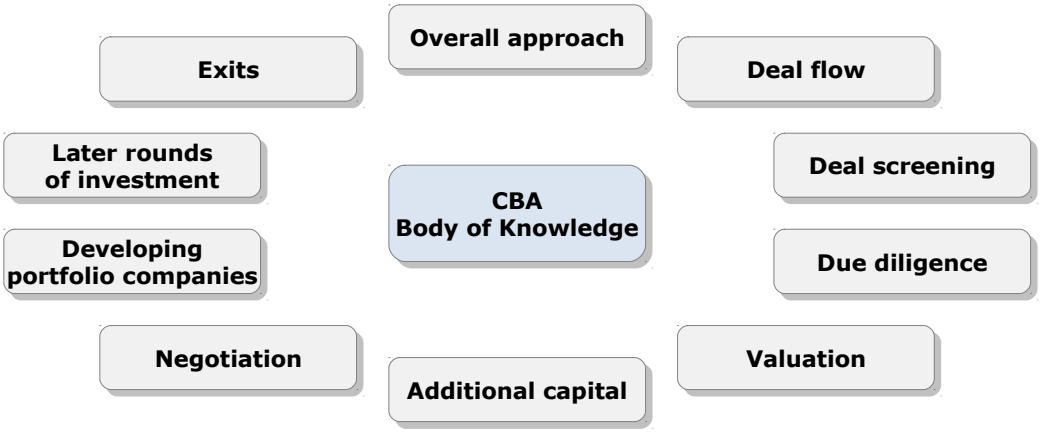
Certification Guide for the Certified Business Angel

The Certified Business Angel (CBA) is a registered trademark of Venionaire Capital GesmbH
(Trademark Number: 011388097).

1 Overview

The Certified Business Angel is the world's first personal certification (ISO/IEC 17024) for Business Angels that allows the relevant experience, knowledge and skills to be internationally acknowledged. The Certified Business Angel was developed by the Business Angel Institute in cooperation with its Academic Advisory board, incite education and training event GmbH (incite Ausbildungs- und Schulungsveranstaltungs GmbH) and Austria Business Service (Austria Wirtschaftsservice AWS) . The certification verifies the competence of candidates according to the international CBA Body of Knowledge.



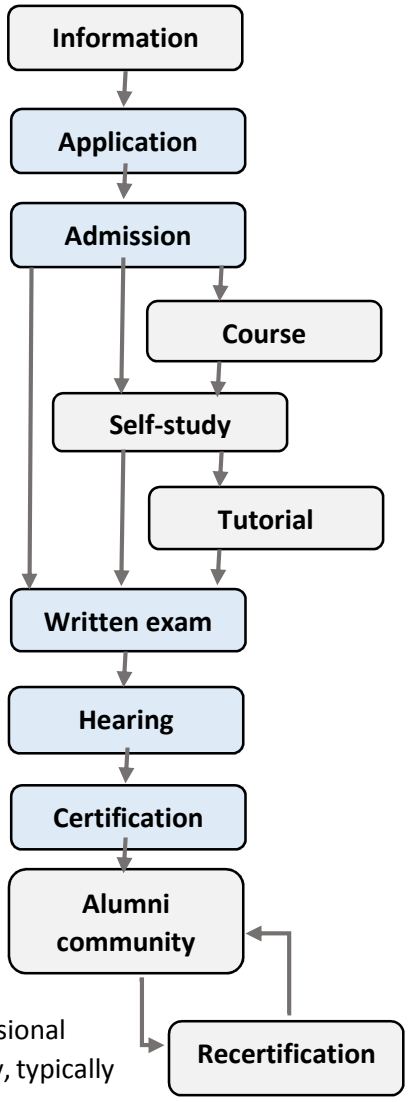
This certification is awarded in Austria, Germany and Switzerland through incite, the quality academy of UBIT (the information and consulting sector of the Austrian Federal Economic Chamber), which stands for impartial decision making and objective exam evaluation. incite is a certification body accredited internationally according to ISO 17024 through the ICMCI (www.icmci.org).

incite explicitly points out that the certification is only awarded to physical persons and not to organizations, institutions or products. However employees of organizations can be certified as long as they meet the requirements.

2 The path to the CBA

The CBA candidate has to submit the application documents electronically (see approval criteria, section 3) to incite (office@incite.at).

If the review of the application documents indicates that the candidate has a broad and deep knowledge as well as sufficiently proven personal experience as a business angel, he or she may be directly admitted to the examination. In case of insufficient documented experience or knowledge, he or she may be admitted to the examination under certain conditions such as the completion of the recognized CBA training course.



In the course, theory and techniques can be learnt through discussions of case studies and illustration of best practices covering the relevant topics of the examination. CBA candidates are allowed to make use of those practical examples during the Hearing. Throughout the training course, participants have the chance to reflect on their own risk profile as well as on their propensity and willingness to directly invest during the early phase of businesses. Depending on the scope and depth of their individual experience, candidates can in addition attend individual course modules in order to make the certification possible.

In addition to theoretical content, strong emphasis is put on the treatment of practical examples. Participants interactively work on case studies to test their own risk behaviour. During the training course selected literature for self-study will be recommended in order to further deepen the acquired knowledge and to reflect one's understanding in the light of professional methods, processes and insights. If required, a tutor is available for the candidates during the preparation for the CBA certification.

The approved candidate receives an invoice for the costs of the certification and after the settlement he or she will be invited to the written examination. In addition a date will be fixed for the oral hearing.

2.1 Written examination (part 1)

The focus of the written examination lies on the verification of the professional background knowledge of the CBA candidates. This takes place in an efficient way, typically through multiple choice questions.

2.2 Hearing (part 2)

The hearing constitutes of an oral conversation with an examination board. Here the focus lies on the application of the knowledge. The individual hearing takes up to 1 hour and contains the following points:

- Personal introduction of the CBA candidate (max. 5 minutes)
- 5 minute presentation of the previous work focus and the motivation for previous and/or future activities as a business angel
- Questions regarding the presentation and the relevant expertise
- Knowledge verification of key subjects in the form of case studies/questions
- Open questions/discussion
- Evaluation at the end of the hearing after internal consultation of the examination board

A presentation with a projector or laptop is principally not intended. A flipchart is available when required. The examination board has the curriculum vitae and a statement of stable financial conditions.

The examination board includes a representative of the certification body incite and at least two further members. of its members have the following competences:

- Experience with early stage investments

- Expertise related to legal and tax issues
- Inside knowledge about the angel and startup scene

A member of the examination board will be the president of the board.

The evaluates the depiction of the motivation, the presented expertise and the practice-oriented topics, the quality of the presentation and the performance during the discussion of each candidate according to an assessment form.

A summary of the assessment results is produced by the president of the examination board and a written record is prepared. After that the CBA candidate will be informed about the results of the hearing and the written examination. The evaluation is expressed in terms of “passed” or “not passed”.

An appeal against the decision of the examination board is not possible. If a candidate fails to pass, a further invitation to the hearing is possible. The examination board can decide on a minimum period of time until the next hearing in order to grant the candidate enough time to acquire the shortfalls in competences.

In case of a second hearing a reduced fee of EUR 500,00 (+ 20% VAT) is due.

The final release of the certification is made after a positive evaluation of all necessary steps by the president of the certification body. The CBA candidate then receives the certification “Certified Business Angel (CBA)” and the right to carry the certification until the recertification becomes due.

2.3 Costs, period of validity and recertification

Costs of the initial certification: EURO 3.010,-- (+ 20% VAT)

Significant discounts on the certification and on the training course are offered to members, customers and partners of the Business Angel Institute’s partner organizations.

The certification is valid for 5 years. After the first year, an annual identification fee of € 100 (+ 20% VAT) is due. This covers recertification, ongoing administration, support of PR activities for the certification, further developments of standards and the ensurance of quality requirements.

After 5 years, a request for recertification can extend the validity for another 5 years. This requires only the submission of the request along with the following documents to incite:

- Practical experience (same documents as for the initial certification but updated)
- Proof of further education since the last (re)certification with an extent of at least 5 days
- Occasionally the CBA candidates can be invited to a further hearing by incite or the Business Angel Institute in the course of the recertification.

2.4 Withdrawal of the certification

Violations of the conditions by certificate holders, especially a multiply reported violation (3 reports) of the code of conduct based on the code of ARGE proEthik, are punishable by the revocation of the right to identify oneself as a CBA without reimbursement of the fees.

3 Approval criteria

In the following the necessary competences are listed, which need to be demonstrated in order to obtain approval for the CBA certification. The evidence can be provided point by point or through the completion of the CBA training course.

If the competences can only be proven partially, it is possible to obtain a conditional approval (for example evidence for certain knowledge through the completion of individual modules of the CBA training course).

3.1 Requirements

A candidate for the Certified Business Angel (CBA) intends to acquire interests in startups or has already engaged in relevant projects or provided professional support for startups as a consultant. Professional business angels usually assist their portfolio companies through active participation and the provision of financial or material resources, thereby increasing the probability of success.

Business Angels have often generated their wealth as entrepreneurs or through successful careers. Their personal experiences based on success and also on setbacks constitute valuable knowledge which they can pass on. In addition to the willingness to share their professional experiences, they also have the ability to transmit know-how.

The activities of business angels are very diverse and can best be proved by successful activities in the past in order to be directly admitted to the certification. The approval examination board sets minimum requirements for angels related to the provision of evidence for financial contributions in more than two investments each with an amount of at least EUR 100.000,--. Alternatively candidates can prove an exit with a valuation of at least EUR 1.000.000,--. Each application will be individually reviewed due to the fact that there can as well be comparable professional experiences that can justify beyond doubt the admission to the examination.

The combination of financial investments and active support (“smart money”) demand a unique bundle of capabilities, especially in rapidly changing environments. This can be seen as the reason why the Business Angel Institute developed a comprehensive course for business angels in cooperation with incite education and training event GmbH (incite Ausbildungs- und Schulungsveranstaltungs GmbH) and Austria Business Service (Austria Wirtschaftsservice AWS).

3.2 Expertise

Competences	Evidence
Overall approach	

• Angel business
  o Nature of startups
  o Nature of angels
  o Relationship between business angels and entrepreneurs
• Types of investments
  o Direct investments
  o Co-investments
  o Club investments
• Investment process
  o Timeline and milestones
  o Strategic analysis
  o Investment criteria
  o Development
  o Follow-up investments / divestment
• Alternatives
  o Incubators
  o Public funding
	• Confirmation of angel activity by a startup team
	or
	• Evidence of investments (excerpt from the companies registry, contracts, proof of payments, etc.)
	or
	• Completion of the comprehensive CBA course or the relevant module

Deal flow	

• Ecosystem
  o Key players
  o Networking
  o Events
  o Clubs
• Sources of knowledge
  o Sources of information
  o Sources of innovation
  o Understanding, finding and following trends
	• Active membership for more than 12 months in AVCO, AAIA, i2 Business Angel Börse (AWS)
	or
	• Evidence of the attendance of relevant events in connection with business angels, venture capital or private equity investments in the last 12 months
	or
	• Completion of the comprehensive CBA course or the relevant module

Deal screening	

• Personal investment strategy
  o Focus
  ▪ Sectors / themes
  ▪ Deal size
  o Standardized screening process
• Key questions
  o Fit with investors
  o Functionality of product/service
  o Understanding of the technology/advantage
  o Right team
  o Clear need in a large market
  o Requested investment sufficient
  o Compelling business opportunity
  o Attractive investment opportunity
• Passing
	• At least 5 years of experience
	• At least 2 investments
	
	or
	
	• Completion of the comprehensive CBA course or the relevant module

Due diligence	

• Appropriate timing
• Due diligence process
• Roles of different investors
• Business plans
• Focus areas
  o Team
  o Industry
  o Growth potential
• Detailed due diligence
  o General background
  o People
  o Market opportunity (problem)
  ▪ Comparing companies and business cases
  ▪ Market risk
  o Product and technology (solution)
  ▪ Problem to solve
  ▪ Need
  ▪ Functionality
  ▪ USP
  ▪ Development risk
  o Business Model
  o IP ownership
  ▪ Previous employers
  ▪ Analysis and screening methods of intellectual property rights
  o Marketing and sales
  o Competition
  ▪ Types of competition
  • Category competition
  • Substitute competition
  • Budget competition
  ▪ Anticipated responses
  ▪ Competition risk
  o Financials
  o Other legal
• Asking the right questions
• Development of a standard due diligence for early stage investments
	• Business consultant, tax advisor or lawyer with at least 3 references for relevant due diligence examinations (preferably for enterprises that existed for less than 10 years and are innovation oriented)
	
	or
	
	• Certified Turnaround Manager
	
	or
	
	• At least 2 investments as lead investor
	• At least 5 years of experience
	
	or
	
	• Completion of the comprehensive CBA course or the relevant module

Valuation	

• Early-stage valuation basics
  o Qualitative versus quantitative
  o Rate of Return
  o Pre-money and post-money
  o Multiples
  o Deal terms influencing the valuation
  ▪ Milestones
  ▪ Ratchets
  ▪ Liquidation preferences
  ▪ Convertibles
  ▪ Options
  ▪ Loans
  o Dilution
  o Market fundamentals
• Differences between sectors
  o Expectations in ICT, life sciences etc.
  o Development stages of sectors
  o Effects of later stages
  o Effects of specific further rounds
  o Effects of general later stage trends on angel rounds
• Pre-revenue valuation methods
  o Success potentials
  o Benchmarking
  o Replacement method
  o Modified Berkus method
  o Rule of thirds
  o Standard value
  o IPR valuation
  ▪ IPR piracy
  ▪ IPR erosion
  ▪ IPR dilution
  o Value later
• Pre-money myth
	• Tax advisor with relevant specialization
	
	or
	
	• At least 5 years relevant professional basis (fund, investments or consultant in this asset class)
	
	or
	
	• Completion of the comprehensive CBA course or the relevant module

Additional capital	

• Syndication
  o Syndication process
  o Due diligence for syndication
• Sidecar funds (pre-committed capital pools)
  o Size
  o Advantages
  o Cautions
	• At least 2 investments with co-investors
	
	or
	
	• Completion of the comprehensive CBA course or the relevant module

Negotiation	

• Negotiation fundamentals
  o Separating people and deal terms
  o Focusing on interests rather than positions
  o Inventing options for mutual gain
  o Using objective criteria and fair procedures
• Negotiation strategy
• Negotiation tactics
• Negotiating specific deal terms
  o Deal structure
  o Amount of money invested
  o Valuation
  o Use of proceeds
  o Takedowns
  o Dividends
  o Conversion features
  o Stock option plan
  o Vesting
  o Right of first refusal
  o Voting and veto rights
  o Redemption
  o Liquidation preference
  o Anti-dilution
  o Redemption
  o Board seats
  o Information rights
  o Closing conditions
  o Closing date
  o Expenses
  o Typical documents
• Accredited investor declaration
• Term sheet
  o Term sheet usage
  o Term sheet content
  ▪ Basic information
  ▪ Proposed investment details
  ▪ Type of security
  ▪ Deal terms
  o Key terms
• Shareholder agreement
• Subscription agreement
• Stock options agreement
• Voting trust
	• At least 3 investments
	• At least 5 years relevant professional experience
	
	or
	
	• Completion of the comprehensive CBA course or the relevant module

Developing portfolio companies	

• Roles
  o Board member
  o Networker
  o Advisor
  o Coach
  o Operational
• Background knowledge
  o External awareness
  ▪ Political factors
  ▪ Economic Factors
  ▪ Social factors
  ▪ Technological factors
  ▪ Legal factors
  ▪ Environmental factors
  o General business
  ▪ Business structures
  ▪ Business processes
  ▪ Functional disciplines
  ▪ Management
  o Startup teams
  ▪ Building
  ▪ Reinforcing
  ▪ Managing
• Iteration and flexibility
• Company focus
  o Operations
  o Agenda
  o Drivers
  o Strategic fit
  o Commercial benefits
	• Support of at least 3 investments each for at least 5 years
	
	or
	
	• Certified Management Consultant (CMC)
	
	or
	
	• At least 5 years in an executive position in at least 2 dynamic high-growth companies (CV)
	
	or
	
	• Completion of the comprehensive CBA course or the relevant module

Later rounds of investment	
• Shifts in expectations • Dilution • Angel protection • Successful follow-ons • IPOs • Alternative sources	• At least 2 investments with follow-on financing rounds or • Completion of the comprehensive CBA course or the relevant module
Exits	

• Types of exits
• Sizes of exits
• Dealing with losses
  o Understanding
  o Respecting
  o Letting go
	• At least 2 exits each with at least EUR 1 million market value
	
	or
	
	• Completion of the comprehensive CBA course or the relevant module

3.3 Practice orientation

Alternative 1

The practice orientation can be shown through a statement of investments/clients/projects and functions.

The documents should demonstrate that the CBA candidate has gained at least 2 years of experience as an investor (business angel, venture capital or private equity) or at least 5 years of experience in corporate management of 2 dynamic high growth companies.

The following should be briefly described:

- Client
- Type of the reference project
- Industry
- Size of the company
- Stage of the company (seed phase, prototype, market entry, expansion)
- Investment (capital provided and extent of active support)
- Role of the CBA candidate
- Description of the project: objectives, approach, duration, expenses, results
- Challenges and solutions

As evidence, the CBA candidate should provide some copies of reports, agreements, work samples or other documents which plausibly indicate that the candidate has acquired the relevant experience.

Of course all provided information has to stay within the scope permitted by applicable laws and agreements, especially considering that projects of business angels are often subject to non-disclosure agreements. Example: The client company should be mentioned by name as long as it is not explicitly prohibited. In the latter cases a meaningful description of the client should be provided instead (such as “a rapidly expanding owner-operated family company in the Scottish Highlands”).

If the CBA candidate is employed by an enterprise, evidence can also be provided for work by that company as long as the candidate contributed significantly to the relevant project.

Alternative 2: Evidence through the completion of (individual) CBA course modules

Relevant activities can be presented even if they do not meet the full criteria of Alternative 1, provided that simultaneously proof of the completion of relevant modules of the CBA training course is given. The training course can also be provided as further evidence (in addition to experience).

Alternative 3: Evidence through the completion of the whole CBA training course

If the latter is also not possible, the CBA candidate can nevertheless present any relevant activities. However he/she is likely admitted under the condition of the completion of the CBA training course prior to the examination.

3.4 Example case

A project of a business angel has to be demonstrated comprehensively, in detail, self-explanatory and in a written form. This can be done through the statement of at least the following points:

- Activities of initiation
- Clarification talks
- Process control
- Project plan, important steps
- Role of the business angel (investment, specialist advice, process consultancy)
- Results (exits)

Alternative 1

The candidate describes an actual project based on his or her past experience.

Alternative 2

In case that the candidate has completed the comprehensive CBA course as a future business angel, he or she is allowed to describe a project which was worked out in the course.

3.5 Foreign language

The evidence for language skills in English, the most important language for business angels, can be provided by:

- Certificate of examination from an accepted language school (for example Berlitz, Inlingua)
- Testimony of universities or secondary education
- Evidence of a post graduate program at a foreign language university or comparable institution
- Other appropriate evidences (for example professional activity in a foreign language)

In general it is recommended to present the Europass language passport.

3.6 Curriculum vitae

The curriculum vitae is used on the one hand as a basis for the evaluation of the education and the prior activities of a CBA candidate. On the other hand it serves as document for the examination board for the final hearing.

A comprehensive CV should be attached as evidence and the following points should be contained:

- Current personal status
- Education and further training
- Professional career

3.7 Binding self-disclosure

I hereby confirm that I have not been legally convicted on an economic crime and I am not involved in current bankruptcy or composition proceedings.

I have provided all information truthfully and I am aware of the fact that deliberate misleading of the approval committee may entail legal actions.

In the event that one of the above-mentioned situations arises after the certification, I am obligated to report that immediately to incite. incite will revoke the certification in case of a legally binding conviction until a removal from the criminal register is made. In case of bankruptcy proceedings the certification will be declared dormant until the financial issues have been clarified and a proper appraisal (withdrawal or immediate reactivation) is possible.

I am in possession of sufficient disposable capital and resources to operate actively as a business angel.

Name: …….

Address: ……

Place, date: .....

Legally binding signature: .....

4 Contact

Melanie Noormann

Project manager, program certifications

incite education and training event GmbH

Wiedner Hauptstraße 57/II 2, A-1040 Vienna, Austria

Tel: +43 (0) 5 90 900 – 3792

Fax: +43 (0) 5 90 900 - 3794

office@incite.at | www.incite.at

In cooperation with

Dr. Herwig Rollett, president

herwig.rollett@businessangelinstitute.org

Business Angel Institute

c/o Venionaire Capital Ges.m.b.H.

Fischhof 3/6, A-1010 Vienna, Austria

Tel: +43 930 87 30 62

Fax: +43 1 930 87 30 37

www.businessangelinstitute.org

Registration for

O Certification "CERTIFIED BUSINESS ANGEL"
O Recertification "CERTIFIED BUSINESS ANGEL"

(please fill in all data legibly and in capital block letters)

to incite
Wiedner Hauptstraße 57/II 2
A-1040 Vienna
Austria

Name:_____

Company_____

Address, postcode, City:_____

Tel/Fax:_____

E-Mail:_____

Invoice address (if different)

Company:_____

Address, postcode, city:_____

Tel/Fax:_____

E-Mail:_____

The certification fee (for the first certification) will be paid immediately on receipt of the invoice.

I register bindingly for the CBA (re)certification – Certified Business Angel and I have read the general terms and conditions and the relevant conditions for holders of the certificate of incite and expressly accept these (www.incite.at).

First certification: I register bindingly for the CBA hearing on the _____ and I undertake to submit the documents electronically for the CBA examination 3 weeks before the hearing at the latest.
If all admission requirements are successfully met, I will receive a confirmation from incite and also the invitation for the CBA hearing or related to the recertification a confirmation for the extension of the certification.

Moreover I take into account that every year an identification fee for the CBA is due, which amounts EUR 100,-- (+VAT). The fee is retroactively payable on the basis of the individual year (in the month of the certification date) and will be entirely offset by the recertification. Adjustments to the consumer price index may take place. In case of non-payment there will be a withdrawal of the CBA title.

Place, date Legally binding signature