

**- What are the characteristics of these co-investment funds created by the State and the Business Angels to support entrepreneurs?**

The Technostarter SEED facility aims to increase the chance for Technostarters to get financing. The facility improves the risk-return for investors and enables Business Angels to invest larger amounts than they have available themselves.

In order to use this facility a minimum of 3 Business Angels must establish a closed end investment fund. None of the Angels can have a controlling interest in the fund. The government gives a loan to the investment fund to match the investment budget of the Business Angels.

The government loan has a maximum of € 4 million per fund. And the fund will be able to finance a maximum of 50% of their investment using the loan. The funds have to provide risk capital to Dutch technostarters. The provision of risk capital takes the form of the acquisition of shares in the technostarters business whereby a subordinated loan can be provided as additional capital. In this way Technostarters may obtain capital ranging from € 100.000 to €2,5 mln.

Businesses that classify as innovative from a technological perspective fall within the target group of technostarters. This means that there is a technical invention or a new combination of existing technology underlying the technostarters physical product or service. There is no need for the technostarter to have invented the invention or devised the new application.

**- What advantages can we take from this model?**

This model makes more finance (in the form of risk capital) available for early stage high tech SME's. Because the Business Angels are in charge of investing and managing the funds, the companies invested in also have access to experience, expertise and a broad network to help them create a successful business. Benefit for the Business Angels is that the risk of their investment is reduced, while they have more money available to invest.

**- What about profit share?**

The government loan to the fund is only repaid in so far as the participating interest of the fund generates income. The repayment of the loan is favorable for the investors. The first period, the investors get 80% of the returns of the investment and the government gets 20% of the returns as restitution to the loan. After the investors have earned back their investment and participation costs 50% of the returns of the fund go to the investors and the other 50% is for the repayment of the government's loan. After the loan to the government is fully refunded, the investors go back to getting 80% of all return, while the government gets the other 20%. With this repayment scheme, the risk for the investors is reduced, but it's still very interesting for them to have a sound investment policy. And the government doesn't only share the risks but also the profit of the investments.

- What investment numbers are we talking about in annual terms?

The investment decisions are taken by the fund, so the funds decide when it wants to invest what amount in what business. But to give you an indication every fund can have a total investment budget of € 8 mln. to invest for a period of about 6 years (currently we have 22 funds investing). And every year the government makes a minimum of € 12 mln. available to match the investment capital of new funds.

**- What type of projects do you preferably support?**

As mentioned earlier, the funds have to provide risk capital to Dutch **Technostarters**. It's up to the funds to decide which projects they want to support. Some funds don't distinguish between the different types of technology, but there are some funds that do, and for instance they only invest in the medical life science sector or in sustainable energy and water.

**- What actions and tax benefits BA and entrepreneurs benefit that come along with this model?**

There are no other advantages for the Business Angels or the entrepreneurs than the ones I mentioned earlier.

**- For what you know of the Portuguese scene, do you think it is possible to "copy" this model for Portugal? What major difficulties did you have to struggle in the beginning?**

The model of the SEED facility can be copied by any country who wants to make more risk capital available for early stage high tech SME's. Of course every country would have to 'custom make' the technical details of the model to make it suit their national characteristics.

We didn't have 'struggles' in the beginning. But what didn't go well in the beginning was that, due to poor 'investor readiness' we had to deny about 50% of the fund proposals.