

NISPO Accelerator FAQ

What is the NISPO Accelerator?

The NISPO Accelerator is a new initiative by E-Synergy Limited, targeted at early stage companies seeking investment. It is a financial follow on from our Invest Growth Proof of Concept (“PoC”) Fund and Investment Readiness Programme (“IRP”), which see us working closely with new ventures to optimise their business plans and propositions such that they are ready for formal investment.

The key principle behind the Accelerator is that we want to connect early stage companies more directly to our £5M Invest Growth Fund (“IGF”) and a range of private co-investors from throughout the UK. We will target companies which need a relatively small amount of funding to achieve a significant milestone in the growth of the company.

Who can apply?

The Accelerator is open to all early stage companies based in Northern Ireland. Companies currently carrying out a project using grant funding from the PoC Fund will need to complete any PoC activities before taking on investment. This should not stop companies who are near the end of their PoC activities from applying.

Do I need to have incorporated a company to be eligible?

Not necessarily. Unincorporated projects can be pitched at the Accelerator but a company would need to have been incorporated prior to any investment taking place.

How much money could a company raise through the Accelerator?

We envisage funding of up to £50k per company. There may be some scope for a slightly larger investment than this in exceptional cases, but companies with significantly larger cash requirements should contact E-Synergy’s Belfast office to arrange a meeting with the IGF team outside the Accelerator to discuss how we might be able to work together.

Can the money be spent on salaries, rent, etc, etc?

If you are successful in obtaining funding it will be attached to a agreed milestones in the company’s development. Funding received can be spent on anything which is consistent with achieving these milestones.

What form will the investment take?

The investment will be in the form of equity (shares).

How much of my company will I be expected to give up in exchange for investment?

Valuations will be negotiated with each company on a case-by-case basis. It should be noted that the IGF is a co-investment fund and that at least 30% of any investment round must come from private sources. As such valuations will need to be attractive to co-investors as well as fair to founders.

What terms will be attached to the investment?

A standard term sheet for the Accelerator is published on the NISPO website at http://www.nisporfunds.com/downloads/term_sheet.pdf

The standard term sheet includes “down round protection” rights – what does this mean?

As noted above, we aim to reach a valuation which is fair to both investors and founders. However, valuing any pre-revenue early stage business is extremely difficult. Down round protection allows us some leeway in our negotiations with founders to reach an acceptable value.

It also affords some protection to investors who invest at the riskiest stage of a company’s life against later stage investors trying to take advantage of seed investors’ limited financial resources.

The standard term sheet includes the right to a Board seat – isn’t that a bit much at such an early stage?

It is unlikely that we would want to take a Board seat on any Accelerator investments ourselves. However, experience has taught us that situations can and do arise which require us to take a seat on the Board to help the company grow or to protect our investment. Therefore, our standard terms include the right to do so even if we only intend to appoint an observer. There are also many circumstances in which the company itself welcomes the appointment of an experienced investor director who can add real value to the proposition, for example, where the existing management team is short of a skill set. If this is the case then we will work with the company to find the right candidate.

Why do you need an exclusivity period?

This is aimed at ensuring that companies sign term sheets in good faith and allows us to complete the investment in a timely and efficient manner. For successful applicants to the Accelerator, our intention is to reduce the exclusivity period from 12 to 8 weeks unless the circumstances of any individual company mean that the deal will be more complex than usual.

I don't quite understand the fees I might be liable for – please can you explain?

We charge a 5% fee on the IGF's investment. Therefore if you raise £50k and we provide 70% of the funding, we would charge 5% on £35k = £1,750 + VAT.

In addition we ask companies to cover the lawyers' fees for the production of their various legal documents (which are the property of the company). We are in the process of negotiating a "bulk buy" deal for these services so that the required documents can be produced in a cost-effective manner and details will be published here as soon as we have them. We would not expect legal fees to be more than £3k + VAT.

Finally, we include a withdrawal fee of up to £2k which becomes chargeable if a company walks away from the deal having signed the term sheet for a reason other than a material change in the terms of the deal. Again, this is aimed at ensuring that companies sign term sheets in good faith and with the intention of completing the deal. We have never had to charge these fees in the past and would hope we do not have to do so now.

Applying to or attending the Accelerator places no obligation on companies in terms of fees and no fee is ever chargeable before a term sheet is agreed and signed by both parties.

I understand that some private investors need very specific terms to obtain certain tax reliefs. Won't some of your terms put them off?

Some of our co-investors may seek to obtain EIS relief on their investments. Where this is the case we will attempt to work with private investors to reach an acceptable term sheet.

What about future rounds? Will your terms be off-putting to investors in my next round?

Our terms are consistent with industry standards and we do not believe they would be off-putting to any potential investors with a genuine interest in your company. Moreover, if you are successful in raising funding through the Accelerator and subject to having achieved any agreed milestones, the IGF is likely to want to be the lead investor in your company's next round.