

Practice Alliance FAQ

[Practice Alliance FAQ](#)

[About Particle Alliance](#)

[What is Particle Alliance?](#)

[How does Particle Alliance select deals?](#)

[Does Particle Alliance invest along with the Investors?](#)

[Where is Particle Alliance?](#)

[About the Syndicate](#)

[What is a syndicate?](#)

[What is the benefit of a syndicate?](#)

[How do I join the syndicate?](#)

[How to Invest](#)

[What's the minimum check size?](#)

[Can't I just invest in the startup myself?](#)

[What is an accredited Investor and do I have to be one?](#)

[About the Special Purpose Vehicle](#)

[You've mentioned a Special Purpose Vehicle, what is an SPV exactly?](#)

[This sounds complicated, what paperwork do I need to follow?](#)

[It sounds expensive, What are the fees?](#)

[What jurisdiction will the SPV be under?](#)

[About Communicating with the startup](#)

[Can I contact the founder directly?](#)

[How do I get updates from the startup after investment?](#)

[How often can I get an update from the startup?](#)

[How do I learn more?](#)

[About the Exit](#)

[How long does it remain invested for?](#)

[How do I realize a return on my investment?](#)

[How will we decide to exit from an investment?](#)

[Can I lose my investment?](#)

[Will I get the full amount upon exit?](#)

[More questions:](#)

[Why do founders choose to raise from syndicates?](#)

[What happens if the syndicate isn't funded?](#)

[What are the tax implications of investment?](#)

About Particle Alliance

What is Particle Alliance?

Particle Alliance is a syndicate, a group of angel investors who invest together in startups. Particle Alliance was founded by [Alex Miller](#) and [Osman Ahmed](#) to help the founders we work with and invest in, and to share our deal flow.

How does Particle Alliance select deals?

As active VCs and Angels, Osman and Alex read thousands of pitch decks a year and meet hundreds of startups. Particle Alliance chooses to invest in startups that go through various accelerator programs in Asia and that we deem to be the best deals, that we want to invest in ourselves. These are startups with the highest velocity, acceleration and most likely to exit on a reasonable time frame,

Does Particle Alliance invest along with the Investors?

Yes - the leads are required to invest in all investments.

Where is Particle Alliance?

Particle Alliance is located in Singapore.

About the Syndicate

What is a syndicate?

A syndicate is a colloquial term used in venture capital circles to describe a group of investors pooling their money to invest in something. In this case, Particle Alliance is a syndicate that invests in selected startups believed to have a high chance of generating a good return for investors and great potential for long-term success. A syndicate typically creates a Special Purpose Vehicle (SPV) in which investors hold shareholdings.

What is the benefit of a syndicate?

A syndicate provides several benefits:

1. **Lowering the Barrier to Entry:** Often, the minimum entry for early-stage startups can be upwards of US\$25,000 or more, creating a barrier for smaller investors. By pooling capital, smaller investors can gain access to investment opportunities that would typically be out of reach.
2. **Conducting Due Diligence:** Particle Alliance conducts due diligence on behalf of investors, saving them time and ensuring that only startups with potential for reasonable returns are presented.
3. **Benefits for Startups:** Syndicates increase liquidity for funding and reduce the number of shareholders on a startup's cap table, which can be advantageous for future fundraising rounds.

How are the Deal Terms Negotiated?

The Particle Alliance Syndicate follows the terms of investment set by a lead institutional investor.

For example, a deal is made between [Accelerating Asia](#) and a startup - Accelerating Asia will invest \$100,000 with a [convertible note](#) with a 5m valuation cap and a 20% discount. Typical terms include the rights to quarterly informational updates, the ability to invest up to a certain amount in a future round and certain preferences at the time of exit.

Once the terms are set by the lead of the round, the rest of the investors in the round will follow those terms. A lead is generally also responsible for the majority of the due diligence that happens at this stage.

How do I join the syndicate?

To register your interest, fill out this form. visit the Particle Alliance website.

We will send an invitation for a call to discuss the startup and give you an opportunity to address any questions with the founder directly. If you remain interested after the call, or if you chose to skip the call, we will provide documents for you to confirm your commitment amount and signature.

How to Invest

What's the minimum check size?

The minimum investment amount is US\$5,000.

Can't I just invest in the startup myself?

Yes, you can, but the usual entry ticket is going to be more than \$5000. Typically these investment rounds start at \$25k and upwards. If you have that investment amount to draw down from then you can explore this option with the founder.

From a founder's perspective adding many shareholders with smaller investment cheques can usually complicate future fundraising rounds and you may eventually end up being rolled into an SPV by the founder anyway.

What is an accredited Investor and do I have to be one?

Depending on your location an Accredited Investor status is different, but a good rule of thumb is someone earning US\$300,000 per annum or has investable assets of over \$2m (excluding their primary residence).

Accredited Investor status is usually self certified and implies that you're a sophisticated investor and understand the inherent risks involved in Angel Investing and other exotic investments. In either case you don't need to be an accredited investor to invest in an SPV, but we would recommend that you understand the risks involved.

About the Special Purpose Vehicle

You've mentioned a Special Purpose Vehicle, what is an SPV exactly?

A Special Purpose Vehicle is effectively a small business entity in which investors become shareholders, and the SPV holds shares in the startup.

This sounds complicated, what paperwork do I need to follow?

Particle Alliance will handle all paperwork involved in setting up the SPV and managing it throughout the investment duration.

It sounds expensive, What are the fees?

There is a fee for setting up and running the SPV, which amounts to 10% of the invested funds. Additionally, there is an exit fee, where a 20% "Carry" is deducted from returns upon a successful exit. For example, if an investor puts in \$5,000 and the SPV achieves a successful exit at 20x the valuation, the investor would receive \$80,000 after the 20% carry deduction. Fees are only charged in the event of a successful exit.

What jurisdiction will the SPV be under?

Singapore. The SPV is a registered entity and governed under the laws of Singapore. We will share the ACRA Bizfile with all shareholders to prove shareholding, but you are also eligible to obtain the shareholders list (bizfile) from ACRA for approximately \$5

About Communicating with the startup

Can I contact the founder directly?

While you have access to the founder, and there isn't any restriction on you connecting with them, it is preferred that you direct your questions through a single point of contact at Particle Alliance. This is for management efficiency and to prevent the founder answering the same questions to multiple parties. They have a business to run and we want to help them do that without overburdening them with multiple repeat requests.

Funneling the questions through Particle Alliance also allows us to share questions and answers on the website, helping all investors make informed decisions before committing.

How do I get updates from the startup after investment?

Particle Alliance, as an SPV shareholder, has information rights and can request updates from the startup at any time. Typically, founders issue regular reports at least quarterly to the SPV, which are then shared with all SPV shareholders.

How often can I get an update from the startup?

Regular updates are expected at least once a quarter, but most founders prefer to provide monthly reports.

How do I learn more?

Particle Alliance will host a virtual call with the founder of each startup. You will be invited along with others interested to join the round. In this call you will have the opportunity to ask the founder anything.

Other questions can be shared with Particle Alliance where we will pass these to the founder for clarification, and we will publish the answers on the website for all investors to view.

About the Exit

How long does it remain invested for?

The investment duration can vary widely, typically lasting between 3 to 10 years, depending on the specific startup and its growth trajectory.

How do I realize a return on my investment?

Remember, shareholdings in private companies are largely illiquid. However, liquidity events can occur through several avenues:

1. The company goes public in an IPO.
2. The company gets acquired, and incoming investors purchase existing shareholdings.
3. New investors in a subsequent funding round acquire earlier shareholders.
4. Shareholders find a buyer for their shareholding in the absence of the above three options.

In each case, the SPV's shares are sold to a purchaser, and the resulting proceeds are distributed to all SPV shareholders, minus the 20% carry.

How will we decide to exit from an investment?

As you can imagine with a large number of LPs it becomes difficult to please all the people all of the time, but the Syndicate Leads are driven by the same motivations to deliver the best outcome for the LPs.

As mentioned the private shareholdings of companies are largely illiquid and finding a buyer on the secondary market is usually not possible. Therefore in all cases there must be a ready buyer, and this usually presents itself during a new funding round where a new investor is seeking to grow their shareholding, while the founders wish to avoid dilution. This means that the founder will facilitate a share purchase from existing shareholders.

For the avoidance of doubt, the Syndicate Leads will not be proactively seeking buyers to deliver an exit unless there are extenuating circumstances requiring us to source a buyer.

Sometimes the decision is taken out of our hands where there may be a requirement to sell the shareholding as part of the terms from the new investment, and we may be bound by terms defined in the drag-along-rights clause of a Shareholders Agreement.

In an IPO, the shares will be converted to shares listed on a stock exchange owned by the SPV. After a holding period, typically six months, the SPV can sell the shares on the open stock market and wind up the SPV and return the profits to the SPV shareholders.

The decision to sell is made by the Syndicate Leads. A non-binding referendum will take place by the Syndicate Leads with the LPs to gather opinion on either a sell price in the event of an IPO or a sell decision in the case of a secondary sale.

Can I lose my investment?

Investing in startups falls into the high-risk, high-reward category, where it's possible to lose your entire investment. Alex's first angel investment resulted in a \$35 return on \$1000.

Will I get the full amount upon exit?

As mentioned earlier, there is a 20% carry fee charged upon exit.

More questions:

Why do founders choose to raise from syndicates?

Founders choose to raise from Syndicates because it simplifies their cap table with fewer shareholders. Syndicates also allow larger fundraising rounds to be completed by pooling together smaller investments into one larger investment tranche.

What happens if the syndicate isn't funded?

In most cases funds from investors will only be disbursed to the Syndicate when a threshold of \$100k has been achieved. Any funds passed to the Syndicate that can't be deployed will be returned to the investor.

What are the tax implications of investment?

The only tax implications to consider are capital gains once an exit is achieved. Depending on your own tax jurisdiction other rules may apply and it is advisable to obtain tax advice prior to the funds being repatriated to your account in your home jurisdiction.