

CROSS BORDER BUSINESS ANGEL SYNDICATION

Discussion Paper

1. Background and Concept

At an informal meeting held at Library House on January 9th, there was a broadly based discussion of the value of encouraging / facilitating the combined actions of Angel /Private Investor Groups operating across traditional geographic borders. Present at the meeting were :-

Alan Barrell – Chair, Howard Lack, Glen House Capital Strategies Ltd., Ward Hills – Albion Consulting, Guy Warrilow, Cambridge Capital Group, Peter Phillips, Peter Phillips Associates, Michael Rogosin (Sophia Business Angels (attending by telephone link). Amy Tan, representing Dragon Cambridge International and Chinese interests. Although Cambridge Angels were not represented by one of the CA organising group, Alan Barrell, an Associate Cambridge Angel, undertook to engage the CA leadership in discussion of the matters raised at this meeting through the CA support manager, Adrian Calder.

The meeting had been convened as a result of an approach by Guy Warrilow to Alan Barrell, with ideas relating to the prospect of extending the scope and number of financing rounds beyond the current limits of the deals being achieved before having recourse to institutional funds.

2. Outline of the Ideas for Discussion

Guy Warrilow outlined the thoughts which had led to the meeting :-

- Regular frustration / difficulty in completing rounds to a scale / size desired / preferred within individual groups such a CCG
- Reluctance to engage VCs / institutional investors and find the deals becoming more complex (different classes of shares, investor benefits etc)
- Problems with smaller amounts required regarding VC appetites. For example £1-2millions “awkward” amounts – too large for some Angel groups, not of interest to many VCs – especially if such rounds may be the last needed finance.

- Time factors in completing deals with companies in urgent need of new funds
- Possibilities of international support for UK based and other companies to be enhanced by cross border / international investor base being established and more skilled / talented investors and advisors coming into the frame

3. Discussion

Ranged widely and extended to talks about possible smaller funds being raised, given the almost complete absence of “seed funds”, collaborations involving larger partners including corporates, and the problems which might be encountered in Angel Groups sharing information, conflicts, competitiveness etc. Issues of taxation and where profits would be domiciled, which laws would apply, were touched upon and it was agreed, would have to be explored and understood in greater detail to enable cross border investment activities and syndication to proceed successfully. Expert advice would be needed to tackle such issues – all agreed.

4. Conclusions

It was concluded that any actions would be likely to proceed only a step at a time, but that there is good cause for attempting to connect Angel Investing Groups which appear to have compatible aims and objectives, and to discuss in more detail the possibilities. It was proposed to take to a number of groups, including but not limited to those represented at the meeting, an agenda for further discussion, with suggestions that a start might be made by :

- Forming a working group involving a number of Angel Investor Groups who are agreeable to address specific questions / decision issues initially :-
 - A. Consider agreeing to exchange basic information on the organisations / processes adopted by different groups. These would include membership decisions / admittance, charges, whether paid staff are involved etc. Is there a clear Constitution etc.
 - B. Consider exchanging information about Investment Criteria / target investment candidates etc

- C. Discuss possibility of exchanging information about the “talent base” of each participating Angel Group. That is – the profiles and qualifications and experience available within the investor groups. Also the capacity of members for more executive / non-executive work with companies, as well as for investment
- D. Information on the processes of seeking and handling Deal Flow and the levels of investment and share structures generally undertaken and guidelines regarding this (it was accepted that there will be variability in this)
- E. Consideration of sharing information on portfolio companies and new candidates seeking investment in terms of both prospective synergies for performance of existing portfolio companies and cross border development, and to explore syndication possibilities on follow up rounds and new deals.

5. Possible Next Steps

- All copied to consult membership and respond to the points made with indications if there is interest in further discussions.
- Further details to be input / proposed with these responses
- Increase the circulation of the note to other Angel Groups not at the meeting – e.g. Slovenia Business Angels, Great Eastern Investment Forum, Yorkshire Association of Business Angels – and others
- Convene a follow up meeting of those interested to discuss possible positive steps to engage practically in cross border syndication and closer collaboration, and to work out uncomplicated methods of testing the practicality of such schemes.

The write is prepared to take matters to a next meeting, if there is interest. Indications of positive wishes to go forward should be communicated by March 1st and a follow up meeting will be arranged at Library House.

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