

Reference Document

Competitive Start Fund ICT & Industrial Sectors

1.0 Background

A key focus of Enterprise Ireland's Strategy 2011-2013 is the commitment to increase the number and quality of High Potential Start-Up companies (HPSUs) that have the potential to employ more than 10 persons and achieve €1 million in export sales within 3-4 years.

The Competitive Start Fund for the ICT (Information & Communications Technology) and Industrial sectors will help start up and early stage companies to get off the ground and launch new products and services in the international marketplace. The priority of the Fund is to provide young companies with critical early stage funding for the key commercial and technical milestones that will ensure delivery of their product or service, and/ or, will get their project to a key funding milestone.

2.0 Objectives of the Fund

The objective is to identify early stage companies from the ICT and Industrial sectors with the capability to succeed on global markets and to accelerate the growth of these Companies. The target start-ups are those that have already proven the feasibility of developing a viable business.

The aim of the Fund is to enable these companies to progress with their key commercial and technical milestones, for example:

- Evaluate and assess overseas market opportunities and reach firm conclusions regarding the viability of the proposed business
- Build a prototype
- Secure a reference site
- Develop a market entry strategy / plan for exploiting international opportunities.
- Secure partnership deal or strategic alliance
- Identify suitable channels to international markets.
- Secure third party investment e.g. business angel, Venture Capital

3.0 Funding

This is a competitive fund. Funding will be provided to companies who rank highest in the scoring process. The maximum level of support per successful application will be €50,000 in equity support (in two equal tranches). Successful applicants will be required to secure additional new cash investment for equity of €5,000 prior to the release of Enterprise Ireland's first tranche. This new investment in equity is to occur post the relevant call close date. Capitalisation of existing director/related party loans will not qualify. In addition each successful company will be appointed a mentor who will work with the company for up to 10 days. Enterprise Ireland will pay the Mentor directly €1,750 per company plus expenses.

4.0 Legal Basis

The legal basis is Section 31 of the Industrial Development Act 1986.

5.0 State Aid Basis

The State Aid basis is De Minimis Aid EC No 69/2001

6.0 Eligible Applicants

The Competitive Start Fund is open to:

- Companies who are active in the ICT & Industrial sectors to include the following sub-sectors: Internet, Games, SaaS, Cloud Computing, Enterprise Software, Telecoms, Lifesciences, Cleantech and Industrial Products.
- Individuals who will register a company, prior to Enterprise Ireland's investment which will be active in these sectors.

In addition, applicants must fulfil all of the following criteria:

- Must be a manufacturing or an internationally traded services business.
- Must not have received equity funding of €100K or more prior to the competition closing date
- Must be pre-trading or recently commenced trading, i.e. has annual revenues less than €60k in any previous financial year.
- Must be capable of creating 10 jobs in Ireland and realising sales of €1m within 3 to 4 years of starting up or, where a company is required to have FDA or CE approval, within three years of approval to sell.
- Must not be involved in activities that fall within gambling or "gaming" as defined in the Gaming & Lotteries Act 1956.

7.0 Ineligible Applicants

The Fund is not open to the following:

- Companies that do not meet the above criteria.

8.0 Eligible Activities:

The investment will be towards the execution of a business plan. The following expenditures are expected to form the basis of any application submitted to Enterprise Ireland – salaries, consultancy fees and travel costs. Other costs such as subcontracting and prototyping may also be considered.

9.0 Assessment Criteria for Clients applying Fund

This is a competitive fund with a two-phase assessment process:

Assessment 1 – An evaluation panel, comprising external consultants in conjunction with representatives of Enterprise Ireland, will evaluate each application and will score them under the following assessment criteria:

1. Company and Promoter Profile – 20% of marks
2. Product/Service & Market Opportunity - 25% of marks
3. Execution of Business plan - 20% of marks
4. Product/Service Innovation – 15% of marks
5. Ability to deliver key Commercial and Technical milestones over the coming 12 months – 20% of marks

In order to proceed to the next phase of the assessment process, eligible applicants must achieve

- A minimum score of 54 out of 100 overall
- A minimum score of 9 against criteria 3 and 5 and a minimum score of 11 against criteria 2 above.

Where one or more companies have the same score, the following process will be used to determine the ranking of the applications:

- If one or more applications have the same total score, the application with the highest score under “Ability to deliver key commercial and technical milestones over coming 12 months” will be considered.
- In the event that one or more applications have the same total score under “Ability to deliver key commercial and technical milestones over coming 12 months”, then the

application with the highest score under "Execution of business plan" will be considered.

- In the event that one or more applications have the same total score under "Execution of business plan", then the application with the highest score under "Company and promoter profile" will be considered.

The top 30 scoring applications will progress to Assessment 2.

Assessment 2

Assessment 2 is carried out by an evaluation panel comprising external industry experts and representatives of Enterprise Ireland. The top 30 applications arising from Assessment 1 will be invited to deliver a short investment pitch to this Evaluation Panel at Enterprise Ireland HQ in Eastpoint, Dublin 3.

The promoters will be asked to respond to the following three questions:

- What specific needs does your product / service address? Why would someone be "compelled" to purchase your offering?
- What is it about you and / or your management team that makes you capable of executing on this business plan?
- What would be the impact of €50K on the execution of this business plan?

The presentations will be scored out of 30 with each question marked out of 10. Where one or more applicants have the same score, then the same process as used in Assessment 1 will be used to determine the ranking.

From the final 30 applicants, the highest scoring 15 will be selected with a reserve list of 5 to go forward to Enterprise Ireland's Investment Committee for approval.

10.0 Funding Available and Form of Aid

The funding available is €776,250 for this fund, broken down as follows:

- 15 successful applicants will receive funding of €50,000 in equity from Enterprise Ireland for a 10% shareholding in the company. The equity investment will be made in two equal tranches of €25,000, the first tranche to be matched by €5,000 from the promoters.
- In addition each successful applicant will receive 10 days Mentor support valued at €1,750 per company plus expenses which will be paid directly to the Mentor.

11.0 Application Process

The fund will be launched on 28th March 2012. Applications are invited through a public call and advertisements in the National Press. The closing time and date for receipt of application will be 6pm on Wednesday 11th April 2012. No late applications will be accepted. Applicants will receive an acknowledgement email on receipt of their application. A helpline has been set up 01 7272202 and it will be in place for the duration of the competition.

12.0 Assessment Process

The Assessment Process is in two phases.

Assessment 1 - Eligible applications will be reviewed and scored against set criteria by a number of external consultants in conjunction with Enterprise Ireland advisors. An independent scorer will ensure consistency of scoring between applications. The purpose of this assessment process is to identify the highest ranking 30 applications. As part of the initial assessment comments explaining the scores awarded will be provided. A "signpost" will also be recorded for the applicant for next steps from an Enterprise Ireland HPSU perspective i.e. should the applicant meet directly with HPSU, go to CEB etc.

Assessment 2 - The 30 highest ranking applications will then be sent to an Evaluation Panel comprising external industry experts and representatives of Enterprise Ireland for review. Applicants falling outside the top 30 will be informed that they have not been short-listed for the fund at this time. The short-listed applicants will be invited to present a short investment pitch to this Evaluation Panel on Monday 14th May in the offices of Enterprise Ireland. The top 15 highest scoring applicants from this stage will be selected and recommended to Enterprise Ireland's Investment Committee for approval on Friday 25th May 2012.

13.0 Post Approval

All applicants will be notified by email on the outcome of their application following the Investment Committee Decision.

Unsuccessful applicants will receive an email informing them of the Committee's decision. Feedback will be available to companies if requested.

Successful applicants will receive a copy of the draft shareholders agreement. This document must be printed, signed and returned within 4 weeks by registered post to: Competitive Start Fund, Enterprise Ireland, East Point Business Park, Dublin 3.

In order to receive payment the client must provide;

- o Executed Agreement
- o Amended Articles of Association (where necessary)
- o Valid Tax Clearance Certificate
- o Third Party Confirmation that €5,000 has been invested as new cash for shares.

If the signed shareholders agreement is not returned within 3 months of the date of approval then the offer is rescinded.

14.0 Release of second tranche

The release of the second tranche equity investment will be contingent on the submission of a report, satisfactory to Enterprise Ireland, outlining progress on agreed commercial and technical milestones from the company's original application and detailing how the first tranche monies were spent in the business. The report will be reviewed by Enterprise Ireland and the release of second tranche will be linked to the achievability of agreed objectives. In the case where Enterprise Ireland is not recommending the release of the second tranche, a note will be prepared for the Investment Committee to approve the decision. A final report satisfactory to Enterprise Ireland, outlining how the second tranche monies were spent in the business will be required on completion of the business plan.

15.0 Date of eligibility of costs

The date of eligible expenditure is the 28th March 2012 (the call close date). No expenditure prior to this date is allowed.

Start & End Date- Projects should commence within three months of approval and be completed within 24 months.

16.0 Review of Fund

Enterprise Ireland HPSU Division will conduct an annual impact review of the Fund and the successful companies within twelve months of approval. This could include the number of companies that will seek iHPSU funding, level of commercial traction, employment levels etc.
