

RESPONSE FROM DR JOLYON ALLDAY

Dear Sirs

Below are my comments on the questions raised.

Q1 - No, I am not aware of any certified investors. The most common reason given to me is that bank managers, solicitors and accountants will not take on the responsibility implied in issuing certificates. Even if they did issue a certificate, what happens if the investor's circumstance change within a short period, possibly when he or she has different professional advisers or bankers. The whole concept is flawed from the outset.

Q2 – No, investors can access projects through reputable networks certification. The key is getting them to join such networks.

Q3 onwards - As I do not believe in certification the remaining questions do not apply except to demonstrate why certification will not work. I have therefore addressed the remaining questions as though certification was in place.

Q3 - Not by way of direct free advertising or cold-calling. This could create an undermining of confidence in the quality of projects by investors which could hinder genuine projects. It would be far better to do it in an organised way via truly independent reputable networks.

Q4a - - No, this would be utterly worthless and undermine credibility of the system. It would also allow management consultants and other bogus “investors” to declare themselves certified investors to use the process as a marketing tool to attract good growing companies into their sales activity.

Q4b – No, investors can bring relatively small amounts of money and large amounts of expertise to an SME.

Q4c - DNA

Q5 - No, as noted above, some very good investors may not actually have much money. On the other hand, less good investors can write down any figure they pull out of the air when completing a form. The only true test is when the investment comes to be made and both parties undertake due diligence. At that stage either the investor has the funds or not. The whole certification concept is fatally flawed from the outset and can never be applied in the real world.

Q6 – No, for reasons stated above

Q7 - No. Cancel attempts to certify and replace with a system that steers investors to reputable organisations who can take them forward to companies. Business Angel investment is a highly personal situation which, almost by definition, has little or no rules. The companies seeking investment are generally entrepreneurial in nature and the investors are equally “free-spirits” with independence of mind and little regard for bureaucracy. All attempts to force investors into a “one size fits all” box of criteria is bound to fail from the outset simply due to the nature of the activity.

Q8 – No, see above

Q9 - - None, all three models are equally flawed and bound to fail. As noted, many business angel investors, especially the repeat or experienced investors, are highly individualistic people who will not be contained in a box of bureaucratic regulation, nor do they fit any

normal set of rules defining the box. It would be far better to steer them towards a supply of companies in a reputable, and preferably not for profit, truly independent, network.

Q10 - Maintain regulations that help to channel genuine investors and companies seeking finance into reputable networks.

Q11 - This is too wide a question. An increase tax relief under EIS would help. Allow current "connected" investors in a company to invest further sums under EIS. This could include the initial owner/manager who is prevented from gaining the tax relief of his new investors even if he increases his own investment. As part of the fundamentals of business angel investment is that both the company and the investor share the same risk and reward profile, then it seems unfair to disadvantage the original entrepreneur. Often the new investor wants the original entrepreneur to increase his or her investment in order to provide the right balance in the deal and/or demonstrate the appropriate level of commitment.

Q12 – No

Q13 - None if the companies use non-for-profit organisations. Costs can be high using organisations who are authorised and also attempting to make commercial profit from the activity.

Q14 - No, there is plenty of private sector intermediation. The problem as noted in Q13 is that private sector intermediation has high costs. The solution is to drive both companies and investors towards non-for-profit or public sector intermediation with full impartiality.

I trust the above is helpful

Regards

Dr Jolyon Allday