



## ***Qi3 Accelerator SEIS Call for Proposals September 2012***

### ***Background***

A number of investors, working together as “the Qi3 Accelerator Syndicate” are seeking to invest in Seed Enterprise Investment Scheme (SEIS)-eligible companies. Individual companies may apply for investment of up to £150,000. Up to £400,000 is available for investment through this call.

This document provides information for applicants on the September 2012 SEIS Call for Proposals. Please contact Nathan Hill, Tim de Vere Green or Paul Anson for further information. Your first point of contact is [nathan.hill@qi3.co.uk](mailto:nathan.hill@qi3.co.uk), tel. 020 7925 1992.

Recipients of this document are invited to respond to this Call for Proposals if they feel that they meet the eligibility criteria. We are not obliged to invest in any business, and, whilst we shall do our best to be helpful, we regret that we can only provide limited feedback to applicants if we decide not to proceed.

Please note that “the Qi3 Accelerator Syndicate” is a syndicate of individual investors, not a fund. Each investor in the Syndicate will commit individually to each selected investment and Qi3 Accelerator coordinates the process.

### ***Objectives***

- Our principal objective is to provide seed equity finance and hands-on support for SEIS-eligible businesses
- These businesses are likely to be seed stage companies seeking their first round of external equity finance and requiring active support in addition to finance. Qi3 Accelerator enjoys working with entrepreneurs to develop their businesses into profitable ventures
- Our main focus is technology-based manufacturing and engineering businesses, supplying sectors such as cleantech, healthcare / life sciences, aerospace, space, engineering industry and security.

### ***Call for Proposals***

1. The Qi3 Accelerator Syndicate Members have committed up to £400,000 to invest in suitable businesses
2. Each participating member will participate in the Qi3 Accelerator evaluation process and decide individually whether they wish to invest in your business
3. The remit of the Call is broad, and consideration will be given to good businesses with investment propositions that excite us. Please remember that investors typically ask three questions:
  - a. Is there a sensible business proposition with a strong, committed team?
  - b. Does the business excite us as investors (including does it fit our sector interests and do we like the entrepreneurs)?
  - c. Does the investment proposition (financial returns) make sense?Our blog ‘Qi3 Accelerator Insight’ provides perspectives on our investment interests and style. We address these questions using a defined evaluation methodology for which see <http://www.qi3.co.uk/accelerator/process/> for details.
4. Our scope of interest is broadly as described in the Objectives above although proposals in other areas will be considered (not including biotech, FMCG and e-business which are outside of our interest areas). Businesses outside the areas listed in the Objectives section should read our blog carefully and contact us before submitting an application to ascertain our initial interest.

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5. As a very broad indication, we expect typically to offer investment of £50-150k for 15-30% of the company. Please make the investment proposition clear in your Initial Application (how much money you are seeking, how you feel we can help you beyond cash and how much equity you are offering in return for this cash and sweat support). Whilst your investment proposition may not be the final terms that we can agree, this upfront approach enables us to ensure that we are 'on the same page' before commencing detailed evaluation.
6. Investment will generally be made where we are able to contribute significantly to the development of the company although this is not a precondition. Please indicate clearly in your initial application how you feel we can help to develop your business through, for example, provision of business development, financial or technical advice or management support. We shall take account of both cash and sweat both in evaluating the proposition and agreeing terms.

### ***Process***

7. **Initial Applications** will be through submission of a summary of up to 4 pages, including reference to the following headings: Summary, Management Team, Market Overview, Products and Services, Business & Revenue Model, Growth Strategy, Competition, Intellectual Property, Support required from Qi3 Accelerator, Exit Timetable, Financials and Funding Requirement (present and anticipated in the future), Existing Investment, Ownership Structure and Contact Details
8. **Stage 1:** Initial Applications will be considered within a few days of submission. We may ask further questions of clarification. Initial Applications will be subject to Stage 1 evaluation according to the Qi3 Accelerator investment evaluation process (see <http://www.qi3.co.uk/accelerator/process/> for details).
9. **Stage 2:** We shall in general then request a face to face presentation in London or Cambridge, in advance of which you will need to provide your full Business Plan and Financial Forecasts.
10. **Stage 3:** Subject to this meeting and further discussions, we may then undertake detailed due diligence following which a Term Sheet is offered.
11. **Stage 4:** Subject to satisfactory due diligence and agreement on terms we shall then proceed to completion of investment.
12. **Timing:** Evaluations will be undertaken as applications are received. The first round of Initial Applications will be considered at the end of November 2012. The Call will remain open beyond this time and we may make further Calls to solicit further proposals. Nevertheless we encourage early application so that we may consider your proposal before we commit our funds to other businesses.
13. The Qi3 Accelerator Syndicate members will lead the investments, issuing the Term Sheet and driving the legal process. Total fees for investors and the company shall be kept to the minimum possible. The Qi3 Accelerator Syndicate will not pay any introductory or brokers' fees.

### ***Eligibility and other FAQ***

14. **SEIS Eligibility:** Please ensure that the shares you propose to offer in your business qualify for SEIS relief <http://www.hmrc.gov.uk/seedeis/index.htm> and <http://www.hmrc.gov.uk/seedeis/how-to-qualify.htm>
15. **Exclusivity:** We do not require exclusivity until such time as a Term Sheet is agreed. At this stage we expect a period (typically 45 days) of mutual exclusivity to allow the deal to be concluded.
16. **Confidentiality:** We will generally not sign Non-Disclosure Agreements before Stage 2 of our evaluation has been completed. Qi3 Accelerator operates a strict code of ethics and will regard these documents and our correspondence as private, sharing it only amongst the Qi3 Accelerator team and Qi3 Accelerator Club members. We shall advise you if we have any conflict arising from interests in competitive businesses.
17. **Further Funding:** most businesses will require further funding beyond the seed investments offered in this Call. All of the members of the Qi3 Accelerator Syndicate invest in follow on rounds, and we have broader contacts through the Qi3 Accelerator Club and Business Angel Networks with whom we openly co-invest to provide adequate capitalisation for growing businesses

***SEIS Eligibility Outline (see HMRC site for definitive guidance)***

1. The company must, if a single company, exist for the purpose of carrying on a new qualifying trade. If the company is the parent of a group, the group's business must not consist to a substantial extent (i.e., 20% or more) in non-qualifying activities (that is, trading activities which do not qualify for EIS or SEIS or non-trading activities).
2. The company (or, if applicable, the group) must:
  - (i) have gross assets which do not exceed £200,000 immediately before the relevant shares are issued;
  - (ii) issued;
  - (iii) have fewer than 25 full-time equivalent employees when the relevant shares are issued.
  - (iv) The company must not have raised funds under the EIS or Venture Capital Trust ("VCT") regimes before or on the day on which the relevant shares are issued for SEIS purposes. Also note that once SEIS money has been raised, EIS or VCT money can only be raised once 70% of the SEIS money has been spent.
3. The company:
  - (i) must not be controlled by any other company (or any other company and any person connected with that other company);
  - (ii) must not have any subsidiary which is not a "qualifying subsidiary" (broadly, a genuine subsidiary);
  - (iv) must have a permanent UK establishment;
  - (v) must be an unquoted company;
  - (vi) must not, when the relevant shares are issued, be in "financial difficulty", under applicable European Commission guidelines.
4. For each of these conditions, the times for which they must be satisfied are slightly different.
5. The qualifying business activity must be carried on by the issuing company, or a 90% subsidiary and neither the company nor any of its 90% subsidiaries may be a member of a partnership.

**Additional applicable conditions**

1. Funds raised under SEIS must be spent within 3 years for a qualifying business activity.
2. There is a maximum limit of £150,000, which may be raised by a company under SEIS; this is not an annual threshold but a maximum amount per company.
3. SEIS reliefs must be claimed and an investor will not be entitled to make a claim for relief, until the issuing company has provided him with a "compliance certificate". The issuing company is not permitted to apply to HM Revenue & Customs for a compliance certificate until:
  - (i) at least 70% of the money invested has been spent; and
  - (ii) the new qualifying trade of the issuing company, or its 90% subsidiary, has been carried on for at least four months.
4. There are a number of anti-avoidance provisions (including a requirement that the investment be undertaken for genuine commercial reasons and a prohibition on terms of issue such as protection against the ordinary risks of investment including, for example, anti-dilution rights).

***Next Steps***

By submission of an application in response to this Call for Proposals you confirm:

- That you have ascertained that your business is eligible to offer shares eligible for SEIS tax relief
- That all current shareholders have agreed to seek funding from the Qi3 Accelerator Syndicate
- That the Initial Application is comprehensive and accurate insofar as you can be aware
- That you will have a Business Plan and Financial Plan to send us in advance of a meeting if you are shortlisted through Stage 1
- That no introductory / brokers' fees will be payable by Qi3 Accelerator.

Please feel free to contact us – initially via [nathan.hill@qi3.co.uk](mailto:nathan.hill@qi3.co.uk) – if you have any queries before sending us your Initial Application.