

Minutes of the meeting held on: Thursday 28 June 2012 at 8:45am

Speechly Bircham LLP, 6 New Street Square, London EC4A 3LX

Present:	Tom Shaw (in the Chair)	TS
	Tim Ward	TW
	Gary Thorpe	GT
	Richard Beavan	RB
	Ross Bryson	RBr
	David Davies	DD
	Martin Kay	MK
	Christian Lewis	CL
	Ian Binnie	IB
	Kirsten Anderson	KA
	Maegan Morrison	MM
	Christopher Owen	CO
	Donald Stewart	DS
	Jacques Sultan	JS
In attendance:	Jaspal Sekhon (Minutes)	JSS
	David Hicks	DH
	Paul Arathoon	PA
	Catherine Clarke (Business Growth Fund)	CC

ACTIONS**1. Apologies**

Apologies were received from Anthony Turner, Mebs Dossa, Stephen Hamilton, Susan Hollingdale / Hilary Owens, Carol Kilgore, June Paddock and Kate Jalbert.

2. Approve the minutes of the previous meeting (31 May 2012)

The minutes of the last meeting were approved.

3. Welcome to Catherine Clarke, Legal Counsel, Business Growth Fund

TS thanked CC for attending the meeting.

{CC briefed the committee members on the BGF and covered a number of points contained in the slides that were circulated ahead of the meeting. Please refer to the slides as well as these minutes.}

Key points not covered in the slides were as follows:

- BGF is an unlisted plc and the shareholders are various banks. It is FSA-authorised.
- BGF has 60+ staff with the investment team comprising approximately 40 people.
- BGF has recruited investment staff from accountants, banks and VC/PE funds.
- BGF is well placed to work with banks and the majority of board members are banking professionals.

- The investments are long term and there is no end date for investments.
- A key benefit is that BGF can provide NEDs and other contacts with deep sector knowledge.
- As regards transaction documentation, CC's approach is to start with a reasonable, commercial set of standard documents and she would not expect there to be much renegotiation on the legal points.
- There is no preference as to the choice of equity and/or loan notes. It depends on the particular business. The starting point is to seek an equity stake of between 10% and 40% (although they may well go below 10%). BGF will only ever go up to a maximum of 51% holding and this can be triggered if things are going badly but the circumstances are quite narrow.
- There is no target IRR for investments as far as CC is aware.
- BGF has made 14 investments so far. They are looking to do 25 deals this year and 35 next year.
- The banks require enhanced voting rights for BGF's equity stake in a particular investment.
- BGF will not invest in property or financial services businesses but is open to all other sectors and has made investments across a broad range of sectors.
- BGF is looking for businesses that have been trading for 3 to 5 years at least.
- BGF finds investee companies through introductions from the bank (although not as many as CC would like), direct enquiries (e.g. from the website) and through intermediaries.

CC said that she is actively seeking to adopt a genuinely different approach to legal due diligence. CC said that the traditional approach to DD – i.e. sending out a huge questionnaire, processing the replies and compiling a lengthy report with different sections for each specialist practice area and which management are then expected to read and warrant just before signing – is very costly and inefficient.

CC has approached a number of lawyers about moving away from lengthy DD reports with long appendices. For each business CC is only looking to do DD on specific areas that are particularly relevant to that business. Rather than a lengthy DD report, CC is looking for lawyers to produce a 20 page "red flags" summary. CC is also trying to do the same thing for accountants in relation to financial due diligence.

CC emphasised that although the BGF is prepared to adopt a lighter touch to DD they will still expect the management/sellers to give a full suite of warranties.

TW asked CC if she could she BGF's investment remit expanded to include quoted companies. CC had in fact discussed AIM recently and the initial temptation was to do a take-private deal but that would be costly. She saw no reason why BGF could not take a stake in a quoted company and it is certainly a possibility although she would be interested in talking more about how such an investment could be structured. CC noted that BGF would always be looking to have a nominee on the board of the investee company.

TS suggested that CC send over their template term sheet which the committee members can look at as a starting point.

TW said noted that the QCA runs programmes for fund managers and others on the buy-side which could be useful for BGF when it is looking to exit from its investments. TW suggested that it would be useful for BGF and the QCA to link up on this issue. In addition, it might be useful to get the corporate finance advisers' committee to have a look.

Committee members thought there was real value in helping BGF to look at quoted companies and progressing this further.

TS thanked CC again for attending and CC left the meeting.

4. Current consultations

a) Prospectus Directive

- Consultation: ESMA's Part III technical advice on possible delegated acts concerning the Prospectus Directive as amended by the Directive 2010/73/EU (Response date – 20 August 2010)

Held over until the next meeting.

- ESMA's technical advice on possible delegated acts concerning the Prospectus Directive as amended by the Directive 2010/73EU (Part II)

Held over until the next meeting.

b) MiFID/MiFIR

- Presidency compromise - Held over until the next meeting.
- Amendments - Held over until the next meeting.

c) MAD/MAR

- Amendments - Held over until the next meeting.

d) European Company Law

- The adopted text from European Parliament - Held over until the next meeting.

5. Communications

a) QCA Guidance Note – Disclosure and Transparency Rules - Held over until the next meeting.

b) Guest invitations - Held over until the next meeting.

c) QCA/BDO Small and Mid-Cap Sentiment Index - Held over until the next meeting.

6. Review of actions from the last meeting (to the extent not already covered)

N/A

7. Any other business – None

8. Action Points

Action	Person	Timetable
Review QCA Guidance Note – Disclosure and Transparency Rules	PL	ASAP

Information for noting

- Consultation Update – Responses submitted: None
- Next meeting(s)
 - 8.45am Thursday 27 September 2012 (Venue: Speechly Bircham LLP)