.

Seed funds support young and technology-oriented enterprises during their seed phase by providing long-term equity. The equity market in North Rhine-Westphalia has shrunk dramatically since 2003 thus threatening the financing of many start-ups. The new fund “SeedCapital Dortmund” intends to provide some market relief.

The new fund is integrated into the EUR 30 million NRW.BANK.seed fund. This fund was issued in 2005 by the North Rhine-Westphalia development bank and takes an interest of up to 50 percent in regional seed funds. The regional seed funds are intended for technology-oriented regions and provide business advice for participating companies. The regional fund is entitled to invest a maximum of EUR 500,000 per enterprise. In the whole of North Rhine-Westphalia the NRW.BANK.seed fund finances more than 100 technology-oriented start-ups.

The NRW.BANK’s interest in “SeedCapital Dortmund” is a pilot scheme. “Sparkasse Dortmund” ever since made a significant contribution to local economic development. The new seed fund is a crucial element of financing solutions for start-ups. The backbone of the NRW.BANK’s seed fund commitment is the variety of competencies in forward-looking business branches, which the Dortmund City Council has built up over the past twenty years. The Dortmund Technology Park, Stadtkrone Ost and MST.factory host roughly 300 young enterprises in the branches of biomedicine, micro- and nanotechnology, information technology and logistics. In this respect, Dortmund has made a significant contribution to structural change in the whole Ruhr area.

With the regional funds, partners back the state government’s intention to advance new technologies.

In accordance with the outlined structure, further regional funds are to follow suit. Interested regions will present their fund concepts within the coming weeks.

Contact: klaus.bielstein@nrwbank.de

How the fund operates

• STING Capital is a pre-seed venture capital fund with EUR 4.2 million in commitments
• The fund makes 8-12 investments per year in the range of EUR 45,000 – 160,000 per company
• The investor base in the fund is a combination of government agencies, private business angels and VC companies. The portfolio companies receive both capital and industrial skills and knowledge from the business angels
• The fund invests at very early stages in the development process and in companies that have an innovative and unique technological product idea
• The fund is based in, and receives its main deal flow from, the extensive support system in Stockholm Innovation & Growth, which guarantees access to qualified business coaching, infrastructure and an extensive contact network
• The fund has close connections with the Royal Institute of Technology (KTH) and the research institutes in Kista and Stockholm, which gives the portfolio companies access to both broad and deep technological knowledge
• The fund also has connections with the company networks that are established in Kista through STING’s sister company, Kista Science City, which gives close contact to customers and suppliers for the portfolio companies.

STING Capital wants to help build companies that:

• Have a technology-based business idea
• Clearly meet an existing customer need
• Have clear scalability – ability to offer the idea in a product
• Have international expansion potential
• Have a team with a relevant background and an entrepreneurial driving force
• Have never received external financing before
• Are geographically located in the Stockholm region, though other regions are not excluded
• Do not yet have a finished product and/or ongoing invoicing to customers

Contact: Pär Hedberg, CEO, T: +46 8 790 40 34, E: par.hedberg@stockholminnovation.com

1.12 TechnoPartner Seed Facility, The Netherlands, www.technopartner.nl

The objective of the TechnoPartner Seed facility is to encourage and mobilise the bottom end of the Dutch risk-capital market in such a way that technology start-ups are able to meet their capital requirements. Closed-end venture capital funds are eligible for the Seed Facility. Participation funds, which invest in high-risk technology start-up businesses, can apply for a loan with TechnoPartner. The loan equals the amount deposited by the fund, up to a maximum of EUR 4 million. The flexible payback arrangement not only makes investing in technology start-ups a socially responsible activity, but also a financially attractive proposition. From the instant revenues are generated, the fund will only have to pay back 20% until it has earned back its investment. After that, the fund will have to turn over 50% until TechnoPartner has earned back its investment. If the fund keeps receiving revenue, the additional income is again divided between the fund and TechnoPartner on an 80%-20% basis.
Example of a fund of an EUR 8 million EUR 4 million private investors and EUR 4 million Dutch Government

<table>
<thead>
<tr>
<th>Payback Arrangements (%)</th>
<th>Period A</th>
<th>Period B</th>
<th>Period C</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Private investors</td>
<td>80 %</td>
<td>50 %</td>
<td>80 %</td>
</tr>
<tr>
<td>- Dutch Government</td>
<td>20 %</td>
<td>50 %</td>
<td>20 %</td>
</tr>
</tbody>
</table>

Conditions for applying for the seed fund:
- At least three shareholders or partners must participate in the fund created;
- The fund has the form of a public or private limited company, partnership or limited partnership;
- The sole aim of the fund is to eliminate the 'equity gap';
- Investments must be made during the fund’s first six years. The fund must be liquidated at the latest 12 years after its inception;
- The fund plan must state the way in which support to technology start-ups is provided.
II Formal Business Angel Syndicates

2.1 Archangels, Scotland, UK, www.archangelsonline.com

Conditions for investment:
- The company must be based in Scotland, preferably the Central Belt
- The business must have high growth potential with global application
- The syndicate invests equity only but will assist with the raising of debt as part of a package where appropriate
- The investment should be in a sector which qualifies under the Enterprise Investment Scheme
- Archangels do not generally invest in retail, hotels, restaurants or property
- The proposal may cover a range from ‘proof of concept’ through expansion capital and can include start-up, early stage or MBOs
- The preferred level of investment is GBP 250,000-500,000 but can cover a range from GBP 50,000 to 2 million

2.2 Braveheart Ventures, Scotland, UK, www.braveheart-ventures.co.uk

What is Braveheart?
Braveheart Ventures Ltd is an investment company that makes and manages investments in British businesses. Braveheart was formed in 1997 by four Scottish investors.

Whose money do they invest?
Most of the money they invest comes from their investors who are from both the public and private sector. The majority of investors are individuals but we also have corporate investors.

How many investors are there?
At present about one hundred investors. The number has increased steadily year on year.

How does the business operate?
Braveheart is run by an executive team of seven who report to a board of directors. The executive team looks at a large number of investment opportunities each year. From these they will select a few that match certain criteria. Typically they will make about six investments a year.

Who makes the investment decisions?
Braveheart has both active investors (advisory clients) and passive investors (discretionary clients). The advisory clients make their own investment decisions based on detailed information they send to them. Braveheart management makes the investment decisions for discretionary clients. No investor is obliged to invest in any opportunity.

What sort of returns?
The last audited portfolio valuation showed a return of a little over 34% compound annual growth. These returns compare favourably to those being generated by many Investment Trusts and VCTs. However, investing in unquoted companies is highly speculative, and investors should appreciate that valuations can swing widely in either direction.

How much is invested in a company?
From GBP 50,000 to 1 million. If more is required, it is possible to invest alongside other venture capital houses or business angels.
What sort of businesses do they invest in?
They invest in businesses at different stages of corporate development. This ranges from businesses that are just starting to trade, to companies that are expecting to IPO in the short term. They occasionally invest in businesses that are in rescue or distress situations.

What sort of involvement is expected after investment?
The level of involvement depends completely on the needs of the company, the stage of its development, how much they have invested and the strengths of the management team. There is no rule of thumb for this - it ranges from no involvement to representation on the Board of the company.

How long is the investment for?
As a general rule, investments in the two to five year time window. Before investing they will have detailed discussions with management about their exit strategy.

What is the dividend policy?
Investments are made where the capital will appreciate. It is unusual for portfolio companies to pay dividends simply because most of them are young businesses that need to retain capital.
III Other Investment Vehicles

3.1 BBAF Business Angels Fondsgesellschaft mbH, Germany, www.business-angels-berlin.de

The “BBAF Business Angels Fondsgesellschaft mbH” was established on 10 March 2005 by members of the Business Angels Club Berlin e.V.

The fund has a volume of EUR 500,000. Minority holdings of EUR 50,000 per deal are envisaged. The investment decision will favour enterprises with a high potential for growth and that are led by a highly qualified team. The team should be interested not only in capital but also in business coaching. There is no regional focus as the fund invests on a federal level.

Contact: holger.morbitzer@hmo-venture.com

3.2 BANSON Business Angel Co-Investment Club – BBACC, Germany, www.banson.de

A club structure has been set up, where business angels with existing investment projects will easily find syndication partners (private investors) to structure bigger investments. The presenting business angel acts as lead investor. The initiative has been fully implemented. The first deals will be concluded shortly.


The first investment club (FBA1) was created in October 2005, with subscriptions ending in March 2006. The objective of the club is mainly to entice virgin angels to become active angels by investing alongside other active angels.

- The club has 18 members (maximum number allowed is 20), who are currently investing in two projects
- Each member invests EUR 4,500 (maximum EUR 5,500/year to benefit from fiscal deductions) with an EUR 500 management fee (due diligence, expertise, valorisation strategy, etc.)
- The investor stays until the exit
- Maximum amount of the fund is EUR 81,000
- The fund will invest in six to eight projects

First conclusions are as follows. The fund is:

- A flexible tool: the majority vote is fixed at 75%. Unanimity is being too difficult to achieve and simple majority is frustrating to some members
- A stimulating tool: decisions seem to be more easily taken in these obligatory group meetings
- An adapted tool: the amount to be invested depends on the number of members in the club.

3.4 North West Business Investment Scheme, United Kingdom, www.nwbis.co.uk

The Business Investment Scheme is an GBP 18 million scheme to provide seed and venture capital investment to small- and medium-sized businesses using money allocated by the European Regional Development Fund (ERDF) for use in the North West areas designated as Objective 2 or Transitional. The Business Investment Scheme can look at funding most small- to medium-sized businesses with only a few exceptions, which are outlined below.

- All businesses must be within the Objective 2 or Transitional areas of the North West
- The scheme can invest up to a maximum of GBP 500,000 for any one project
- The business must employ less than 250 people, have a turnover of less than EUR 40 million (approximately GBP 25 million) and assets of less than EUR 27 million (approximately GBP 17 million)
• Your business may not be eligible if 49% (or more) of its activities comprise: synthetic fibres, textiles, clothing, motor vehicle manufacture and first tier suppliers, shipbuilding, coal, steel, agriculture, transport, banking, insurance, food production and processing, but check with us as certain applications in these sectors may qualify.

• Business Angels can qualify to co-invest with this scheme.

3.5 North West Seed Fund, United Kingdom, www.nwseedfund.com/index.php

The NWSF is a GBP 4.5 million fund that helps exceptional North West entrepreneurs and businesses to achieve their potential through seed capital investment and business building support. It was established in September 2003 and provides local entrepreneurs with the resources to take their ideas from the drawing board to achieving their first sales.

Initial investments of up to GBP 100,000 will be made in outstanding early stage companies and, in exceptional circumstances, further financing will be possible for up to a total investment of GBP 350,000 per company.

In addition, the NWSF works closely with seasoned entrepreneurs and professionals throughout the region to ensure that these nascent businesses receive not just investment but also the mentoring and support critical for success.

Business Angels can qualify to co-invest with this scheme.

3.6 Regional Venture Capital Funds, United Kingdom, www.sbs.gov.uk

What are Regional Venture Capital Funds? Why are they being established?

Regional Venture Capital Funds (RVCFs) are an England-wide programme to provide risk capital finance in amounts up to GBP 500,000 to small and medium-sized enterprises (SMEs) who demonstrate growth potential. The funds, managed by experienced venture capital professionals, are commercially focused, making commercial returns.

There is an acknowledged ‘equity gap’ at the lower end of the market. The government’s intervention is designed to be the minimum necessary to stimulate private sector investors to provide small-scale risk finance for SMEs with growth potential.

What are the objectives of RVCFs?

Short term:

Establish at least one viable, commercial fund in each of the nine English regions – which increase the amount of equity gap venture capital available to the SME market and which does not displace any existing fund activity in this segment of the market. This objective has been achieved and funds are now operational in each region.

Long term:

• Increase the amount of equity-based risk finance available to growing SMEs to enable them to realise their full growth potential
• Ensure that each region in England has access to a viable, regionally based venture capital fund, making equity based investments in smaller amounts in SMEs
• Demonstrate to potential investors that commercial returns can be made by funds investing in the SME equity gap thus promoting the private sector venture capital industry
• Increase the supply of quality fund managers operating in the equity gap

How were fund managers chosen?

Commercial private sector venture capital fund managers were sought, via a comprehensive bidding and open tender process, throughout 2000.
All of the bids to operate RVCFs have gone through a comprehensive, robust assessment and due diligence process. SBS has brought in professional corporate finance (PKF) and legal advice (Clifford Chance) as part of this process as well as utilising the Government Office network to assist in the assessment of proposals from a regional perspective.

On completion of this assessment process, all proposals were put to an independent Appraisal Board (a sub-group of the Small Business Investment Taskforce (SBIT), whose members consisted of external people with experience of the venture capital sector). The recommendations put forward by the Appraisal Board have been taken forward by SBS.

All nine funds are operational and making investments. Annex 1 provides information on fund size and indicative targets set for each English region, together with respective contact points.

How do the funds operate?

• Each fund operates within a regional boundary in England
• Fund managers operate and manage funds on a purely commercial basis and are governed by a ten to twelve year Limited Partnership Agreement
• The fund managers are independent companies who are operating out of their own premises, on a purely commercial basis
• Fund managers will make all investment decisions, including how the investment should be structured

Investors in the fund

In each RVCF, the government, via the SBS, is investing for its own account. In addition, SBS has secured funding from the European Investment Fund (EIF), the equity arm of the European Investment Bank, such that in most cases, approximately 50% of the funding will be from these two sources. Each fund manager then has to secure the remaining percentage from other private sector investors.

In order to assist fund managers to attract private sector investors, the government decided to subordinate its investment position by firstly putting a cap on its investment return, thereby boosting the anticipated return to private sector investor and the EIF along with agreeing to act as ‘first loss’. This means that, in the event of an erosion of a fund’s capital base, the DTI investment suffers the loss first.

Investment criteria

How much can be raised?

RVCFs can invest up to GBP 250,000 in equity or debt into any qualifying business, be it a start-up, early stage, or needing development capital either for an acquisition or for organic growth.

As stated above, all decisions as to whether or not to invest in any proposal will be made by the fund manager based on commercial viability. MBOs, MBIs and BIMBOs are also eligible.

If another institutional venture capitalist has already invested, then the cost of that investment is deducted from the GBP 250,000 ceiling to arrive at the amount the RVCF can invest.

If an RVCF wishes to bring in another venture capitalist at the time of its initial investment, then it may do so. However, the total investment by the RVCF and the other venture capitalist must not exceed GBP 250,000. These restrictions have been applied to help ensure that the RVCFs stay firmly rooted in the lower segment of the equity gap.

The RVCFs are allowed to make ‘follow on’ investments of up to a further GBP 250,000, and in exceptional circumstances, more than that. For such follow-on investments, there are no restrictions on who can co-invest or how much can be co-invested. Such follow-on investments are not permitted within a six-month period starting from the date of the original investment.
Length of investment holding
No investment is permitted if it is expected to last less than six months. Most investments are likely to be held, on average, for about five years, after which the fund manager will need to find an exit. Each RVCF has a ‘life’ of ten years, and at the end of that time must have turned all its investments into cash.

Which businesses qualify?
A business may apply for equity finance to the fund covering the area in which the head office is situated or where it conducts a material part of its business and where the purpose of the relevant investment is, or the application of the proceeds of such investment by the relevant company shall be, predominantly related to or for the benefit of the region.

There are three differing types of criteria, other than the geographical one mentioned above.

i. Size of business
The business has to comply with the European Union’s definition of a small and medium-sized enterprise (SME). Currently, this is defined as a business with less than 250 employees and either has a turnover of less than EUR 40 million (approximately GBP 24 million) or a balance sheet total of less than EUR 27 million (approximately GBP 16 million).

ii. Ownership
It must not be owned:
• By another company
• Have 25% or more by owned by another enterprise
• Jointly by several enterprises not meeting the above SME definition.

Some of its equity can be owned by business angels or other individuals not connected with the directors or other shareholders, and it can already have had venture capital funding. This can either be from Seedcorn funds or from other venture capitalists. If it is the latter, the amount the RVCF can invest will be restricted.

iii. Sectors
As a condition of state aid clearance, there are a number of sectors in which the RVCFs cannot invest. The key ones are listed below:
• Land and property development, dealing and investment
• Provision of debt and equity finance and financial services in general
• Accountants and legal services
• Hotels
• Nursing and residential care homes
• International motor transport
• Agriculture
• Forestry and timber production
• Horticulture

The rules governing what is eligible and what is not are quite complex, but anyone wishing to know about a particular case should contact, in the first instance, the fund manager of the appropriate RVCF.

What is the relationship between SBS, RDAs and fund managers?
The role of the SBS has been to manage all aspects of the development of the RVCF programme including the bidding process and handling state aid issues. The SBS has also agreed to act as agent for the EIF investment in this programme. With the operational funds it is responsible for managing both the DTIs and EIF’s investment in the programme.
The fund managers are responsible for delivering/operating the ten to twelve year Limited Liability Partnership Agreements signed by all investors in funds, including the DTI. They also undertake all aspects of the investment process in funds, including taking all investment decisions on what investments are made.

RDAs have a pivotal role in ensuring the success of this programme, by supporting the RVCF operating in their region.

The role of RDA is to assist the fund manager in raising the necessary private sector investment by utilising their contacts and knowledge of the business support network within their region.

Once funds are launched, RDAs will:

- Develop the networks within their region that will ensure the funds success
- Assist by providing links to organisations that could support businesses once they have received investment
- Sit as members on the advisory committee for each fund.

The advisory committee’s role will be to monitor the activities of the fund and represent the interests of the limited partners. However, the advisory committee does not have the authority to amend or influence any investment decision taken by the fund manager.

**How to access the RVCFs**

Each one of the nine RDA has sponsored a fund manager to set up and run a fund in their region. Access to funds will either be direct to the fund manager or through the normal business support channels.

### 3.7 Xénos Piggyback scheme, Wales, www.xenos.co.uk

Under the piggyback scheme an investment by a xénos business angel could trigger a matching equity investment from Finance Wales (Welsh Development Agency, www.financewales.co.uk/eng), increasing funding levels and offering flexibility to investors.

This scheme aims to give investors with a limited amount of investment funds the ability to adopt a portfolio approach to their dealings and thereby limit the risk they are taking by spreading their funds over more businesses. It also has the advantage of Finance Wales and the investor sharing due diligence costs.

- The shares involved will be those which best suit the business angel, given that some angels seek tax relief. Standard documentation will also be used to keep bureaucracy to a minimum.
- Investments up to GBP 100,000 will be considered.

This is not an automatic match funding scheme and all investments will be subject to Finance Wales due diligence and review of investor due diligence.

Due diligence performed will be performed by Finance Wales on:

- The commercial aspects of the deal
- The investor and his/her ability to deliver if he/she is to be actively involved.
- The investor’s due diligence – investors should articulate their due diligence by way of a short report on their view of the investment and why they want to invest

**Contact:** Leanna Davies, leanna.davies@xenos.co.uk
IV Investment Readiness Programmes

4.1 BAARacademy, Germany, www.baar-ev.de

The “Business Angels Agentur Ruhr e.V.” (BAAR), the business angel network for the Ruhr region in Germany, has a leading position in advanced training for players in the private equity market. Its training schemes are a countrywide success. BAARacademy organises advanced training for business angels and those interested in business angel investment. The BAARacademy is open for capital-seeking entrepreneurs and interested intermediaries as well. It gives practical advice drawn on practical experience and is oriented at its customers’ needs only. Besides knowledge transfer, there is time for discussion and case studies.

Contact: Maria Theresia Gerstung, gerstung@baar-ev.de

4.2 BANDacademy, Germany, www.business-angels.de

Players in the private equity market ask for qualification. Business Angels Network Germany e.V. (BAND), provides advanced training for business angels, capital-seeking entrepreneurs and intermediaries.

Contact: Dr. Ute Günther, guenther@business-angels.de

4.3 Fit4FinanceTM, United Kingdom, www.exemplas.com

Details of the operation

The programme comprises three stages:

- **Stage 1**
  A seminar giving advise on the sources of finance, what makes a proposition attractive to a financier and the importance of presentation to the funder.

- **Stage 2**
  Advice, help and signposting in “working up” the proposition and business plan to achieve a viable attractive proposition.

- **Stage 3**
  A panel presentation to a panel of financiers for feedback on the final presentation, help and advice, and occasionally an offer of funding from one of the panel members. This is not the primary aim of the panel meetings.

Below are details relating to each stage of the programme.

**Stage 1 The Seminar**

The aim is that each delegate will leave the seminar having a very clear understanding of the sources of funding available; which type of funding is appropriate for him/her and whom he/she should target; and how to present that proposition to the appropriate funder in an attractive way.

One must remember that the style of presentation used for a bank is very different to the one used for a private equity investor, whether it be a business angel or venture capitalists.

Banks look for track record safety and security, while Investors are very much looking to the future, risks and high growth. They look for products of the future and leading-edge technologies. They accept that they will make losses on some investments but very substantial gains on others.

The presentation styles need to differ to attract funding.

Seminars are typically half-day events targeting an audience of approximately 50, with a mix of very early stage entrepreneurs and SME’s looking for growth finance.
Events are held in conference centres in hotels and similar venues.

It should be stressed that the event needs to be strongly chaired by someone who is prepared to explain that whilst conditions may not be ideal, we need to understand the reality of the situation and the things that lenders and investors look for.

Presentations are kept to 0 – 5 minutes and the presenters are asked to present the situation as it is, and explain what they find attractive in a proposition and how they like it presented to them.

It is felt very important that the speakers are practising lenders and investors as they have credibility with the audience and are up-to-date with the markets they are talking about.

Stage 2 Working up the proposition / selection for panel presentation

The aim of this stage of the programme is to filter applications from companies that wish to make a presentation to the panel, to ensure that propositions and plans put forward appear viable and credible. Those plans that are not felt to be up to standard are discussed with the companies and valuable help and advice given. For instance, concerning the viability of the proposition, missing elements in the business plan, or simply a poorly presented business plan.

A great deal of emphasis is placed upon the clarity of the executive summary and the need to “sell” the company as a rounded entity to an investor or lender rather than committing the common mistake of trying to sell the product. Investors are looking to buy a part of the company – not the product.

If in-depth help is required service providers are signposted.

Stage 3 The panel presentation

A panel typically includes a chairman, a banker, a venture capitalist and one or more business angels. If possible, angels are selected with experience in the same sector as the company making a presentation. The session lasts for one day (6 -7 hours) with approximately four companies making a presentation.

The presentation lasts 10–15 minutes followed by a one-hour discussion.

Afterwards, the chairperson provides the panel with a summary of the meeting written in bullet points.

The aim is that companies will receive valuable advice regarding their proposition, and gain experience concerning what to expect when discussing with investors. Investors are not easy to impress and are known to ask blunt questions. Some find it a daunting experience and are grateful for the experience before approaching other investors and lenders.

Contact: Martin Carr - martinc@exemplas.com

4.4 The Creative Business Accelerator, United Kingdom, www.lbangels.co.uk

The Creative Business Accelerator has been operated as a pilot since May 2005 by London Business Angels and supported by the London Development Agency, Creative London and the Corporation of London. The CBA is aimed at helping early stage businesses from the creative industries to access information and advice about external finance to grow their creative business and become investment ready. The CBA programme offers the opportunity to attend an open awareness raising session. Then up to 60 selected companies attend an initial one-day interactive workshop about main options for growth finance and how to position their company. This is delivered by professional experts and investors covering sources of finance, business planning, IP protection, meeting the investors and pitching to investors.

A competitive evaluation process is then applied to select up to 15 creative businesses, who will then receive a programme of individualised intensive support leading to opportunities to directly access equity investment or other relevant sources of finance.
This includes:

- Pitching to a panel of experts to see what issues to address and how the participant has improved
- Seven interactive mini-workshops presented by experts in business planning, marketing and selling, HR and team building, and meeting investors
- One-to-one mentoring from an investment expert enabling you to benefit from their advice and support in growing your business
- Opportunities to present to investors to gain access to sources of finance and investment

Achievements to date:
100 creative businesses have attended workshops, 25 selected businesses have participated in the intensive support programme with five having gone on to directly receive investment (the full outcome of investment achieved is too early to tell).

Increasing awareness of the benefits of investing in creative industries
GLE London Business Angels has also operated a programme of raising awareness amongst angel investors concerning the benefits and opportunities of investing in creative industries, which complements the work of the Creative Business Accelerator to address supply issues. This has included information sessions and case studies, special creative industries company presentation events with 5-6 creative businesses presenting. A creative industries investor fair was also held with 20 businesses from the creative business accelerator presenting their products and services to investors.

Contact: www.ibangels.co.uk
V Business Angel Academies

5.1 CIDEM/La Salle Business Angel School, Catalonia, Spain, www.catalonia.com

Course format for active business angels and potential business angels: five four-hour conferences every two weeks, divided into three parts:

- Theoretical concepts
- Networking
- Practical case: real experiences

During each conference, an international expert or business angel explains part of the course. Professors, entrepreneurs and local investors provide the input for the rest of the course.

5.2 France Angels Business Angel Academy, France, www.franceangels.org

Their one-day programme includes the following elements:

- What is a business angel?
- Financing enterprise creation: the role of the BA
- Due diligence
- BA - entrepreneur relations
- Becoming a business angel
- The shareholders' pact
- Practical case
- Business angel investment in unquoted companies

5.3 IESE Business Angel School, Spain, www.iese.es

The programme:

- 10 half/day sessions (over one academic year)
- 55 active and inactive angels
- Investment process as conveyor
- Extensive use of case studies
- Collaboration with practitioners
- Practical sessions with working groups
- Networking time
- Final investment forum

5.4 Ready2Invest, United Kingdom, www.lbangels.co.uk

GLE London Business Angels has been successfully operating the Ready2Invest programme with support from the London Development Agency since March 2004.

The ready2Invest programme is designed to increase the pool of business angel investors and to build their capacity to effectively invest in London’s innovating entrepreneurs, with a specific view to bridging the equity gap for these businesses. A further objective of this programme has been to promote a more diverse pool of investors reflecting the increased number of high net worth and professionally qualified women and individuals from BME communities in London’s economy.

The programme

Since its launch in March 2004, the Ready2Invest programme has organised an ongoing programme of marketing to potential sources of angel investors, including professional organisations and business net-
works. The programme, which has been held on average every 6 weeks, consists of a rolling programme with a four-hour interactive workshop. The workshop is delivered by investors and professional experts (tax and law) and includes:

- Overview of the role of a business angel including risks and rewards
- War stories from a serial angel investor, showing models of how successful investments were made and lessons learned
- “Real life” case studies enabling would-be investors to learn from the experience of seasoned investors and practice their investing skills
- Key aspects of taxation and law
- An introduction to syndication.

This is followed by a round table enabling those wishing to move forward to have more detailed discussions with a group of serial angel investors, as well as opportunities to attend LBA company presentation events and to network with existing investors.

Ready2Invest is transferable and adaptable to other regions and has also now been licensed to Finance South East, which has contracted to run the programme in the South East region, UK. An investors’ manual and diagnostic tools for investor readiness have also been developed.

Outcomes to date
360 have attended these workshops; 80 have moved forward to round table events and company presentation events and 75 have joined the LBA network. However, since individuals can go on to join other investor networks or groupings, this number is likely to be greater since we have only directly been able to track those who have gone on to be involved in LBA activities.

Contact: www.gle.co.uk/commercial_finance/LBA/Investors/ready2invest.htm
**VI Other Financial Support Initiatives**

**6.1 AWS, Equity Guarantees, Austria, www.awsg.at/www.business-angels.at**

**Objective:**
Enhancement of the equity basis of small and medium-sized enterprises.

**Target group:**
Small and medium-sized enterprises (SME) of all sectors of the economy.

**Private investors:**
- Individual investors (natural persons)
- Enterprises
- Institutional investors (e.g. investment funds, banks)

**Not eligible for guarantees:**
- Majority owner ["Entrepreneur" and his close relatives (e.g. spouse, children, parents)]
- Management of SME

**Financial instrument:**
New equity capital for SMEs including mezzanine capital with the following characteristics:
- Capital is raised in form of additional cash
- Minority share (less than 50% of total equity of SME)
- The minimum term is 10 years
- The yield depends on the profit of the SME
- No collateral
- In case of insolvency the capital is subordinated to debt capital

**Type of guarantee:**
The equity capital guarantee covers the invested capital (but not a return on capital) of the private investor in the case of insolvency of the SME.

**Guarantee ratio:**
For investments of physical persons (including employees): the guarantee ratio is 100% of the invested amount up to EUR 20,000 per investor and 50% of the amount exceeding this limit for investments of all other investors (e.g. other enterprises, institutional investors): the guarantee ratio is 50% of the capital invested.

**Maximum guaranteed capital:**
EUR 1 million per SME

**Guarantee term:**
Up to 10 years

**Costs guarantee:**
Guarantee fee of
- Minimum 0.5% p.a. of the guaranteed investment
- Additional performance-related guarantee fee

**Processing fee:**
0.5% of the capital invested, (minimum approximately EUR 75 per SME)
Requirements:
Business plan and financial projections.

Advantages for SMEs:
• Strengthening of the equity basis of the SME
• Equity may be used as leverage for additional loan financing
• Experienced investors contribute to the business development
• No collaterals required
• No fixed costs of capital

Advantages to investors:
• Risk coverage
• Possibility of high rates of return
• Project assessment through AWS
• Guarantee fee below market rate

Advantages to bank:
• Improvement of the capital structure of the SMEs
• Reduction of the credit risk
• Equity may be used as leverage for additional credit financing.

Guarantees of this programme are partly counter-guaranteed by the European Investment Fund


Objective:
Strengthening of the risk capital basis of SMEs

Target group:
Start-up and early-stage SMEs

Eligible financial instrument:
Bank loans which double the equity raised by SMEs

Guarantee ratio:
100% of the principal and interest of the loan

Guarantee term:
Equals the loan term

Guarantee fee:
• Minimum 1% p.a. fix
• Success related fee min. 1% p.a. if covered by pre-defined earnings of SMEs

Application fee:
0.5% of loan amount

Conditions of loan:
• Amount limited to 100% of equity raised up to EUR 1 million
• Maximum term 10 years
• No collateral
• No personal liability of the entrepreneur(s) as long as the rules of the programme complied with
• Maximum interest rate: market rate for government bonds + mark up
Conditions of equity raised:
- Paid-in new equity (in cash) including mezzanine capital by the entrepreneur(s) and/or other private investor(s) (without guarantee)
- Minimum amount: 100% of guaranteed loan
- Minimum term 10 years
- No fixed interest on equity
- Subordinated in case of default of SME

Advantages to SMEs:
- Leverage effect of new equity (doubling the paid-in equity) without diluting ownership
- Easy access to bank loans
- No collateral required
- No personal liability for repaying the guaranteed loan

Advantages to investors:
- Doubling their equity investment through guaranteed loans to SMEs.

Advantages to banks:
- No risk of lending to SMEs due to the guarantee
- Strong equity basis of SMEs for additional lending

Guarantees of this programme are partly counter guaranteed by the European Investment Fund

6.3 3 Loan Business Angels+, Belgium, www.fonds.org

Characteristics:
- Max. EUR 125,000 (match amount invested by BA & entrepreneurs)
- Subordinate loan is for the (innovative) start-up
- 5 - 7 - 9 years
- Interest rate: +/- 5%, paying only the interest during the first 3 years
- In practice no collateral asked

How can the loan be obtained?
- Contract signed between the BAN & the “Participation Fund”, a public federal institution
- The BAN introduces the project (before or just after the round).

6.4 Partial guarantee tool, Belgium, www.sowafin.be

Mechanism of partial guarantee for business angels proposed by the Walloon Government. Sowafin (The Belgian one-stop shop for Walloon SMEs www.sowafin.be) was delegated by the Walloon government to create a partial guarantee scheme to the benefit of private individuals wishing to invest (as an individual or as a company) in Walloon SMEs.

Taking into account the high risk of this type of financing but also of their limited means, business angels generally do not invest more than 10% of the money that they reserve for investment.

The guarantee from Sowafin will relate to 50% of the investment carried out during the first three years, going down to 40% the fourth year and 30% the fifth year. The eligible investment (acquisition of a holding in capital or subordinated loan) with this public guarantee will be at least EUR 25,000 and a maximum of EUR 300,000 per enterprise. The cases of transmission of companies are also eligible.

Business angel networks will be used as intermediaries to introduce the files to Sowafin. To increase the number of recipients, but also the number of these private financings, Sowafin will henceforth hold an envelope of EUR 13 million for business angels. Through this leverage effect, statistics indicate the potential creation of 1,800 new jobs in the Walloon area over a five-year period with a foreseen average of forty interventions per annum.
6.5 **BANC/Caixa Terrassa, Loan for Business Angels, Spain, www.bancat.com**

This innovative product has been integrated into the portfolio of the financial institutions. A line of credit with an initial amount of EUR 2.5 million, directed at business angels across Spain, has been presented by Caixa Terrassa in agreement with Business Angels Network Catalonia (BANC).

One of the difficulties detected by ESBAN in its “Business Angel Networks in Spain” study, is the necessity for investors to change positions in another type of investment when they close a new deal. For the first time in Europe, a Spanish savings bank is offering investors a special line of credit, based on their solvency, to finance their operations. The line of credit offered by Caixa of Terrassa (www.caixaterrassa.es) has an endowment of EUR 2.5 million and is destined to provide business angels with financial support for the investments they undertake to create new businesses.

According to the agreement signed with BANC (www.bancat.com), the loan can have a maximum limit of EUR 150,000 per operation, and will at the most finance 50% of the amounts contributed by the investors in the deal. The agreement signed by D. Antonio Abbot, president of BANC and ESBAN, and by D. Enric Bush, General Director of Caixa Terrassa, targets investors across the whole country. A 1.25% annual fee on the annual turnover has been agreed. The maximum number of years to redeem the loan is 7 years, with a possibility of arranging a three-year capital debt facility.

6.6 **BANC/GARRIGUES, Support on the legal process of investment, Spain, www.bancat.com**

This programme is carried out by BANC with the support of one of the most prestigious law firms in Spain, Garrigues. It proposes support to business angels on the legal terms of investment in a company, with the aim of promoting the professionalisation of private investment in SMEs.

The two main topics are the legal process of investment in SMEs and the tax scheme for investors.:

- Six to eight sessions are organised every year, in the most important cities of Catalonia
- Sessions last two hours. BANC first introduces its services, and then Garrigues provides information on the technical topics. The session ends with a debate between the attendees
- 30 participants on average for each session
- Participants include: chambers of commerce, entrepreneurs clubs, etc

These workshops target companies and executives that are looking to diversify their portfolio, including investing their resources in companies in which they can also bring some added value.

6.7 **Grant Guide for SMEs, Scotland, www.scottishenterprise.com**

Support to the investor – how to make a company investible.

Only SMEs can apply for this assistance, but it is intended to be used in response to feedback from potential investors on what issues need to be tackled to make a company investible. In other words investment readiness needs are determined by investors, not third party experts or consultants, so the scheme does also benefit the angels by allowing them to efficiently pursue opportunities they might otherwise have regarded as too labour intensive. The conversion condition is intended to be one of the ways by which our intervention becomes self-sustaining.

- Assistance is available with a range of costs judged at the discretion of the scheme manager to be likely to increase the likelihood of business angel or other private equity investment in the beneficiary company. This can include, but is not restricted to, costs relating to market analysis and access, financial structuring and forecasting, technology validation, legal due diligence, fund raising, non-executive advisers, and use of business angels as mentors and so on. This can be most effective when the actions to be undertaken have been agreed in consultation with already identified potential investors.
The purpose of this scheme is to ameliorate the cost and “time-risk” implications for the company and potential investors/advisers in undertaking such pre-investment work, with LINC Scotland effectively underwriting a proportion of agreed costs in the event of non-completion of the investment. However, if negotiations are successful and investment is secured, LINC Scotland will receive an option to convert the grant into an equity holding in accordance with the terms and conditions set out in the Grant Offer document.

- The maximum grant available is the lesser of GBP 15,000 or 65% of eligible costs (50% in non-ERDF supported areas).
- All areas of Scotland are eligible for assistance but the usual public sector restrictions apply to the types of business which may be assisted.
- Applications will be judged on economic development grounds, taking into account likely impact on employment, as well as levels of private sector investment facilitated.
- The application must come from the beneficiary company itself who should submit the appropriate application and registration forms summarising the business, its development strategy, and the investment package being pursued. It is essential that this covers the nature and likely costs of work for which grant assistance is sought, and projected outcomes in terms of investment and employment if a deal is concluded.
- Where an application is successful, a legal offer of grant will be made to the company for its acceptance or otherwise within fourteen days.
- When the work of the consultant/angel is concluded, the company should pay the agreed costs in full, including any VAT, and send evidence of this to LINC Scotland when submitting their claim for payment. This should also be accompanied by any reports or other material agreed in the offer document.
VII Non-financial Instruments

7.1 BAN Manager Academies, France, www.franceangels.org

Objectives of these academies are to:

- Strengthen the specific knowledge necessary to make business angel investments, and its link to the needs of the business
- Develop theoretical knowledge and practical aspects of running a network, including relations with partners
- Present the different models of networks, their specificities, and their legal and budgetary structure
- Favour the direct exchange between animators and partners of BANs

Target audience:

- Current and potential BAN managers
- Active partners of BANs (representatives from chambers of commerce, development agencies, business support providers, etc.).

Workshops are organised as four-day cycles:

- Business angels and business angel networks
- The relationship between the business angel and the entrepreneur
- Business Angel Networks
- Creation of a Business Angel Network

Workshops are organised in partnership with APCE (Agency for Enterprise Creation).

Cost is EUR 150 per person, EUR 1000 for partners.

7.2 BANDbrain, Germany, www.business-angels.de

The public and politicians know about the prominent function of a vivid business angel culture as a power train for economic growth and additional employment. The day-to-day work has developed successfully and established professional standards. What is missing is the scientific exploration of the practical experience. Research is still very much piecemeal and no one knows who explores what. BAND intends to change this because practical experience will only gain more self-awareness through systematic research.

BANDbrain gathers together all recent and on-going research related to business angel investment. BANDbrain supports communication among scholars, reveals and highlights topics, which demand scientific investigation. At present, BANDbrain is creating a database comprise of planned research projects, on-going research and research findings.

The BAND research symposium is at an early stage of planning. Scholars researching the private equity market discuss findings, strategies and draw attention to an international comparative view.

Contact: band@business-angels.de

7.3 BANDstarterkit, Germany, www.business-angels.de

The Starterkit is a loose-leaf collection for prospective business angel network managers. The collection comprises of papers for network management, set forms, checklists, a text collection, sample agreements, literature references, BANDmaterial and references to recent events.

Contact: band@business-angels.de
7.4  **German Business Angels Day, Germany, [www.business-angels.de](http://www.business-angels.de)**

The “German Business Angels Day” welcomes all players in the private equity market. Business Angels, venture capitalist companies, banks and intermediaries will meet capital-seeking entrepreneurs. Packed expertise in one day, research findings and practical know-how – these catch phrases best describe the format of the symposium. However, there is still more:

- Business Angels get in touch with politicians and detect future-oriented markets. Participants gain insight into the German, European and US business angels market.
- Network-wide matching: top teams seeking a business angel present their convincing business plans and answer crucial questions
- “The Private Equity Market Fair”: business angel networks and service providers display their profiles, innovative and growth-led enterprises seeking private equity are encouraged to rent a booth in the “Investment Area” in order to get in contact with business angels and other investors
- Awarding the “Golden Nose”: the award of the “Golden Nose” at the annual gala dinner rounds off the event. The award honours the business angels’ achievements. BAND aims to motivate and invite experienced entrepreneurs to invest their capital and know-how in young and dynamic enterprises. All start-ups with business angel capital are eligible to enter nominations for the award. A high-profile jury finally elects the “Golden Nose”.

*Contact: band@business-angels.de*

7.5  **University Spin-out Funds: Alpha EIS Fund, Scotland, [www.braveheart-ventures.co.uk](http://www.braveheart-ventures.co.uk)**

Braveheart Ventures, the angel investment syndicate, is to launch its Alpha EIS Fund, a new tax-efficient vehicle to fund technology spin-outs from universities.

The fund will make investments of between GBP 50,000 and 250,000 in at least 10 early stage companies over an expected two-year period. Private investors are invited to invest with a minimum of around GBP 11,000.
VIII  Collaboration Between BA and VC

8.1  BAND Roundtable, Germany, www.business-angels.de

In co-operation with the “Federal Association of German Venture Capital Companies” (BVK e.V.), BAND intends to establish a working group to improve the teamwork between venture capital companies and business angels. The work of the group will be mainly internet-based with an annual meeting. Its task is to discuss syndicated investments and co-ventures as well as to suggest steps for more efficient joint investments.

Contact: band@business-angels.de

8.2  Merchant Venture Investments, Sweden, International, mvigroup.tripnet.se/

An organization with 18 years of experience in direct private equity investments

- General Venture Development (GVD) was founded in 1984 in London by Lars Lind.
- More than 75 investments made since 1984 for a total of more than EUR 183 million.
- 37 investments in current portfolio, approximately EUR 100 million invested

MVI co-ordinates the investments of its member partners

- 450 partners, all entrepreneurs or top executives in industry or service companies.
- Involvement: MVI partners participate with their own capital.
- Added value: MVI partners bring in their own business and industrial expertise in every investment.
- Deal flow: access to an important source of transactions via a large group of Partners coming from more than 14 countries and active in a wide range of industries.

**Partnership Structure**

8.3  Swedish Venture Capital Association Model, Sweden, www.svca.se

The Swedish Private Equity and Venture Capital Association (SVCA) acts as a national association for business angels and business angel networks as well as for the formal private equity industry, i.e. venture capital and buyout firms. The fact that the Association’s member base incorporates all types of private equity investors gives SVCA a unique possibility to work for improved interaction between investor groups and to bridge the gap between business angels and venture capital investors.
Activities initiated by the Association include:

- Creating forums where business angels and venture capital representatives can meet to network and share knowledge.
  - Venture capital investors are invited to a yearly business angel conference
  - Business angels are invited to participate in venture management training programmes (where the primary target group is venture capital investors)
  - Workshops for both investor groups with the aim of finding new ways to co-operate and increase the understanding of each investor groups' needs and expectations

- Leveraging the Association’s activities and publications to spread knowledge about each investor group and their respective approach to investments.
  - Increasing VC investors understanding of business angel’s important role as financier of early stage businesses, a potential deal source, source of hands-on operational experience, etc.

- Working to enhance the professionalism in the business angels investment processes in order for them to meet venture capital investors on more equal terms.
  - Transfer of best practice from venture capital processes (e.g. with regard to legal issues, valuation issues and due diligence)
  - Creating model legal agreements aiming at transactions between BAs and VC investors in order to provide for a clear legal structure already from the outset, taking the business angels’ interests into account
  - Increase business angels’ understanding of the importance of planning in advance for further financing rounds as well as to having a realistic view on future capital needs in target companies

- The Association’s Board of Directors is composed of representatives from all investor groups, which provides for business angel related issues being taken into account in the overall strategic discussions regarding the Swedish private equity industry.

Contact: Maria Nilsson, maria.nilsson@svca.se


This is the agreement that was made between the two parties:

The financing of young innovative companies with real growth potential, added value and job creation potential, is a long-term problem for the future of our economy, in particular for the regions.

The issue is of particular relevance to the “first financing rounds”, for amounts lower than EUR 1 million, in particular the financing of the creation of a company, a phase that venture capitalists and other types of financiers do not support (high risk, liquidity and due diligence, etc.)

It is clear that since the founder, and his/her family and friends, do not have sufficient means to meet the entrepreneur’s needs, proximity financing actors are the only ones to assume this type of financial requirement (also enabling the leverage of public subsidies and support, including OSEO-ANVAR).

Proximity actors are:

- Regional risk capital companies, funded by public institutional (Regions and CDC) and private (regional banks, etc.) actors;
- Business angels who, individually or in syndicates (associations or companies), use part of their savings to finance the creation of enterprises.

UNICER is an association that gathers the majority of the actors of the first category, allocating an important part of their investments to the creation of innovative companies (“Innovative companies” means enterprises who offer something “new and original” compared to what is on the market).

FRANCE ANGELS is an association that develops, federates and runs a national network of local groupings of business angels.
It has become clear to the two organisations that there are, especially during the first financing rounds, interventions between their members, synergies are therefore possible.

Beyond the financial support to the companies, it is generally assumed that:

- Regional risk capital companies offer the professionalism of minority investment (good practices of risk capital), experience from the reality of innovative enterprise creation, including its funding, and day-to-day management (administrative, legal) of a risk capital portfolio;
- Business angels bring to the companies their competence, experience from business life (often from the sector of activity concerned), their network of contacts and their enthusiasm.

It is therefore useful for the two signatories to formalise and disseminate, throughout all regions, the agreement and co-operation issues that could be developed between the two networks for the benefit of their members, and of the young enterprises funded and supported during their start-up and growth phase thanks to the implementation of the synergies mentioned above.

FRANCE ANGELS and UNICER respectively commit to:

1. Exchange information
   France angels and UNICER commit respectively to disseminate all information relative to the life of their network: news, objectives, projects, etc.

2. Crossed participation in activities
   France Angels and UNICER will participate, whenever possible, in events and activities organised by the partner.

In the case of France Angels, the representatives from UNICER (or of its members) will be asked to participate actively in the “Training of BAN managers and big partners of business angel networks”, “and Business Angel Academies” events organised several times a year.

By the same token, France Angel members will be informed and invited to the seminars organised by UNICER to provide expertise on technical points of risk capital investing.

3. Joint action regarding public authorities
   France Angels and UNICER will, as much as possible and for their common interest, set up joint exchange and lobbying actions as regards the government and the local authorities (including regions).

4. Enhancing the visibility of regional funds and business angel networks: reciprocal display of information on websites, logo exchange, etc.

5. Encouraging (facilitating) co-investment between regional risk capital funds and business angel networks
   - Regional or local agreements detailing the points of the national co-operation and adaptation to local specificities
   - Defining an operational framework of co-operation ranging from deal-flow exchange of information, to the common management of shareholding, especially “back-office”, or to the acquisition of shares between member risk capital companies from UNICER or France Angels or from the two, eventually cross-shareholding.

6. Cross-fertilisation of expertise
7. Organisation of one common event per year
   For example, the theme of the 2006 France Angels Congress could be: “Collaboration or perspectives of collaboration between business angel networks and regional funds”, with the presentation of representative examples commented by actors such as business angels, regional risk capital funds, entrepreneurs, etc.

8. Partnership status
   UNICER will be referred to as a “Partner Member” of France Angels.

France Angels will be referred to as a “Partner Member” of UNICER.