

Reference Document

Competitive Start Fund

1.0 Background

A key focus of Enterprise Ireland's Strategy 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 years.

A call for applications active in the Manufacturing & Internationally Traded Services sectors including the following subsectors: Internet, Games, Apps, Mobile, SaaS, Cloud Computing, Enterprise Software, Lifesciences, Food, Cleantech and Industrial Products 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 Manufacturing and Internationally traded services 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 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 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 sessions. 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 required sector for the call they are applying for.
- Individuals who, prior to Enterprise Ireland's investment, will register a company which will be active in these sectors.
- Individuals who, prior to Enterprise Ireland's investment, will have a headquarters registered and be based in Ireland. All intellectual property and assets must reside in the Irish entity.

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 more than €100K prior to the competition closing date i.e, Ordinary shares, Convertible Preference Shares, Convertible Loan Notes and Directors Loans. Sweat equity does not apply;
- Must be pre-trading or recently commenced trading, i.e. does not have annual revenues in excess of €60k in the current financial year to date or in any previous financial year;
- Must be less than five years old from date of registration;
- Must be capable of creating 10 jobs in Ireland and realising sales of €1m within 3 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 or be involved in "adult entertainment", tobacco or military sectors;
- Applicants must be eligible to live and work in Ireland or be legally working here or attending, or have recently attended, a start up accelerator programme in Ireland. If you are successful and your current visa status does not allow you to run a business in Ireland you must regularise your visa situation before receiving an investment.

**starting up defined as the relevant competition closing date.*

Please note:

- If an application is successful and is currently in receipt of an Enterprise Ireland Feasibility Grant, the full amount of the Feasibility grant must be drawn down before the Competitive Start Fund investment or, alternatively, the company/individual must forego the balance of the Feasibility Grant prior to starting the CSF.
- If the applicant is successful and currently in receipt of a New Frontiers stipend, the applicant will not receive Competitive Start investment until they have completed drawdown of the New Frontiers stipend or declined further stipend payments.
- Where an applicant is a subsidiary of a parent company, then the eligibility criteria will be applied to the parent company.
- If the applicant was a sole trader or a partnership prior to applying to CSF as an individual or a Limited company and the undertaking is exactly the same, then the eligibility criteria will be applied to the former entity.
- The majority management must be based in Ireland.
- Any intellectual property that is required to execute the business plan must be owned by the company prior to the CSF investment completing.

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

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 – 25%
2. Product/Service & Market Opportunity - 25%
3. Business Proposition – delivered by Video Pitch – 25%
4. Product/Service Innovation – 15%
5. Ability to deliver key Commercial and Technical milestones over the coming 12 months – 10%

Assessment 2

Assessment 2 is carried out by an evaluation panel comprising external industry experts and representatives of Enterprise Ireland. The top applications (up to 30) arising from Assessment 1 will be invited to deliver a short investment pitch to this Evaluation Panel at Enterprise Ireland Offices at The Plaza, Eastpoint Business Park, 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 applicants, the highest scoring applicants (up to 15) will be selected with a reserve list to go forward to Enterprise Ireland's Investment Committee for approval.

10.0 Funding Available and Form of Aid

- Successful applicants (up to 15) 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 or other 3rd party investors.
- In addition each successful applicant will receive 10 sessions of 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 Wednesday 14th January 2015. Applications are invited through a public call. The closing time and date for receipt of applications will be 3pm on Wednesday 28th January 2015. No late applications will be accepted. Applicants will receive an acknowledgement email on receipt of their application. A helpline has been set up on 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 applications. As part of the initial assessment feedback on the application submitted will be available. 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 Local Enterprise Office etc.

Assessment 2 - The 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 applicants 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 in the offices of Enterprise Ireland in Dublin. The highest scoring applicants from this stage will be selected and recommended to Enterprise Ireland's Investment Committee for approval.

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 8 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;

- Executed Agreement
- Amended Articles of Association (where necessary)
- Valid Tax Clearance Certificate
- 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 start date for eligible expenditure is Wednesday 28th January 2015 (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.