



Dear Reader

WELCOME!

We are using this first edition of BBAA News to introduce you to the BBAA, the new trade association for the UK business angel marketplace, and to provide you with some information about what we are beginning to do, including details of our annual conference and AGM in early June. BBAA News is the new monthly e-newsletter of the British Business Angels Association (BBAA).

I hope you enjoy BBAA News and I would like to take this opportunity to welcome the members who have already joined us and to thank our sponsors DTI, NESTA and Kingston Smith who have lent us their widespread support to date and are continuing to be involved in the future.

Yours
Anthony Clarke
Chair of BBAA

BBAA MEMBERSHIP:

The BBAA Board is pleased to announce that eleven full members have already joined the BBAA and ten associates, and many others and now in the process of applying. The Membership is currently:

Full members

- C2 Ventures - www.c2ventures.com
- entrust - www.entrust.co.uk
- envestors - www.envestors.co.uk
- equitylink - www.equitylink.co.uk
- Great Eastern Investment Forum - www.geif.co.uk
- Katalyst - www.katalystventures.com
- Kingston Business Angels - www.kingstoninnovation.org
- London Business Angels - www.lbangels.co.uk
- OION - www.oion.co.uk
- E-Synergy - www.e-synergy.com
- Finance South East - www.financesoutheast.com

Associates

- Kingston Smith - www.kingstonsmith.co.uk
- NESTA - www.nesta.org.uk
- Connect Midlands - www.connectmidlands.org
- James & Cowper - www.jamescowper.co.uk
- Independent Growth Finance - www.independentgrowthfinance.com
- London Seed Capital - www.londonseedcapital.com
- Advantage Early Growth Fund - www.aegf.co.uk
- Royal Bank of Scotland - www.rbs.co.uk
- The Share Centre Limited - www.share.com
- The Summit Group Limited - www.summit-group.co.uk

If you would like to obtain more detail about membership application forms please contact liz@bbaa.org.uk (see also below "About BBAA" for more details on membership categories.)

BBAA NATIONAL CONFERENCE 6TH - 7TH June 2005, BIRMINGHAM

The first **BBAA Conference** and AGM will be held at Austin Court, Birmingham on the 6th & 7th June 2005. The Conference will be an opportunity for all BBAA members to meet together and will include an awards dinner on the first evening. This will be the first major opportunity to interact directly with angel groups, investors, practitioners and experts and with the BBAA members. It will also be an opportunity to update yourself on current trends and developments facing the industry today.

Starting at 1.45pm on Monday 6th June the overall theme for day one will focus on the interface between the Angel investment and VC markets whilst day two will focus on investor practice as well as new trends and models for investing. Over the two half days of the conference there will key note speakers and a number of interactive panel discussions covering the following themes: "Accelerating the Angel market", "VC and Angels: Addressing the Disconnect, "Valuation and deal making"; "The Changing Face of Angel Investment", and "Are Super-Angel Syndicates Replacing Business Angel Networks?" The final session before the conference closes at lunchtime on Wednesday 7th June will be on "Intelligent Investing: The Pitch or the Plan?" All the moderators and speakers will be experts and investors drawn from the UK and continental European angel industry and its advisers.

Full Members and Associates are offered two free places at the conference. In addition Full Members can bring along two investors without charge. For all other attendees the conference costs £75 per person.

The event will be followed in the afternoon of 7th June by the BBAA AGM when relevant full members will be given the opportunity to vote in the new governing body of the BBAA.

IF YOU WOULD LIKE A BROCHURE OR TO BOOK YOUR PLACE PLEASE EMAIL:
LIZ@BBAA.ORG.UK OR TELEPHONE 0207 089 2305.

NEW BBAA AWARDS DINNER- A CHANCE TO WIN AND GET THE RECOGNITION OF YOUR PEERS!

On the **evening of 6th June**, as an addition to the conference event, the BBAA will be hosting its annual dinner and awards ceremony. Whether you are an individual angel investor, a business angel network, an advisor or an entrepreneur, there will be a chance for you to win one of the following awards:

- **Most Active Business Angel** - Sponsored By: Techinvest (North West Regional Development Agency)
- **Angel Exit of the Year** - Sponsored By: Techinvest (North West Regional Development Agency)
- **The most Promising Angel funded Business** - Sponsored By: GLE
- **Most Exciting New Entrant to the Market** - Sponsored By: Angel News

Up to 4 nominations will be included for each award category.

The nominations will be judged by an independent evaluation panel, the members of which will be announced shortly.

Please let Liz Carrington liz@bbaa.org.uk know if you would like to enter or you know of someone else who would. Liz will then send you the appropriate forms to complete.

NEWS AND VIEWS FROM OUR MEMBERS :

Connect Midlands will be hosting its 2nd Connect Midlands Springboard showcasing event in July this year, supported by NESTA, East Midlands Development Agency, Advantage West Midlands and the University of Warwick. At the event it will be showcasing their finest 15 science, engineering and technology SME's seeking up to £500k in investment at an informal, one-day event designed for start-up firms and individuals to showcase their business ideas to an audience of early stage investors, large corporations, key professional and management advisors.

Investors, newly FSA authorised, is launching a new 'Guide to Investing as a Business Angel' on 25 May 05 which distils the conclusions of the 115 page research paper commissioned from Imperial College and Cranfield Management Schools in 2004. The paper was entitled: 'Business Angels: Why and how they should be encouraged to spread their wings' and aimed to consolidate the huge amount of research on the equity gap, supported by modern thinking from current business angels.

It has also launched a new Investor Bulletin for its investors. For a sample copy please contact Oliver Wooley on: Investors has recently raised £150,000 for Corporate absencecare Ltd and £100,000 for Vermillion Software Ltd.

Launch of the Venture Index - www.ventureindex.co.uk . At the beginning of April, a new index of sub £1m venture capital investment activity was launched, supported by NESTA and YFM Group. A number of angel and vc organisations have provided their investment data to the Venture Index to provide a guide to the state of health of the smaller end of the UK investment marketplace - an area which in the past has been notoriously opaque. The good news is that the Venture Index has transparently identified between £40m and £50m of annual investment from the 16 founder members alone. The investment sector of the moment seems to be services businesses with the median amount being invested in the region of £115-125k. Recently investment has been falling overall and it appears that more money is going into less deals. Do you agree with these conclusions? If you would like to learn more about it please go to www.ventureindex.co.uk and then let us know what you think - perhaps you have a differing view of the marketplace today or perhaps it supports what you have believed all along? Send your comments to editorial@bbaa.org.uk . If you would like to start participating in the Venture Index please email ventureindex@vcrdirectory.net.

TECHNICAL UPDATE:

EVERYTHING YOU NEED TO KNOW ABOUT: THE NEW INVESTOR CERTIFICATION RULES YOU STILL NEED A CERTIFICATE!

Everybody will be aware that since March this year the government has relaxed the rules so that "high net worth individuals" ("HNWI's") and "sophisticated investors" ("SI's") can self-certify. This means they can receive "financial promotions" that are not approved by persons authorised under the Financial Services Acts. But while the legislation specifically states the promoters can act on a reasonable belief that the investor is an HNWI or SI (eg an oral assurance) and does not need to see the certificate, **there must still be a certificate**. It is not enough to put on the document that it is limited to circulation to HNWI's or SI's.

It would therefore be prudent for networks to issue to their members the necessary wording contained in schedules to the new regulations and ask their members to sign and keep in a safe place the certificates in case they are required.

The requirements to be an HNWI have not changed (£100,000 annual earnings or net assets of £250,000 (excluding residence and pensions), but the requirements for an SI are much relaxed and most people may opt for this. SI's can be one or more of: -member of a network or syndicate of business angels for at least six months

- * made more than one investment in unlisted companies in previous two years
- * worked in professional capacity in previous two years in private equity sector in provision of finance for sme's
- * in previous two years a director of company with annual turnover of at least £1 million

* under the regulations promotions to SI's or HNWI's who self certify must be limited to unlisted investments.

If you have any further questions on the new investor certification rules please contact:
Ron Norman

BUDGET AND OTHER REGULATORY NEWS:

The recent Budget did not bring any surprise changes to the tax position of investors or entrepreneurs. The DTI are still waiting to hear confirmation from Brussels that the Commission has approved the new programme of Enterprise Capital Funds.

The success of the Treasury's increased tax break on VCTs to 40% tax relief has had the desired effect on the VCT marketplace. A ten fold increase in investment has taken place this year - at the time of going to press c£500m has been raised by VCTs. However, the FSA is looking into whether some VCTs have been marketed inappropriately to investors, particularly in the context of such investors' understanding of the high risks involved in venture capital investing. It is a timely reminder that we all need to be aware of the level of expertise of our investor audience and how we market to them.

BBAA NEWS - How this will operate:

BBAA News is a monthly e-newsletter delivered to all members and to other interested parties. It is going to be distributed as a plain text email with appropriate links to PDFs or websites etc for further information. We have chosen this delivery route, not just on cost grounds, but also because plain text emails are generally more readily accepted by email servers than those delivered in html or other more graphically driven languages. This will avoid emails appearing with blocked pictures etc.

BBAA circulation currently comprises our existing members, prospective members, the press, government officials, the academic community, advisers who take an interest in the industry and other interested parties.

BBAA News will offer a major form of communication with members and other recipients. It is hoped that Readers and others will provide regular information about their activities - particularly opinion, research results and, in the case of full members, investment success stories. The aim is to provide you with an up-to-date and interesting news service on the business angel industry in the UK and how it fits into the wider national financial services environment and the international business angel community. BBAA News will also offer a forum to support BBAA's role in lobbying government and promoting the growth of angel investing.

If you have any ideas of what you would like to see included in BBAA news please let the editorial team know using contact details below.

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ABOUT THE BBAA

The British Business Angels Association is the new National Trade Association of the nation's business angel networks and associate organisations. It has a number of other roles ranging from supporting its members and lobbying government to encouraging the exchange of best practice, experiences and ideas between its members. It specifically does not have a purpose to promote investment opportunities to investors or to advisers.

There are three categories of BBAA membership:

- **Full member:** For formally structured or constituted business angel groups, networks or syndicates - whether or not government or local government supported
- **Associate member:** Organisations that are not the above but have evident interest in the business angel and SME investment market e.g. corporate financiers, accountants, financial advisers, legal practices, venture capitalists, academics, and other relevant professionals and intermediaries
- **Affiliate member:** Informal non-structured groups or investment clubs who have an interest in the market but would not require or be suitable for full membership.

If you would like to obtain more detail about the purpose and objectives of the BBAA or to obtain membership application forms please contact liz@bbaa.org.uk. We will shortly be launching our new website at www.bbaa.org.uk. This will contain useful details including the profiles of the members of the BBAA Board and other relevant information.

In the meantime, if you have any other questions you can contact the BBAA administrator, Liz Carrington either by telephone 0207 089 2305 or by email liz@bbaa.org.uk

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BBAA News is compiled by Modwenna Rees -Mogg on behalf of the BBAA. "Everything you need to know about" is kindly provided by Ron Norman of the Tax and Legal Consultancy.

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