



Highland Venture Capital Ltd (HVC)

Highland Venture Capital Ltd. is a company Limited by Guarantee and is a vehicle used by a group of over 40 Highland Businessmen to enable them to invest in the equity of growing or new start businesses.

Each member makes their own decision about making an investment or not. As a result each member invests their own money and gets their own share certificate, but through a shareholders agreement they will act in concert whilst invested in a company.

We are a partner of the Scottish Co-Investment Fund.

What type of Investments are we looking for?

The members of Highland Venture Capital see their investment into a company as enabling a **transformational** change in that company. It might be changing the size or location of a market or simply starting a new company to provide an innovative service or product.

We prefer companies that have some form of IP or product protection.

Although we will consider most opportunities, we are particularly interested in the following sectors:-

- Technology
- Renewables
- other “green “ opportunities.

On the other hand we have 3 sectors that we will not invest into:-

- Property
- Traditional Retail
- Computer Games

Investment Criteria

Our key investment criteria are:-

- Companies requiring £75k or greater.
- A preference for companies operating in the Highlands
- A preference for companies wanting to supply their goods and services beyond the Highlands

How do we manage our deals?

The process is:-

1. The start of the process is the receipt of a short business plan, which is emailed to our all of our members.
2. At the next syndicate meeting (we have a meeting once a month) the plan is discussed and if sufficient members are interested, a management presentation will be arranged, usually for the meeting on the next month.
3. After the presentation, a decision is taken whether or not to progress the opportunity.

If sufficient members indicate an interest in the project, then one of our members will lead some elementary diligence and negotiate an outline of the deal with the executives.

This is a process of discovery and can be over very quickly, or in more complex cases could take a number of months.

4. When we are happy with the initial diligence and the outline deal, the latest set of information and the full business plans are emailed to syndicate members.

We ask them to indicate whether they are interested in the opportunity, and if so, how much they want to invest, all subject to satisfaction with a fuller diligence process.

Provided the syndicate can raise sufficient funds the process will move to the next step.

If the transaction requires the help of the Scottish Co-Investment Fund at least 4 of our Directors need to commit to the investment in order to access those funds.

This will also trigger us starting to shape a legal agreement and the syndicate

will send the entrepreneur a generic “deal outline” so that the entrepreneur is aware of the likely shape of the final deal.

5. As the Diligence proceeds we will agree an “offer to invest“ with the company. This is not a legally binding document (apart from the section that refers to legal expenses) but will be the basis of the investment documentation, and build on the Deal Outline, and previous negotiations.
6. Once the Offer to Invest is signed we will move to preparing all the Investor Agreements and Documentation.
7. Wherever possible the funding of investments will be staggered in line with key milestones so that investors can gauge the performance of the management.

Thus there may be a number of funding rounds for each investment.

8. It may be a condition of any investment being offered to our members that the Chairman post and one non-executive director may be appointed on behalf of HVC.

Each member makes up his own mind whether to invest or not. If they choose to invest the amount invested is entirely their own decision, with share certificates being issued directly to each investor.

Becoming a Member

In order to become a member each applicant will have to complete an application form. This will help us identify areas they may want to invest in, or equally avoid. We will also try and ascertain if the applicant wants to be active or a passive member.

An Active member is one who wants to take an active part in the investment or ongoing management process of Investee companies. They may get involved in the Due Diligence process or become one of our nominees onto an Investee’s Board.

A passive member may want to make an investment and take no further part in the process.

In addition, each member will also have to sign a Power of Attorney so that investment papers can be signed on their behalf, thereby simplifying the completion process.

In order to receive investment opportunities under Financial Services and Markets Act 2000 (“FSMA”) and the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (as amended) (“FSMAO”), each member will have to certify that they meet one of the three criteria below:-

1. **High Net worth individual.** In order to meet this definition you have to be able to certify that during the financial year immediately preceding the date:-
 - a. You had an annual income to the value of £100,000 or more
 - or
 - b. You have held, throughout the financial year immediately preceding the date below, net assets to the value of £250,000 or more (Excluding the value of your main residence.

2. **Self-Certified Sophisticated Investor.** In order to meet this criteria you need to be able to certify one of the following points:-
 - a. You are a member of a network or syndicate of business angels and have been so for at least the last six months prior to the date of signing the Certificate
 - b. You have made more than one investment in an unlisted company in the two years prior to the date of signing the Certificate
 - c. You are working, or have worked in the two years prior to the of signing the Certificate, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises
 - d. You are currently, or have been in the two years prior to the of signing the Certificate, a director of a company with an annual turnover of at least £1 million.

3. **Certified Sophisticated Investor.** In order to meet this criteria you need to be able to:-
 - a. sign a statement declaring that you qualify as a Sophisticated Investor subject to certification by an Authorized Person under FSMA 2000.
 - b. produce a statement by an Authorized Person certifying that are a Sophisticated Investor.

All communication with members is by email.

There will be a joining Fee of £250, an annual membership fee to cover the administrative costs of running HVC, currently £150 per member per annum and a charge of 3% of each investment will be charge to the investors by Highland Venture Capital Ltd to cover DD costs on that deal.

Further Information

If you wish to join HVC or get some additional information please feel free to phone Iain Scott on 07802 805873, 01 463 712588 or email him on iain@highvc.co.uk