



Network Manager's Update

We are at the end of a very interesting year for OEI. The Bank of Scotland co-investment programme is drawing to a close and we have successfully utilised the whole £2m during the year. Something many thought impossible.

The companies who raised co-investment were from across the three networks - including Theyrte who presented at the November meeting of OEI during 2007.

We have had further success with Group Spaces reaching their milestone and drawing down on their second stage funding. SigmaVision, who presented at the September meeting is about to close its round with at least 2 new investors from the network. There are several other companies in discussion with OEI investors. Some of these companies have sent through updates and can be seen overleaf.

I would like to leave you on a positive note, so even with the current climate 2009 should still be seen as a great opportunity for angel investment. Bargain basement 'it aint' but the quality and diversity of the business presenting to OEI this year should be as good if not better in 2009. See you on 11 February 2009 at the first meeting of the year.

On that note I would like to wish you all a wonderful Christmas and prosperous New Year!

Eileen Modral, OEI Network Manager, e.modral@oxin.co.uk



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Company Updates



Cryox' first two new lines of cryogenic equipment are now close to completing development, with release to manufacture commencing Q1 2009. One product addresses the 'helium crunch' - scientists using liquid helium for low temperature experiments are experiencing major price and supply problems - which is driving a major shift toward helium-free laboratory equipment. The other is a low-unit-price-high-volume liquefier developed by the Rutherford Appleton Laboratory for application as an accessory in the fast-growing market for cryocoolers. Manufacturing launch is driving additional financing needs, and creating new investment opportunities.

Current Investment Opportunities

Company A is an innovative approach to learning languages online, connecting those who wish to learn a language with those who can teach a language via webcam and live video streaming. Lessons are one-to-one, live and on-demand. (£100k)

Company B is a UK-based software company founded in 2006 and has been creating drag'n'drop tools which enable families through to enterprise to publish freely to the web, and control their data in the 'Cloud'. (£125k)

Company C is a social business trying to ensure that the majority of people in the UK are aware and can make informed choices around energy usage, and energy reduction and saving, by utilising the most efficient sources of energy available for their particular environment. (£80k)

Company D is a medical device development company. The device is a novel treatment of Dry Eye Syndrome. All intellectual property is fully owned by the company. (150k)

Meeting Dates 2009


Wednesday, 11 February 2009 The Oxford Centre, Banbury Rd, Oxford

Wednesday, 6 May 2009 Venue TBC

Wednesday, 8 September 2009 Venue TBC

Company Updates continued...

Crescent Diagnostics received investment from existing investors and are proceeding on this basis. They will seek additional funding with new test results in the new year.



Robosynthesis has a number of investors at present interested in funding the Start-Up Phase.

They are in discussions with four companies with a view to forming strategic partnerships at the R&D/manufacturing level and at the software development level. They have had provisional confirmation from Thales to develop a pole-climbing robot (discussions ongoing in Paris).

The plan is to develop multi-scale robot prototypes in titanium for Trade Fairs in Europe and USA Spring 2009 to attract clients in the military, mining, search-and-rescue, industrial and security markets.

The first prototype was completed end September and was shown recently at Trade Shows in France. The company has been contacted by a representative of Cornell University re developing advanced reconfigurable robots with potential funding in the USA.

ExactTrak has been successful in obtaining Phase 1 & 2 of the Commercialisation fund via FSE. This has generated further interest and they are in discussions with a potential funder for the full £250,000.



The product has matured and with the help of the Commercialisation fund the company is getting the product ready for full scale production .

OEI members have invested in **Theryte**, an anti-cancer drug discovery and development company, as part of a £200k round. The investment by OEI members was matched by an investment of £57.5k from the Bank of Scotland Corporate's Growth Capital team under the Co-investment programme between the Bank and OEI.



The Royal Society has recently announced the creation of a new **early-stage investment fund**, financed by philanthropy and aimed at supporting the growth of technology business based on outstanding science. The fund is now open for investment and more details can be found on the Royal Society Enterprise Fund web-site (www.royalsociety.org/enterprisefund).

Shares, Options or Bonus Scheme?



It is a truth universally acknowledged that an early-stage high-growth technology company in possession of its desired investment funds must be in want of a means of recruiting and retaining key employees. However, the means of achieving this is often a major source of confusion and disagreement, and for very good reasons. There is a choice of approaches, but sometimes the very object to be achieved is not clear.

I am often told that the founders or management team of a client company have decided that the company will "give" shares to a key employee or anticipated employee, and I am told that my task, should I choose to accept it, is to ensure that this is achieved in a tax-efficient manner. When I suggest that, if tax-efficiency is a key driver (which it invariably is) something other than issuing shares may be the best way forward, I am met with disbelief. That is, until I explain how a full and immediate income tax and NI bill will arise, based on the market value of the shares. My next step is to expound on the three purposes of owning shares, from the shareholder's perspective, namely: -

1. To vote those shares at AGMs and elsewhere;
2. To receive part of any dividend paid; and
3. To share in the proceeds of any sale.

In the context of an early-stage company, items 1 and 2 are usually academic. The key employee's holding is likely to be insignificant when compared to founders' or investors' stakes, making any voting influence negligible. In the unlikely event that the company is actually profitable, all surpluses are almost certain to be earmarked to fund growth, technology or market development. If not, a bonus scheme can be implemented to achieve a more carefully tailored result, possibly at the cost of a little NI.

The real reason these shares are of interest to an employee is for Purpose Number 3 – a share in the exit proceeds. This aim coincides beautifully with the reason the company wants to issue the shares, namely long-term retention (well, up to exit, anyway) of the key player. So, can we achieve this – giving a key employee a stake in the proceeds, but in a tax-efficient manner? The strong affirmative answer is provided by EMI – the Enterprise Management Incentive scheme – which does exactly that. It allows employees to acquire options over shares which will entitle them to receive the full amount of the growth, from date of grant of option to exit, and pay only capital gains tax on that growth. And, if appropriate, a profit-related bonus scheme can sit happily alongside it.

As a result of all of this, I end up achieving exactly what my client wants, by recognising that the underlying complexity of even the simplest objective can require an innovative approach.

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