



STRATEGIC INVESTMENT FUND 2020

Guidelines

ISSUED BY THE DEPARTMENT FOR ENTERPRISE

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Introduction

Background

The Strategic Investment Fund (The Fund) provides support through the provision of loans, investments and a fixed asset purchase facility which will help grow and sustain the economy, encourage the creation of new jobs and maintain current levels of employment. The Fund will only provide financial assistance to Companies which are deemed strategically important that wish to maintain their employment during the coronavirus pandemic, subject to meeting the eligibility criteria.

The Fund is also able to provide financial assistance to existing investments and loan clients (made under the Enterprise Development Scheme 2015 and 2018), who are not subject to the strategically important criteria.

The Scheme gives the Department the statutory authority to assist businesses by way of loan support and investments and purchase of fixed assets from the business.

Statutory provision for the Fund is made under the Enterprise Development Scheme 2018 (as amended by the Enterprise Development (Amendment) Scheme 2020 and the Enterprise Development (Amendment) (No.2) Scheme 2020). The Scheme itself is made under the Financial Provisions and Currency Act 2011.

Copies of the Scheme, the amendment Scheme (both 1 & 2) and the Act can be found via the links below:

Financial Provisions and Currency Act 2011

https://legislation.gov.im/cms/images/LEGISLATION/PRINCIPAL/2011/2011-0021/FinancialProvisionsandCurrencyAct2011_3.pdf

Enterprise Development Scheme 2018

<http://www.tynwald.org.im/business/opqp/sittings/20182021/2018-SD-0292.pdf>

Enterprise Development (Amendment) Scheme 2020

<http://www.tynwald.org.im/business/opqp/sittings/20182021/2020-SD-0264.pdf>

Enterprise Development (Amendment) (No.2) Scheme 2020

<http://www.tynwald.org.im/business/opqp/sittings/20182021/2020-SD-0325.pdf>

Additional Support

Further details of the Department's other forms of assistance can be found at www.gov.im/enterprise

For further advice and guidance regarding the Department's schemes potential applicants are encouraged to complete the online enquiry form available at www.gov.im/businessenquiries

Disclaimer

The information contained in this document is intended to be general in scope and should not be relied upon as advice.

Provision of financial assistance is discretionary and the decision to provide assistance in any particular case will be based on the merits of the case.

The Department may amend these Guidelines from time to time. While every effort has been made to ensure that the content is correct and up-to-date at the time of publication, the Department does not accept any responsibility, legal or otherwise, resulting from any errors or omissions and shall not be

liable for any losses or damage that anyone may suffer as a result of relying on the information contained herein.

Prospective applicants may wish to take professional advice before making an application and should seek advice in relation to any documents they are asked to sign for any financial assistance offered to them.

Any offer of financial assistance is also subject to availability of Department funds.

1. THE STRATEGIC INVESTMENT FUND

1.1 Purpose and Scope

Many normally stable businesses are currently being adversely affected by the Coronavirus (Covid-19) and require cash flow assistance to help them through the pandemic period. Without assistance the Department is concerned that some may fail or significantly reduce their workforce which would be detrimental to the Isle of Man economy.

The Department wishes as far as possible to protect against this situation by providing a fund the main purpose of which is to maintain the Isle of Man economy and protect jobs on the Isle of Man by providing loans, investment and a fixed asset purchase facility for those businesses that are deemed strategically important to the Isle of Man and can demonstrate that with support they can trade through the current crisis and return to growth in the future.

In summary, the Fund: -

- Is effective until 31st March 2021, the Department may remove it at any time.
- Provides loans, investments and a fixed asset purchase facility for businesses deemed strategically important to the Island; and
- Is internally managed within the Department, with external support procured as required.

1.2 Support Available

The Fund offers support by way of investment (which may take the form of an equity stake either as ordinary or preference shares, or by way of quasi-equity or convertible instrument) (“investments”), by way of loan or a fixed asset purchase facility for those businesses deemed to be strategically important. Strategically important is defined as a Company with at least one of the following:

- More than 50 employees and more than 12 months old;
- Isle of Man staff¹ payroll over £1.5m per annum;
- Local spend with IOM suppliers of products and services in excess of £1m per annum;

The Department is able to extend loans and investments to its existing portfolio even if they are not deemed strategically important in order to protect existing investment. The Department would expect the existing portfolio business to be creating new jobs. Up to 100% of funding can be sought, if the exchequer benefit is fulfilled, however the Department would look favourably upon private investment.

The Fund details are outlined below.

¹ Isle of Man Staff” means persons resident in the Island who:

a) are Isle of Man workers within the meaning of the Control of Employment Act 2014;
b) hold valid Isle of Man work permits, or are in an exempted employment, under that Act; or
c) are subject to conditions or restrictions on their employment in the Island by virtue of the Immigration Act 1971 (of Parliament) as that Act applies in the Island, and are employed there in conformity with those conditions or restrictions.

In relation to investments and loans the Department will not normally consider support which would lead to it being the major lender, investor or shareholder in the business. However, the Department may on an exceptional basis consider a case where the Department is the main investor if the commercial case to do so warrants it and/or to protect an existing investment.

Any financial assistance provided will be for a minimum amount of £25,000 and a maximum amount of £1m in aggregate per applicant. An amount of financial assistance below £25,000 may be possible if the case warrants it.

The business must employ Isle of Man staff or have employed Isle of Man staff before 16th March 2020. In relation to investment and funding levels:

- Generally, any form of financial assistance will only be available for those who have been rejected by or are ineligible for the Disruption Loan Guarantee Scheme. Evidence of this rejection must be provided as proof. The exception to this rule is the current EDS portfolio - both loan clients and investments.
- Funding obtained/to be obtained from the Department or any other Isle of Man Government Department in the 12 month period before or after application in relation to the project will be taken into account in determining the total support available.
- Please note the actual level of support offered is primarily determined by the exchequer benefit and the strategic importance of the business to the Isle of Man. This is measured via the direct tax receipts associated with current and any proposed additional employment to be created (applied on a pro-rata basis over a 5 year period) or if supporting the Company is deemed to be in the interests of the economy.
- The term of the assistance will be a maximum of five years.

Generally, businesses who have received funding under the Fund will not be eligible to receive further funding in the 12 month period immediately following the receipt of that funding. However, in exceptional circumstances where supporting the business is deemed by the Department to be for the interests of the economy, an application may be considered.

It should be noted, when an enquiry is submitted the following will need to be evidenced:

- that the business is strategically important to the Isle of Man (with exception of the Department's current portfolio under the Enterprise Development Scheme 2015 and 2018);
- how the coronavirus pandemic has impacted the business;
- A viable and time bound recovery plan for the business and when the Department can exit the business.

a) Loans

The purpose of loans under the Fund is to support existing on-Island businesses that employ Isle of Man staff. In the case of the Coronavirus pandemic, the loan can be used to maintain growth or enter a new avenue of business.

The application for a loan must include a narrative which demonstrates how the loan will facilitate that purpose.

The type of loan offered is dependent on the individual circumstances. The Department prefers fully secured loans where adequate security can be provided by a debenture on the assets of the company or personal guarantees or a combination of both. In this case the Department can provide a simple loan at a competitive interest rate. As the administration is straightforward, there are no administration or facility fees or other costs applied, but the applicant company would be responsible for its own legal advice and other costs.

Other loan options may be available on a case by case basis and a combination of loan and investments may be possible subject to the Department's investment criteria.

The business must be able to demonstrate that it can afford to make the schedule of repayments after the Coronavirus pandemic is deemed over.

The applicant must have in place relevant business experience and a management team that possesses the relevant skills, experience and/or qualifications to carry out the proposed business activities.

Other terms and conditions may be applied depending on the individual circumstances.

The Department will monitor the progress of the business and the repayment of the loan with the flexibility to revisit the repayment schedule if necessary.

An ongoing management fee may be levied by the Department if the Department feels that it is appropriate to appoint an external manager to manage the loan. This will be no more than 2%.

For unsecured loans and debt securities, an administration charge of up to 5% of the assistance provided may be taken at source. The Department may vary this amount and will reduce it in respect of larger applications in order to cover its underlying administrative costs.

b) Investments

The Department may be prepared to consider taking an equity stake in a business either as ordinary or preference shares, or by way of a quasi-equity or convertible instrument, or a combination.

The purpose of the Department making an investment is to support existing on-Island businesses that employ Isle of Man staff. In the case of the Coronavirus pandemic, the assistance can be used to maintain growth or enter a new avenue of business.

The application for this form of assistance must include a narrative which demonstrates how the funding will facilitate that purpose.

The type of shares to be taken will form part of the negotiation which may be held with the Department's investment advisers as will the need to agree a valuation of the business at the time of investment.

Ordinary shares may have preferential rights and must not be subordinated to other shareholders in the same round. Dividends are linked to performance.

The Department is prepared to allow investments to convert to loans within certain parameters.

An administration charge of no more than 5% of the assistance provided may be deducted at source. The Department retains the flexibility to vary/waive this charge if the circumstances of an individual application warrant such a course of action, and will reduce this charge in the case of larger applications so it meets its underlying administrative costs.

Should the Department appoint an Investment Manager to manage the investment, then an investment monitoring fee offsetting our external costs will be added. The management fee will be paid throughout the period which the Department holds an equity stake.

Other terms and conditions may be applied depending on the individual circumstances.

The Department retains the right to take a position on the board of the assisted company.

c) Fixed Asset Purchase Facility

The Department recognises that the Coronavirus pandemic is having a significant negative effect on business therefore the Department can acquire legal title to fixed assets (land, property, equipment etc.) in return for funding. Businesses should use this funding for maintaining employment.

The proceeds from the fixed asset purchase must be used in a way that is satisfactory to the Department and must not be used to pay dividends or large wages to Directors of the business. For example, the Department would expect all debts to local suppliers and wages to be paid before other measures are taken. The payment may be tranching to make sure these areas are met on an ongoing basis.

For example, this type of financial assistance would be used if a business needs funding and owns its building. The Department could consider purchasing its building for a value to be determined by and agreed with the Government Valuer. This will not be negotiable. If purchased, the legal title will be owned by the Department, a small rent may be applied.

Businesses will have the right to re-acquire the assets at the same value within a defined period (12 months at present) on a sliding scale. For example, if the Department bought the asset for £100,000, during the 12 months, the business could reacquire the asset at the same price as the Department bought it for. After 12 months a 2.5% interest rate per annum would be applied monthly. The Company could also lease back the asset over a short period of time, determined by the Department.

Businesses may also be able to re-acquire assets at a lower valuation. This would normally occur if the asset has depreciated in value.

The length of term that the Department will hold onto the asset will vary on a case by case basis. Land and buildings can be held onto longer (i.e. maximum of 5 years) whereas machinery will be held for a shorter period of time (i.e. maximum 18 months).

Please be aware that all bills and maintenance costs associated with the asset will need to be paid by the Company during the period in which the Department owns the asset. Any rates or statutory bills will be paid by the Department but will be added on to the sale back price or covered as part of any rental cost. Please note, the Department will routinely monitor the Company and the state of assets.

Independent valuation of assets will be required with concurrence of the Department. The asset to be purchased must be more than £25,000 and no more than £1,000,000.

The Department will only buy an asset which is free of encumbrances. Any fees associated with the sale, will be come out of the proceeds of sale and the net amount transferred to the Company.

1.3 Eligibility

The Fund is open to all sectors. The business must comply with the Enterprise Development Scheme 2018.

It should also be noted there are additional separate guidelines for the Digital and Creative sector e.g. Media (see separate [Guidelines](#)).

Businesses must in the first instance comply with the guidance and with the eligibility criteria set out in the scheme as follows:

- That some or all of the persons employed by the business are or will be Isle of Man staff;
- The principal activities in respect of which financial assistance is sought will take place in the Isle of Man;

- It can be conducted lawfully in the Isle of Man;
- Is not or would not be detrimental to the physical environment of the Isle of Man;
- Would not bring or would be likely to bring the Isle of Man or the Government into disrepute;
- No person involved in controlling the business and no relevant shareholder is disqualified from holding an appointment as a director or a company secretary anywhere in the world at the time of application;
- No person involved in controlling the business is the subject of an outstanding execution anywhere in the world at the time of application;
- No person involved in controlling the business is insolvent at the time of application;

The Department note that a declaration must be submitted by the applicant to the Department which confirms: -

- (a) the disclosable beneficial owners of the business at the time of application to the Department;
- (b) any instances of non-compliance with the law in any of those respects occurring in the period of one year ending with the time of application;
- (c) any debts owed by a person involved in controlling the business, a relevant shareholder or any business with which those persons are associated which are overdue by more than 6 months at the time of application; and
- (d) any criminal convictions of a person involved in controlling the business or a relevant shareholder at the time of application. It is immaterial where the offence was committed or where the conviction was imposed. the following offences are to be disregarded: -
 - offences which are spent for the purposes of the Rehabilitation of Offenders Act 2001 (or would be had the convictions occurred in the Isle of Man); and
 - offences which are not punishable with custody or would not be so punishable if committed in the Isle of Man.

Further eligibility requirements are that the business must: -

- Be seeking to maintain or expand an Isle of Man presence;
- Be an Isle of Man based business in any sector; and
- Sign an agreement to abide by all the terms and conditions.

1.4.1 Application process

The outline application process is as follows: -

a) Loans and Equity

- All applicants are required to submit an initial online enquiry form to the Department.
- The online enquiry form can be found at <https://www.gov.im/categories/business-andindustries/business-support-and-assistance/enquiry/>
- The Department receives the initial enquiry and acknowledges receipt.
- The initial enquiry form must contain the following written details:
 - Contact name, company name and full contact details
 - Business sector
 - Total value of other funding raised
 - Details of funding request refusals
 - Number of jobs and salary details maintained/created by the funding
 - Product and state of development
- Importantly - the Department requests a business plan or executive summary etc, if not initially received. The requirements of the business plan are summarised as follows: -

- An overview of the project;
- expenditure in respect of which financial assistance is sought;
- background and current or proposed location of the business;
- CVs and relevant experience of the management team;
- details of the business: (date of registration, shareholders (to include percentages of shares owned), directors, beneficial owners etc. and links to other businesses, if any);
- business model, together with short and long term objectives, key customers, confirmed orders etc.;
- employment structure including numbers of employees, types of jobs, wage rates etc.;
- information as to premises - whether owned or rented and the location. Where premises are rented or leased, details of owners and annual costs (including rent and any service charge contributions and/or other regular outgoings); and
- marketing plan including whether customers are off-Island or on-Island.
- Evidence of how the coronavirus pandemic has impacted the business;
- A viable and time bound recovery plan for the business and when the Department can exit the business.
- Financial information including:
 - copies of audited accounts for the previous 3 years (if applicable); and
 - projected profit and loss forecasts for the next 3 years together with an explanatory narrative.
- The Department checks the eligibility against the Scheme's criteria, undertakes basic due diligence checks, assesses suitability for other DfE schemes support and ensures that the business isn't likely to present any reputational problems etc.
- The Department will at its discretion conduct checks on the background of the directors and major shareholders of the business to assess their suitability for the Scheme.
- The enquiry can be rejected at this stage if it does not comply with the Scheme or any guidance provided, fails to meet the eligibility criteria or the applicant fails to supply all required information.
- The Applicant will be advised of the reasons for rejection and where appropriate, information as to the manner in which a defective application may be rectified.
- The Department will examine the enquiry in greater detail and seek further information as appropriate including a full detailed business plan if not already received.
- If the Department determines that the applicant appears to be eligible and that the proposed project for which support is sought is potentially suitable, an application form will be issued.
- The Department will then complete detailed due diligence.
- With regards to the application: -
 - All applications must be made in writing on the appropriate application form.
 - Applicants must declare details of any other applications for financial assistance or grants submitted by the applicant in respect of the same business or any similar business within the previous 5 years to the Department, any other Department or Statutory Board of the Isle of Man Government or a Government or public authority in a jurisdiction other than the Isle of Man.

- It must contain details of the amount and type of assistance required summarised as follows:
 -
 - for loans: -
 - The type of loan
 - The amount
 - The repayment period
 - for investments: -
 - The company valuation
 - The % of equity being offered
 - The price of that equity
 - Details of any proposed quasi-equity or convertible instruments
 - An exit strategy
- The Scheme Manager will assess the following factors relevant to the award of financial assistance:
 - Eligibility
 - Viability of the business
 - Wages and salaries
 - Job Creation
 - Location of Beneficial Owners
 - Local spend and secondary exchequer benefits including Benefit from construction work
 - Dividend Policy
- Applications may be declined at this point if it does not comply with the Scheme or any guidance provided. The Applicant will be advised of the reasons for rejection and where appropriate, information as to the manner in which a defective application may be rectified.
- Where the assistance sought is a loan and the application presents no particular difficulties, the Department prepares a report with a recommendation and passes the application to the Enterprise Development Scheme Committee (the Committee).
- Where the assistance sought is by way of equity, quasi-equity or convertible instrument or a complex loan, the Department may commission external advice (from an organisation on a select list of investment advisers who are suitably qualified, licensed to provide investment advice) to prepare a report with a recommendation to be considered by the Committee.

b) Fixed Asset Purchase Facility

- All applicants are required to submit an initial online enquiry form to the Department to undergo basic eligibility checks.
- The Department then forwards the eligible enquiry form to the Department chosen firm.
- The firm receives the initial enquiry and acknowledges receipt.
- The initial enquiry form must contain the following written details:
 - Contact name, company name and full contact details

- Business sector
- Details of funding request refusals
- Number of jobs already created by the business
- The firm will then request a business plan or executive summary etc, if not initially received. The requirements of the business plan are summarised as follows: -
 - An overview of the project;
 - background and current or proposed location of the business;
 - CVs and relevant experience of the management team;
 - details of the business: (date of registration, shareholders (to include percentages of shares owned), directors, beneficial owners etc. and links to other businesses, if any);
 - business model, together with short and long term objectives, key customers, confirmed orders etc.;
 - employment structure including numbers of employees, types of jobs, wage rates etc.;
 - information as to premises - whether owned or rented and the location. Where premises are rented or leased, details of owners and annual costs (including rent and any service charge contributions and/or other regular outgoings; and
 - marketing plan including whether customers are off-Island or on-Island.
 - Evidence of how the coronavirus pandemic has impacted the business;
 - A viable and time bound recovery plan for the business and when the Department can exit the business. This would usually be within a 12 month period.
 - Financial information including: -
 - copies of audited accounts for the previous 3 years (if applicable); and
 - projected profit and loss forecasts for the next 3 years together with an explanatory narrative.
- The firm checks the eligibility against the Fund's criteria, undertakes basic due diligence checks, assesses suitability for other DfE schemes support and ensures that the business isn't likely to present any reputational problems etc. In the case of the Fixed Asset Purchase Facility, the firm will value the asset.
- The firm will at its discretion conduct checks on the background of the directors and major shareholders of the business to assess their suitability for the Fund.
- The enquiry can be rejected at this stage if it does not comply with the Fund or any guidance provided, fails to meet the eligibility criteria or the applicant fails to supply all required information.
- The Applicant will be advised of the reasons for rejection and where appropriate, information as to the manner in which a defective application may be rectified.
- If the firm determines that the applicant appears to be eligible and that the proposed project for which support is sought is potentially suitable, an application form will be issued.
- In the case of fixed asset purchase, the firm will then pass the approved enquiry and application form to the Department.
- The Department will then complete detailed due diligence.

- Applications may be declined at this point if it does not comply with the Scheme or any guidance provided. The applicant will be advised of the reasons for rejection and where appropriate, information as to the manner in which a defective application may be rectified.

1.4.2 Consideration by the Committee

- The Committee: -
 - is established and appointed by the Department and comprises:
 - an independent chairperson who has relevant commercial experience and is appropriately qualified;
 - an officer from the Department
 - an officer of the Treasury (or an officer delegated by the Treasury to undertake this function); and
 - requires a unanimous vote on all decisions.
 - the Committee considers the report prepared by either the Department or appointed qualified person or firm.
- as appropriate, the DfE Manager or qualified person who prepared the report presents to the Committee and answers any questions.
- the Committee decides whether to support the application and the type and extent of support to be provided.

1.4.3 Offer letter and deal completion

- Applicants are informed in writing of the Department's decision
- The Department: -
 - completes checks for any income tax, national insurance or VAT arrears etc.;
 - prepares and issues an offer letter / contract between the Department and the applicant in conjunction with Attorney General's Chambers as necessary;
 - arranges transfer of funds from Treasury in conjunction with the Head of Finance and Governance
 - in a case where an expert has prepared the report specialist, input may be required from that person as regards the agreement between the Department and the applicant.

1.5 Review of decision

An applicant who submits an application for financial assistance which is declined by the Committee, may request the Department to review the decision.

A request for a review must: —

- be made in writing
- be received within one month of the decision
- specify the ground for the review which must be that the Committee —
 - erred in law;
 - based its decision on any incorrect material fact; or
 - exercised discretion in an unreasonable manner.

The Department may appoint an officer of the Department (other than a person previously involved in the process) to undertake the review and report to the Department on the matter.

If the Department concludes that the grounds for appeal are valid, the Department will re-submit the decision to the Committee for reconsideration, together with its reasons for doing so.

Important Note - Appeals cannot be made against the value or percentage of support offered or the terms and conditions applied for such support.

Where the applicant provides new information regarding the application, a new application form and updated accompanying information must be submitted.

Review requests should be either emailed to enterprisesupport@gov.im or sent to:

The Strategic Investment Fund Manager/ Enterprise Development Scheme Manager,
Department for Enterprise,
St Georges Court,
Upper Church Street,
Douglas,
Isle of Man
IM1 1EX

1.6 Monitoring

In respect of loan-only and fixed asset purchase arrangements the Department: -

- manages the relationship with the recipient;
- receives leasing, interest and loan repayments;
- receives fixed asset facility repayments;
- monitors the performance of the businesses; and
- ensures the recipient complies with the terms and conditions relating both to the Fund's Guidance and the particular agreement he or she has entered into with the Department.

In respect of equity or quasi-equity/convertible loan arrangements the Department may appoint a suitably qualified and experienced business/person (the Investment Manager) to manage the investment. This may involve:

- monitoring the investment and business performance
- sitting on the board and acting as the shareholder's representative, and will give this person delegated powers to act in the interests of the Department.

1.7 Public disclosure

It is a statutory requirement that the following details of financial assistance provided under the legislation are published by the Department:

- a list of the businesses which received support during the previous financial year;
- information concerning the economic benefits to the Island of support provided and the total amount of financial assistance in the previous financial year.

Applicants should also be aware that both parliamentary and freedom of information questions may be asked about particular applications or applicants.

2. Application Form

Applicants should read the above terms and conditions before submitting an application to the Department.

Completed application forms and supporting documentation should be either emailed to enterprisesupport@gov.im or sent to:

The Strategic Investment Fund/Enterprise Development Scheme Manager,
Department for Enterprise,
St Georges Court,
Upper Church Street,
Douglas,
Isle of Man
IM1 1EX