

Calculus Capital EIS Fund 12



Calculus Capital Limited
104 Park Street, London W1K 6NF
Telephone: 020 7493 4940
Facsimile: 020 7409 2158
Website: www.calculuscapital.com

Contact:
Susan McDonald (Chairman)
Email: susan@calculuscapital.com

This document describes arrangements by which investors who wish to make venture capital investments in EIS Qualifying Companies may appoint Calculus Capital Limited (“Calculus”) to act as their common discretionary investment fund manager and to manage the investments made on their behalf. These arrangements together constitute the Calculus Capital EIS Fund 12. Calculus is authorised to act as an investment manager by the UK Financial Services Authority (“FSA”), its registered office is at 104 Park Street, London W1K 6NF and its FSA registration number is 190854.

This document constitutes a financial promotion relating to the Fund and is both issued and approved by Calculus which has taken all reasonable care to ensure that it is fair, clear and not misleading, but the statements of opinion or belief contained in this document regarding future events represent Calculus’ own assessment and interpretation of information available to it at the date of issue of this document. No representation is made that such statements are correct or that the objectives of the Fund will be achieved. Additionally, some information contained in this document has been obtained from published sources prepared by other parties and no responsibility is assumed for the accuracy or completeness of such information. Accordingly each prospective investor must determine for himself what reliance (if any) he should place on such statements and information and no responsibility is accepted by Calculus in respect thereof. All information and illustrations in this document are stated as at September 2011.

This document does not constitute, and may not be used for the purposes of, an offer to or an invitation to treat by any person in any jurisdiction outside the United Kingdom. This document and the information contained in it are not for publication or distribution to persons outside the United Kingdom.

It is very important that you carefully read and fully understand this document and the risks involved with the arrangements described in this document so that you can decide whether they are right for you. The opportunity described in this document is NOT suitable for all. Key risks are explained on pages 3 and 4 and should be carefully considered. You should seek your own independent advice and then rely on your own independent assessment of the Fund; nothing in this document constitutes tax, legal or investment advice.

FURTHER INFORMATION

If you have any questions at all, please contact your financial adviser in the first instance. If you would like to contact us please do not hesitate to get in touch by telephone or send us an email. Making the right investment decision is more important than ever in the current climate, and we want you to feel comfortable about making an informed decision about whether or not to invest with us.

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Key Risks

This Fund may not be suitable for all investors. Potential investors are recommended to seek independent financial and tax advice before investing. Please note that Calculus Capital is not able to provide you with advice about whether you should invest in this product.

As with many investments, there are risks associated with investing in this product. We have tried to explain these risks as clearly as possible below:

Portfolio Risks

- Having regard to the Fund's investment objectives and the tax reliefs available, investment in the Fund must be considered as a long term investment.
- **Investors may not receive back the full amount that they have invested. The value of each investment made by the Fund may fall, and there is no guarantee as to whether any one of the investments may lose all of its value.**
- Success of the Fund will depend in part upon the skill and expertise of the Manager and the continued availability of the senior investment team.
- Investments in shares in unquoted companies are not readily marketable and the timing of any realisation cannot be predicted. You should not invest in this product unless you have carefully thought about whether you can afford it and whether it is right for you, having had the opportunity to take independent advice. You should be prepared to leave the investment intact for significantly longer than three years.
- The past performance of investments managed by the Manager should not be regarded as an indication of the future performance of investments made by the Fund.
- Although the Manager has been successful in identifying investments in the past, it may be unable to find a sufficient number of attractive opportunities to meet its investment objectives, including achievement of its target IRR, or fully invest the Fund's capital.
- The fact that shares in EIS Qualifying Companies are, in general, not publicly traded or freely marketable may mean that proper information to determine the current value of investments may not be available.
- Many unquoted companies requiring venture capital are commonly experiencing significant change and carry higher risk than would an investment in larger or longer established businesses.
- Legal and regulatory changes could occur during the life of the Fund which may adversely affect the Fund or its investors.
- Technology or scientific research related risks may be greater in some companies although this may be justified by the prospect of higher expected returns from those investments.
- Many unquoted companies have small management teams and are highly dependent on the skills and commitment of a small number of individuals.

Taxation Risks

- **Rates of tax, tax benefits and allowances described in this Memorandum are based on current legislation and HM Revenue & Customs practice. These may change from time to time and are not guaranteed.** This investment may not be suitable for all investors. Calculus Capital does not provide advice and potential investors are recommended to seek specialist independent tax and financial advice before investing. The Fund has been designed with UK-resident taxpayers in mind. If you are not resident or ordinarily resident in the UK for tax purposes, or if you are a US person, it may not be appropriate or advantageous for you to invest in the Calculus Capital EIS Fund 12.
- Whilst it is the intention of the Manager to invest in companies qualifying under EIS legislation, the Manager cannot guarantee that all investments will qualify for EIS Relief or IHT relief or, indeed, if they do initially, that they will continue to do so throughout the life of the investment.

- Your obtaining income tax relief is subject to your making the proper filings with HM Revenue & Customs within the requisite time periods and you may lose such relief if you do not make such filings.
- The dates on which initial income tax relief, CGT deferral relief and inheritance tax relief relating to investment in EIS Qualifying Companies are available will vary depending on the date on which the Fund makes Qualifying Investments.
- Following an investment in an EIS Qualifying Company, the continued availability of EIS Reliefs to the investor relating to any individual investment depends on compliance with the requirements of the EIS legislation by both the investor and Investee Company.
- Where an investor or an EIS Qualifying Company ceases to maintain EIS status in relation to any individual investment, this could result in the loss of some or all of the available reliefs in relation to that investment (together with a possible charge to interest thereon).
- Following the admission of an Investee Company to the main market of the London Stock Exchange, (but not to trading on the AIM or PLUS markets) or certain overseas stock markets, Business Property Relief for Inheritance Tax purposes will cease.
- The levels and bases of reliefs from taxation may change or such reliefs may be withdrawn. The tax reliefs referred to in this document are those currently available and their value depends on the individual circumstances of investors.

Welcome



We believe that now is an excellent time to invest in an EIS fund. Our reasons for this assertion are three-fold. Firstly, the 2011 Budget demonstrates the government's evident commitment to EIS as part of its strategy for growth in the economy. The government plans to introduce further changes to EIS rules in 2012 which, if passed, will widen the scope of companies eligible for EIS investment.

Secondly, we are in an investment "sweet spot" as company valuations have fallen to attractive levels. Even excellent, well managed businesses are still finding it difficult to raise finance for expansion. Company valuations are likely to remain low, as banks are still not lending sufficient amounts to finance growth in smaller companies.

Thirdly, the higher rate tax payer is under attack. Income tax has risen, capital gains tax has increased by 55%, inheritance tax thresholds remain the same and

tax reliefs on pension contributions are severely limited. In the current economic climate, one cannot rule out further tax rises.

It makes sense to invest in well managed, government blessed, tax-sheltered funds which can also capture some of the upside from investment in smaller companies. We believe that there are solid long term benefits in investing now.

Investment in our EIS Fund 12, with the focus on capital growth, tax mitigation and managing risk, might be a valuable addition, or even an alternative, to funding a future pension.

Calculus Capital has a strong reputation for originating successful EIS funds. We created and established the UK's first approved EIS Fund in 1999, and we are now pleased to introduce the Calculus Capital EIS Fund 12.

The Calculus Capital EIS Fund 12 was recently ranked first by the prestigious Tax Efficient Review. We are delighted as this is the fourth year in a row that we have been chosen, recognising our experience and judgment in creating highly successful funds. Calculus Capital also won the 2010 Professional Adviser award for Best EIS Fund as well as the EIS Association award for the Best EIS Fund Manager in 2009. We see no reason why our new Fund shouldn't enjoy equal or greater success than those in the past, particularly as we intend to manage the investment risk by targeting more mature companies with proven and successful products or services.

We also pride ourselves on our personal service. We hope that you will experience it for yourself by investing in our new Fund.

Yours sincerely

A handwritten signature in black ink that reads "Susan McDonald". The signature is fluid and cursive, written on a light-colored background.

Susan McDonald
Chairman

Introduction

Capital growth, tax mitigation and risk management

After the economic problems of the past three years, we understand that in today's market many investors are seeking:

- Capital growth – company valuations are lower now and, as the economy recovers, investors will want to catch the upturn.
- Tax mitigation – taxes have risen and pension tax reliefs have been curtailed. Sensible investment in government blessed EIS funds may reduce the investor's overall tax payment.
- Risk management – investors will want to minimise the risk of losing money.

We believe that EIS funds in general and the Calculus Capital EIS Fund 12 in particular, can help Investors to achieve all three of these objectives.

Why EIS funds?

One of the primary reasons that individuals invest in EIS funds is for the tax benefits. These tax benefits enhance the return of a fund and reduce risk to investors' capital.

Investments in the Fund qualify for five generous tax incentives:

- Income tax relief
- Tax free capital gains on the gains made by the Fund
- Inheritance tax relief
- Capital gains tax deferral relief
- Loss relief

EIS funds are also becoming an investment of choice for those who want to make larger contributions to fund a future pension in a tax efficient manner.

However, it is our firm belief that the tax benefits of investing in our EIS Fund 12 should be the secondary and not primary reason for investing. The Fund should be an excellent investment in its own right. For that reason, more than any other, you should consider investing with Calculus Capital.

Why Calculus Capital?

Our experience, record of profitable exits and focus on capital appreciation distinguishes us from other managers. Calculus Capital was the first company to have an EIS fund approved, in 1999/2000, which gives us over eleven invaluable years of experience. Since then, we have built a strong reputation as an investor in EIS Qualifying Companies through our award winning funds.

Importantly, our Fund is structured to manage risk and preserve capital as well as benefit from capital appreciation. It is intended to be lower risk than many competitors' products. We aim to achieve this by primarily targeting established and more mature unquoted businesses with predictable cash flow and revenues as well as healthy balance sheets. Our approach can be best described as investing in real companies with real products, real markets and real prospects.

The minimum holding period required to qualify for all five tax incentives is three years. We plan to exit investments as soon as commercially feasible after that time. In practice this may mean at least a further 12–24 months, depending on individual investments and market conditions.

The evidence of the success of our approach comes from the fact that we have a very loyal investor base. Many of our investors have invested in more than one Calculus Capital EIS Fund, with a significant number investing in four or more funds to date. A large number of our investors are experienced fund managers, investment bankers, accountants, lawyers and professional investors who have discovered us through recommendations within the industry.

Why now?

We believe that the current economic climate presents investors with a unique opportunity.

Bank lending has decreased significantly, which means that even high quality and well managed smaller companies are finding it difficult to raise funds for expansion.

It has also meant that company valuations are considerably lower than they have been, creating attractive investment opportunities now.

It is clear from government economic policy that they are looking to the private sector economy to spearhead our economic growth in the future. Our aim is to be part of this growth.

We look forward to welcoming you as an Investor.

Key Points

Tax Benefits

The Calculus Capital EIS Fund 12 takes advantage of the generous tax incentives currently offered by the Treasury and HM Revenue & Customs for investment in smaller UK companies. These tax benefits have the ability to enhance the return of your investment and reduce the risk to your capital.

The Calculus Capital EIS Fund 12 entitles Investors to **five** generous tax incentives:

- **Income tax relief** at 30% which can be taken in the tax year the Fund makes its investments or carried back to the previous tax year
- **Tax free capital gains** on the investments within the Fund
- **Full inheritance tax relief** provided the investments have been held for two years and are held at time of death
- **Full capital gains tax (CGT) deferral** of tax due on other capital gains for the life of the investment
- **Loss relief** which can be taken as a deduction against income or as a capital loss and can give total tax relief up to 65% for the tax year 2012/13

The information given above provides only a summary of the tax benefits. The rates shown are based on current UK legislation which could change in the future, possibly retrospectively. These tax benefits depend on individual circumstances. If you are unsure of your tax situation you should seek professional advice from a qualified tax adviser. Tax rules and regulations can be subject to change.

Track Record

We have a long track record of managing EIS funds and making successful exits. The Tax Efficient Review, Issue 84, October 2011 stated about Calculus: "Overall the track record based on realisations is good and this is the main reason why we place this offering top of our ranking table."

Capital Growth/Later Stage Investments/Lower Risk

These are uncertain times and our Fund is structured to manage risk and preserve capital as well as benefit from capital appreciation. The management team at Calculus Capital has focused on this type of investment for over eleven years through eleven EIS funds and this is our core area of expertise.

Our investment strategy targets more mature businesses with:

- A predictable cash flow and recurring revenues
- Profits or a clear path to profitability
- A strong balance sheet
- A leadership position in a niche market
- A capable, tested management team focusing on returns to investors
- Companies which can achieve our target IRR of 15%

We always consider potential exit strategies before we make an investment and investment agreements are often written with this in mind. Our 'hands on' approach after investment means we constantly monitor performance and effect change when needed.

Audited Fund

This Fund will be audited annually, giving investors added confidence that their funds are being administered responsibly.

Investment in the Fund

You can invest from £30,000 in the Calculus Capital EIS Fund 12 and there is no maximum investment. The maximum investment in Qualifying Companies in any tax year on which you can receive income tax relief is £500,000. The Fund aims to make its investments within twelve months of the Second Closing Date.

HMRC 'carry-back' rules will apply. Therefore, if for example you invest £1 million via the Fund in Qualifying Investments in 2012/13 and have made no EIS Qualifying Investments in 2011/12, you can also carry back income tax relief on £500,000 to that previous tax year. There is no maximum limit on the amount eligible for capital gains tax deferral and inheritance tax relief.

There will be a First Closing Date for investment in the Fund on or before 5 p.m. on Friday 16th December 2011 and a Second Closing Date on or before 5 p.m. on Thursday 5th April 2012. A Portfolio funded by a Contribution made after the First Closing Date may not be invested in the same Investee Companies as a Portfolio funded by a contribution made before the First Closing Date, depending on the timing of investments.

Tax Incentives – Examples

Your investment	Tax benefits
£500,000 initial investment	<ul style="list-style-type: none"> → £150,000 income tax relief → 100% exemption from capital gains tax → Full inheritance tax relief → Full capital gains tax deferral → Up to 65% loss relief (2012/13)

Important Notes:

1. The following examples are for illustrative purposes only and should not be relied upon to predict actual returns. Examples here are based on current legislation which could change in the future. All comparisons exclude the impact of charges, interest and dividend income which may vary.
2. In all the examples that follow, investments are made in the 2012/13 tax year.
3. In all the examples which follow, the amount shown as invested in Calculus Capital EIS Fund 12 means the net amount invested in Qualifying Companies by the Fund net of charges.
4. “Cash” or “Money in the bank” refers to an amount equal to the net amount invested in Qualifying Companies in the Fund.
5. Income tax relief is limited to an amount which reduces the investor’s income tax to nil.

Tax Incentive 1: Income Tax Relief

You receive 30% income tax relief on investments made by the Calculus Capital EIS Fund 12, up to a maximum of £500,000 invested in any tax year, or £1 million if £500,000 is carried back to the previous tax year and you made no EIS Qualifying Investments in that year. Reclaiming this income tax relief is

straightforward. You will be sent an EIS 3 form following each investment made by the Fund.

The Calculus Capital EIS Fund 12 offers a further tax advantage in that the individual holdings in the Fund will be realised as soon as commercially feasible after three years, which is the minimum holding period required for investors to claim all the tax reliefs. The proceeds from these sales can be reinvested back into a new EIS fund, delivering a further 30% income tax relief, which enhances your total return over time. We have launched eleven EIS funds over twelve years, and many investors have chosen to invest in fund after fund. This strategy assumes the legislation does not change.

Example

Mr Smith is a higher rate tax payer earning £200,000 per year. He wishes to reduce his income tax and invests £100,000 in the Calculus Capital EIS Fund 12. By doing so, he is entitled to £30,000 of income tax relief in the tax year the investments are made by the Fund or he can carry this back to the previous tax year. When the Fund sells the investments, Mr Smith could re-invest his money in a new Calculus Capital EIS fund. He would then be able to claim further income tax relief at 30% on the amount that is re-invested (assuming the legislation remains the same).

Carry Back Relief

Income tax relief can be carried back up to a year preceding the date on which the investment in the Qualifying Company is made. Carry back relief claims may be made on investments up to the full amount of £500,000 for the tax year 2010/11 at the rate of 20% or 2011/12 at the rate of 30%, save to the extent that income tax relief has already been claimed under the EIS for that year.

Tax Incentive 2: Tax Free Capital Gains

You will enjoy tax free capital gains on any increase in value of the investments the Fund makes, when these shares are sold.

Example

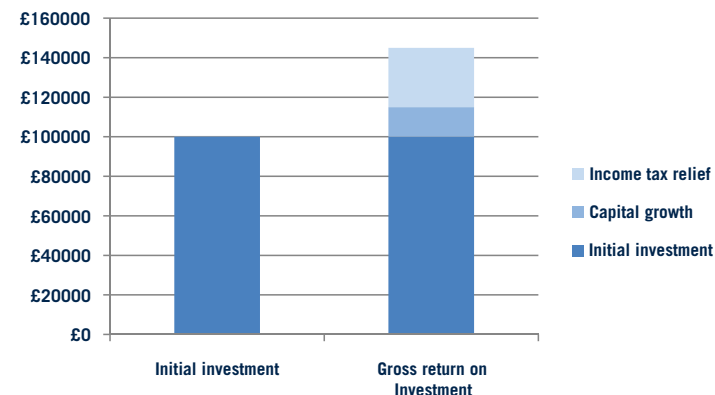
Mr Brown, a higher rate tax payer, would prefer not to pay capital gains tax on investments he makes. He decides to invest £100,000 in the Calculus Capital EIS Fund 12 on which he receives income tax relief at 30%. After a minimum holding period of three years, when the Fund starts selling the companies it has invested in, the gains made are tax free, and Mr Brown does not need to declare these gains on his tax return.

The calculation below assumes a tax free gain sufficient to achieve growth of 15% after charges.

	EIS investment	Excluding EIS tax benefits
Initial investment	£100,000	£100,000
Income tax relief	(£30,000)	–
Net cost	£70,000	£100,000
Proceeds	£115,000	£115,000
Gross gain (assumes 15% net growth)	£45,000	£15,000
CGT (28%)	–	(£4,200)
Net gain	£45,000	£10,800

Note: Both calculations assume the annual exemption from capital gains tax which is currently £10,100 is utilised elsewhere.

This example is for illustrative purposes only and should not be relied on to predict actual returns. This example is based on current legislation which could change in the future.



Tax Incentive 3: Inheritance Tax Relief

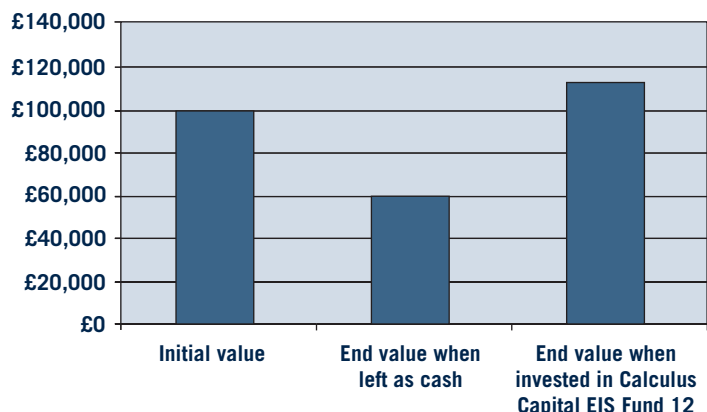
The investments made by the Fund will qualify for 100% exemption from inheritance tax under current legislation, provided the investments have been held for a minimum of two years and are held at the time of death. An additional benefit is that if an investment is sold at any time after three years and the proceeds are invested in a new Calculus Capital EIS fund, the investments made by the new fund would also be free from inheritance tax. The combined holding period of the original and replacement investments must be at least two years out of the last five and Qualifying Investments must be held at the time of death.

Example

Mrs Williams is an elderly widow and has an annual income of £100,000 and an estate worth £1.5 million. Under existing legislation, her taxable estate would be £1.175 million (£1.5 million less the current tax free allowance of £325,000). Her inheritance tax liability would then be £470,000 (40% of £1.175 million).

As part of her estate planning to reduce inheritance tax, Mrs Williams decides to invest £100,000 in the Fund. Mrs Williams enjoys £30,000 income tax relief, as well as the potential for tax free capital growth of the Fund. In addition, if she survives at least two years, her estate will save £40,000 in inheritance tax upon her death (assuming no change in the value of her £100,000 investment).

By investing £100,000 in the Fund, this portion of Mrs Williams' estate will have a value of £118,000, comprising her £100,000 investment plus £30,000 of income tax relief less inheritance tax paid on the income tax relief of £12,000.



If Mrs Williams had not invested, her estate would be left with only £60,000 (i.e. 100,000 less inheritance tax of £40,000).

This example is for illustrative purposes only and should not be relied on to predict actual returns. This example is based on current legislation and the tax-free inheritance allowance of £325,000, which could change in the future. The example ignores any charges and investment growth.

Tax Incentive 4: Capital Gains Tax Deferral

If you have made a capital gain that is taxable, you can invest the gain in the Calculus Capital EIS Fund 12, and the CGT that was paid can be reclaimed and deferred against the investments made by the Fund.

You can go back three years or go forward one year from the dates on which the Fund invests in Qualifying Investments to defer the CGT on other gains. If you die while your money is invested in the Calculus Capital EIS Fund 12, the tax due on your deferred capital gain will die with you. The initial deferral therefore leads to capital gains tax elimination.

Whilst income tax relief at 30% is limited to the first £500,000 or £1 million invested over two tax years, there is no upper limit on the size of the capital gain that can be deferred.

Example

Mr Jones sold an investment property in July 2011, realising a taxable capital gain of £1,000,000. This transaction created a £280,000 capital gains tax liability that Mr Jones wishes to defer. He decides to invest his £1,000,000 gain into the Calculus Capital EIS Fund 12.

If the £280,000 tax bill has yet to be paid, then at the point he receives the tax certificates from Calculus Capital, Mr Jones would inform HM Revenue & Customs that he had made the investment and he would not need to pay the tax. If the tax had already been paid to HM Revenue & Customs, then he would receive the £280,000 back as a refund, together with interest. In addition, Mr Jones can claim income tax relief of 30% of £500,000 in the tax year of investment and carry back income tax relief at 30% of £500,000 to the previous tax year. (The latter relief assumes the investment in EIS Qualifying companies is made in 2012/13 and that he made no EIS Qualifying Investments in the previous tax year).

When Mr Jones' investments are sold, the capital gain deferred becomes taxable unless he rolls his original investment into other EIS Qualifying Investments. By investing in the Fund, he has saved £300,000 in income tax and deferred, potentially indefinitely, £280,000 of capital gains tax.

This example is for illustrative purposes only and should not be relied on to predict actual returns. This example is based on current legislation which could change in the future.

Tax Incentive 5: Loss Relief

Downside protection is provided through loss relief. If there is a loss on any individual company in the Fund, irrespective of the overall performance of the Fund, you can claim up to a further 50% loss relief on top of the initial 30% income tax relief for a total loss relief of up to 65%. The loss relief can be claimed as a deduction against income tax in the tax year of the loss (or prior year) or as a capital loss in the tax year of the loss (or the following year).

Example

Miss Edwards, a higher rate tax payer, decides to invest £500,000 in the Calculus Capital EIS Fund 12. The Fund invests in eight companies. She receives 30% income tax relief. After the three year holding period, six of the companies are growing and have increased in value but two companies have fallen below the

cost of investment (£125,000) when they are sold. Miss Edwards will not pay CGT on the six successful investments when they are sold and can claim loss relief on the two investments which fell in value, either against income tax or capital gains tax.

This example is for illustrative purposes only and should not be relied on to predict actual returns. This example is based on current legislation which could change in the future.

Loss relief against income tax example	
Initial Investment	£125,000
Less income tax relief at 30%	(£37,500)
Net cost of investment	£87,500
If investment fell to 0, net loss	(£87,500)
Loss relief at 50%	£43,750
Net Loss	(£43,750)
Percentage return of original investment	65%

Tax Case Study: Using Income Tax Relief, CGT Deferral Relief and Inheritance Tax Relief

The following case study is designed to show how an investment in the Calculus Capital EIS Fund 12 might work in respect of a client who is in a position to benefit from the income tax, capital gains tax deferral and inheritance tax incentives.

Example

Mr Harris is an elderly widower who has recently realised a capital gain of £100,000. He pays additional rate income tax and his estate is worth in excess of £1 million. The table opposite compares the post-tax return of an investment in the Fund (under three different performance scenarios, Scenario 1 – assuming a 10% increase, Scenario 2 – no increase and Scenario 3 – a 10% decrease) with the alternative of leaving the money in a bank earning interest. All the scenarios assume that Mr Harris dies at the end of the third year.

The case study shows that, even after Scenario 3 (investment down 10% after costs), Mr Harris' estate is still 146% (or £64,152) ahead of the cash equivalent return.

Note: Should Mr Harris survive beyond the third year, when his investment in Calculus Capital EIS Fund 12 is realised it may be re-invested in new EIS Qualifying Investments creating an additional 30% income tax relief. This will not affect his inheritance tax planning, and his capital gain will still be deferred.

This table is for tax illustrative purposes only and should not be relied on to predict actual returns. In particular it does not illustrate the impact of charges or compare the risks involved.

	Leave money in bank	Invest in the Calculus Capital in EIS Fund 12		
		Scenario 1	Scenario 2	Scenario 3
Starting capital	£100,000	£100,000	£100,000	£100,000
Capital gains tax bill (28%)	£28,000	0	0	0
Net capital	£72,000	£100,000	£100,000	£100,000
Assumed performance	Up 3% and Taxed at 50%	Up 10% after costs	Flat after costs	Down 10% after costs
Change in value of net capital	£1,080	£10,000	£0	–£10,000
Income tax relief	£0	£30,000	£30,000	£30,000
Capital value at death	£73,080	£140,000	£130,000	£120,000
Inheritance tax payable*	£29,232	£12,000	£12,000	£12,000
Post-tax capital	£43,848	£128,000	£118,000	£108,000
Performance vs. Bank account	—	+192%	+169%	+146%

(*Although the investment (and any growth) in the Calculus Capital EIS Fund 12 falls outside the estate as the investments have been held for more than two years, Mr Harris will still have to pay inheritance tax on the £30,000 income tax relief he received upfront. The comparison excludes the impact of charges and dividend income which may vary.)

Examples of Different Exits

We have set out below details of some previous investments to give examples of different approaches to realising investments. These are included for illustrative purpose only and not all future investments may prove to be successful.

Mount Engineering Plc

Mount Engineering

Exit: Trade Sale

Sector: Industrial engineering

Mount Engineering plc is a manufacturer and distributor of fasteners and valves for the oil industry. The company was taken over by US based Cooper Industries following a brief takeover battle with Wakefield based Redhall Group plc. On 1st October 2010 Cooper made an all cash offer for Mount, trumping an earlier bid from Redhall. Cooper's offer was declared unconditional in early November.



Lindley Catering Limited

Exit: Sold to private equity house

Sector: Leisure

A strong management team from within the industry identified the opportunity to effect a management buy-in of Lindley. The company, which had been established for many years, maintained a strong market position in the provision of catering services to sports stadia, principally in association football, cricket and rugby. Calculus Capital originally invested alongside two other institutional investors. The business was sold for cash to a larger private equity house.





EpiStem Holdings plc

Exit: Placement of block of shares with institutional investors

Sector: Life sciences

EpiStem started as a revenue generating contract research company which channelled some of its revenues into developing its own proprietary research. The company is focused on developing therapies for epithelial diseases using adult stem cells including cancer, gastrointestinal diseases and skin damage. In March 2009, EpiStem signed a major research deal with Swiss drug-maker Novartis, receiving an upfront cash payment of \$4 million. In addition, Novartis has an option to exclusively license targets for development of biotech drugs, with EpiStem eligible for up to \$45 million in milestone payments for each product developed, plus tiered royalties on any future worldwide sales. This major deal transformed EpiStem from a contract research services company into a drug development company with much higher revenue potential. In March 2011, the company announced a further collaboration with Sanofi Aventis US Inc. In April 2011, Calculus Capital partially exited its holding in EpiStem by a coordinated placing in the market to other institutional investors.



Dunn-Line plc

Exit: Trade sale

Sector: Transportation

Dunn-Line provided bus and coach services in the East Midlands. Contracted revenues accounted for 60% of turnover. The majority of the operations comprised local bus and school services, principally, for Nottinghamshire County Council and services for National Express. Growth in demand for urban bus services is driven by central and local government policy to encourage the use of public transport in towns and cities and discourage private car use. Dunn-Line was sold to Veolia UK (formerly Connex) in an all cash transaction.





Debt Free Direct

Exit: Sold shares in AIM market

Sector: Financial services

Debt Free Direct (renamed Fairpoint subsequent to our exit) provided a range of solutions to the burgeoning number of individuals with debt problems. The company believed it operated a distinctive philosophy which utilised a computerised 'best advice' model and high ethical standards. Debt Free Direct did not provide consolidation or other loans. The company helped creditors achieve a higher return than is generally the case and helped debtors avoid the potential stigma of bankruptcy through a finite, manageable and binding repayment schedule. Calculus Capital invested in Debt Free Direct as part of an AIM fundraising to provide working capital and subsequently sold its holding in the market.



Straight plc

Exit: Sold shares in AIM market

Sector: General industrials

Straight plc is the UK's leading supplier of specialist kerbside recycling containers as well as a key supplier of a broad range of waste and recycling container solutions. Founded in 1993 by the CEO, Jonathan Straight, the business has since supplied more than 12 million kerbside recycling boxes to local authorities across the UK, securing its position as the industry leader. In 2009 Calculus Capital exited its holding in Straight by selling shares in the AIM market.

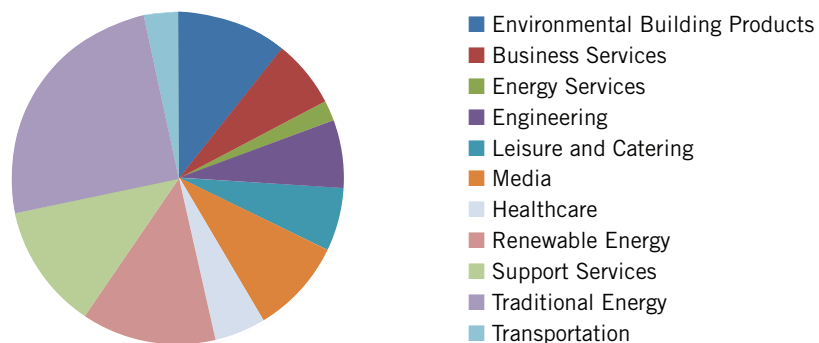


Investment Strategy

Calculus Capital follows a disciplined investment approach, developed over many years, intended to focus on capital conservation as well as capital appreciation. We are experienced at investing through varying periods of economic expansion, contraction and changing tax rules.

What kind of companies will we invest in?

Unquoted investments broken down by industry over the last five years as at 1st September 2011.



We focus primarily on investment opportunities in smaller, privately held companies. The Calculus Capital EIS Fund 12 will invest in at least six Qualifying Companies. It is intended to be lower risk than many competitor products by primarily targeting business investment opportunities according to the following criteria:

- More mature business opportunities with long-term positive trends and where there is a higher degree of predictability.
- Successful, motivated management teams capable of delivering returns to shareholders.

- Companies with significant recurring revenues, adequate cash flow from operations to service their operating requirements and strong balance sheets.
- Companies with a defensible market position.
- Companies which can benefit not only from the capital provided by Calculus Capital but also from the many years of operating and financial experience of Calculus Capital's team.
- Companies capable of meeting our Fund's target IRR of 15%.

Qualifying Companies may conduct a trade in the UK or overseas provided they maintain a permanent establishment in the UK.

How do we find these companies?

We have an established track record in identifying high quality Qualifying Companies. Our investor base which comprises many senior City individuals also provides an important source of investment opportunities. Calculus Capital has developed relationships with accountants, lawyers, financial sponsors and other intermediaries over many years. We also carry out our own desk research to identify opportunities for investment.

How will companies use the proceeds?

Calculus Capital provides companies with capital for a variety of reasons. The most frequent uses of proceeds include:

- Business expansion
- Acquisition financing
- Significant capital expenditures
- Financing generational change

In some cases, where a larger commitment of capital is required, Calculus Capital can lead an investment but we are also willing to partner with other institutional investors and family offices with which we have relationships.

How will we monitor these investments?

We build strong interactive relationships with management. We understand the complexities of running these businesses. Whilst we recognise that management teams run businesses, our backgrounds enable us to be supportive to all key company and management decisions, build corporate strategies and develop and execute financial plans.

Once we make an investment in a company, we communicate on a regular basis to ensure our expectations are understood. We may have direct board representation, or may appoint one of our appropriately qualified investors to represent our interests on the board. We pay close attention to the financial results and review forecasts on a regular basis with management.

How do we realise investments?

We have a reputation for achieving successful exits by employing a variety of appropriate strategies, examples include:

Method of exit	Companies
Trade sale	Dunn-Line, Mount Engineering
Sales in market	Egdon Resources, Debt Free Direct, EpiStem Holdings, Straight
Selling to larger private equity firm	Lindley Catering

What is the dividend policy?

To reduce the tax payable by investors, dividends are likely to be small. Returns will primarily be realised as tax free capital growth as dividends paid by EIS companies are taxable.

Operation of the Fund

The Fund has been designed to make claiming the tax reliefs as quick and easy as possible.

Claiming your Tax Relief

The Fund is an unapproved EIS Fund and accordingly the relevant date for claiming income tax relief, capital gains tax deferral and inheritance tax relief is the date we make investments into the underlying Qualifying Companies.

Although investments will be managed in common, your investments will not be pooled with investments made by other investors. Investors will receive an EIS 3 form following each Qualifying Investment. This form will enable investors to claim certain tax benefits earlier; without waiting for the end of the investment programme. These forms can be used to claim both income and capital gains tax deferral relief by sending them to your tax office.

Withdrawals

Each Investor is entitled to withdraw his Portfolio from the Fund as follows:

1. EIS shares which become listed to dealing on a recognised investment exchange: at any time after the expiry of five years following the issue of the shares;
2. Other EIS shares: at any time after the expiry of seven years;
3. Non-EIS shares: at any time after the expiry of six months following the date on which they ceased to be EIS shares; and
4. Cash: at any time.

You should be aware that the investments will be mainly in unquoted companies which are therefore not readily realisable. The risk factors for such investments are explained on pages 3 and 4 and you should note that one of the risks of an early withdrawal of shares is that an investor may find his investment difficult to manage and realise.

Exit Strategy

It would be prudent to view an investment in the Fund as long term. You should only invest in the Fund if you are willing to leave the investment intact for at least three years and possibly longer. We aim to exit investments as soon as commercially feasible after the minimum three year holding period.

In the normal course, Calculus Capital does not intend to sell any investments within three years although there may be instances when a sale within three years is judged to be commercially prudent. Once the holding period for EIS qualification is achieved, we will look for disposal opportunities as soon as commercially possible thereafter. In practice, we aim to realise investments over the following twelve to twenty-four months though there may be instances where realisation of an investment could take longer depending on individual investments and market conditions. Exit may be achieved through a variety of routes:

- The anticipated exit route for the Fund's investments will be primarily through trade sales of the shares or assets of the Qualifying Companies;
- Another possible exit route could be a management buy-out;
- Purchases by other shareholders or through a buy back by the Investee Company itself may be an exit route in some circumstances;
- Sales of shares on the stock market following flotation on the AIM or PLUS Markets will also be considered.

On sale of the Fund's investments, the net proceeds are distributed to the Investor or, if you so choose, may be re-invested in a new Calculus Capital EIS fund (assuming the new fund makes Qualifying Investments in qualifying EIS companies and that there has been no change to the legislation). Re-investment in a new fund should ensure any capital gains continue to be deferred, inheritance tax exemption remains and a further 30% income tax relief becomes available.

If the Fund has not already terminated through sale of all the Fund's investments, it is intended that the Fund will have a final termination date of seven years, after which any remaining investments will be sold or transferred to your name.

Your Account

Your Contribution monies will be held in a designated client account which is segregated from the Fund Manager's own funds prior to investment in Qualifying Companies, and following the realisation of investments in Qualifying Companies prior to distribution of the proceeds. The interest arising therefrom will be paid to Calculus Capital as a contribution towards the cost of establishing and maintaining the Fund.

Practising Accountants and other Professional Persons

The Fund Manager will arrange to exclude practising accountants or other professional persons from any investment that their professional rules prevent them from making, provided that details of potential conflicts and such qualifications are notified to the Fund Manager. Any amounts not invested for this reason will be returned to the participants concerned and will not be used to increase their share of other Fund investments.

The Calculus Capital Team

The investment management team at Calculus Capital has substantial experience of private equity investment, portfolio management and realisation of investments. They have been a leading investor in EIS companies since 1999 when they launched the UK's first approved EIS fund. The core investment team members were responsible for Calculus Capital's previous successful EIS funds. (Past performance is not a reliable guide to future performance.)



Susan McDonald – Executive Chairman

Susan co-founded Calculus Capital in 1999, having been an active investor in unquoted companies since 1997. In 2000, she structured and launched the UK's first HM Revenue & Customs (then Inland Revenue) approved EIS fund with John Glencross. Since that time, she has successfully launched and closed eleven further EIS funds as well as two VCTs. She has been involved in investing in approximately 60 qualifying investments in unquoted companies in the last 11 years. She was previously Director and Head of Asian Equity Sales at Banco Santander. Prior to this, she had over twelve years' experience in company analysis, equity sales and new issues with Jardine Fleming, Robert Fleming and Peregrine Securities (UK) Ltd, where she led over 30 placements and new issues. She has an MBA from the University of Arizona and a Bachelor of Science degree from the University of Florida. Before entering the financial services industry, Susan worked in industry with Conoco National Gas Products Division in Oklahoma and Texas, and with Abbott Laboratories Diagnostics Division in California and North Chicago.



John Glencross – Chief Executive

John co-founded Calculus Capital in November 1999, having been an active investor in unquoted companies since January 1997. In 2000, he structured and launched the UK's first HM Revenue & Customs (then Inland Revenue) approved EIS fund with Susan McDonald. Since that time, he has successfully launched and closed eleven further EIS funds and two VCTs. His professional experience spans private equity, investment banking and corporate restructuring and he has invested in, advised on or negotiated more than 100 transactions. Prior to founding Calculus Capital he was an Executive Director in the Corporate Finance Division of UBS Securities for nine years where his extensive experience covered advising on mergers and acquisitions, Initial Public Offerings, restructurings and recapitalisations, strategic alliances and private equity. He was previously a founding member of the Corporate Finance Division of Deloitte Haskins and Sells, specialising in services to small and medium size businesses. He qualified as a Chartered Accountant with Peat Marwick Mitchell (now KPMG) where his experience included secondment to the Business Recovery Division. He has an MA (Hons) in Philosophy, Politics and Economics from Oxford University.



Lesley Watkins – Finance Director

Lesley joined Calculus Capital in 2002. She has over 18 years' experience in investment banking and held senior posts at three international investment banks, where her responsibilities included advising several companies in the FTSE 100. Most recently, she was Managing Director, Global Investment Banking at Deutsche Bank, which took over BT Alex Brown, where she was a Managing Director in the UK Equity Advisory Division. Before that, Lesley spent 14 years at UBS, where she was a Managing Director in the Corporate Finance Division. She has extensive experience of fundraising, flotations, mergers and acquisitions, disposals and restructurings for her clients. In 2009, Lesley was appointed Non-Executive Council Member of the Competition Commission. She is a fellow of the Institute of Chartered Accountants and has a BSc. (Hons) in Mathematics from Southampton University.



Niki Crookdake – Investment Director

Niki joined Calculus Capital in 2011. Before this, she ran a training and consultancy business which she founded in 2001. Specialising in valuation, restructuring and modelling, her clients included many companies, private equity firms, banks, investment managers and accountants. Experience was gained through varied assignments, including pre-packs, training (worldwide), reviewing in-house PE models, risk assessments. In 1998 she worked as a leisure equity analyst for Deutsche Bank then Cazenove, gaining a rating after six months. At the end of 1996 Niki joined Bass on a two year restructuring assignment and at the same time completed her Masters in Finance from London Business School. In 1992, she moved into investment banking at Kleinwort Benson and worked on many deals with household names. She started her career in 1988 as a lawyer in London with Slaughter and May.



Alexandra Lindsay – Investment Analyst

Alexandra joined Calculus Capital in 2008. An analyst specialising in the valuation of investment opportunities, she focuses on the energy, manufacturing and services sectors. Her recent projects include oil and gas exploration and production and renewable energy. Alexandra is responsible for project management from proposal through due diligence to completion. Prior to joining Calculus Capital, she worked on the hedge fund team at Apollo Management International where she conducted research into companies and markets. She graduated from University College London with a first class degree in History of Art having previously studied Engineering Science at Wadham College, Oxford.



Natalie Evans – Fund Finance Manager

Natalie joined Calculus Capital in 2010. She is responsible for fund operations, administration and investor services and communication. Most recently, Natalie was assisting with the investment process by carrying out substantial research into new investment sectors and potential investee companies as well as screening new proposals. Her recent projects include the renewable energy, leisure and catering sectors. She graduated with a Masters of Modern Languages from the University of Manchester, and went on to pass the Graduate Diploma in Law with distinction.



Diane Seymour-Williams – Non-Executive Director

Diane Seymour-Williams joined Morgan Grenfell/Deutsche Asset Management in 1981 and specialised in investing in Asian and Global equity markets for institutional and mutual fund clients. Diane was based in Singapore from 1993–96 as CEO and CIO of Asia ex Japan and responsible for offices in Singapore, Hong Kong and a joint venture in Thailand. After leaving Deutsche Asset Management in 2005, Diane advised on developing a global equity business for WP Stewart and establishing Spencer House Capital Management for Lord Rothschild. She joined Lloyd George Management in 2007 as Head of Client and Business Strategy. Diane was a Director of the China Fund (1993–2005), the Pakistan Fund (1993–96), the Batavia Fund (1993–96) and Chairman on the Greater Korea Trust Advisory Board (1993–97). She has an MA in Economics from Cambridge University.



Tony Davies – Compliance Adviser

Tony Davies is an independent management consultant who provides Calculus with advice on compliance with Financial Services and Markets Act rules. He has been advising UK financial services firms about FSA compliance since it was invented in 1988, at first as a consultant at Touche Ross Management Consultants (now part of Deloitte) and since 1991 as owner and Director of The First Financial Consultancy. His consultancy career has spanned the retail banking, building society, life insurance and intermediary sectors as well as fund management. He has worked on assignments for household names such as Citibank, both Lloyds Bank and TSB bank, Standard Life, Abbey National (now Santander) and Marks & Spencer Financial Services. He has lectured and published papers on the regulation of the fund management industry. Prior to his consultancy career, his industry experience was with Abbey Unit Trust Managers, Save & Prosper and TSB. Tony has a Cambridge Mathematics degree and is a Master of Business Administration from Cranfield University. He is also a Fellow of the Institute of Consulting and a Chartered Management Consultant.

Our Charges

We charge 2% of an Investor's Contribution to cover the costs of setting up and launching the Fund. If you have a financial adviser the total initial charge will be 5% in order to accommodate payment of their commission of 3%. Or, if agreed, your financial adviser will be paid an initial commission of 2.5% plus annual trail commission of 0.5% of an Investor's Contribution for three years which will be paid annually in arrears. All such fees come out of your Contribution.

There is an annual management charge of 1.5% based on the Fund's last published net asset value, paid quarterly in arrears. A portion of your Contribution sufficient to cover the first three years' annual management charge will be held uninvested.

A dealing charge of 0.65% will apply on purchases and sales of shares. The Fund will also have certain operating expenses, such as audit, reporting, administration, legal and corporate governance. Each Investor will incur a standard charge of 0.1% per quarter, based on the Fund's last published net asset value, and paid in arrears.

To the extent that charges payable are not covered by dividends earned from investments or proceeds realised by Investors, Calculus Capital retains the right to deduct charges from funds awaiting investment.

In order to align the Fund Manager's interests with those of Investors, a standard Performance Fee of 20% will be applied to the total return in excess of the original Contribution. The fee will only be payable once you have received back the full amount of your original Contribution. For example, if your original Contribution is £50,000, the fee will not be applied until £50,000 has been returned to you.

Value Added Tax will be charged where applicable.

Calculus Capital retains the right to charge upfront arrangement, monitoring and, where it has board representation, director's fees to companies in which the Fund invests. The cost of all deals that do not proceed to completion will be borne by Calculus Capital.

If you have any questions about the charges, please call us on 020 7493 4940.

Frequently Asked Questions

If you have any questions, or if you would like to speak to one of the Fund managers, please call us on 020 7493 4940.

What is the minimum and maximum that I can invest?

The minimum investment into the Fund is £30,000. There is no maximum. However, under current legislation the maximum amount of EIS Qualifying Investments on which you can claim income tax relief in any tax year is £500,000. This can be claimed in the tax year the investments were made (which is primarily intended to be 2012/13) or carried back to the previous tax year. If you made no EIS Qualifying Investments in the tax year 2011/12, you can currently invest up to £1 million in EIS Qualifying Investments in 2012/13, claim income tax relief on up to £500,000 in that tax year and carry back a maximum of £500,000 to the previous tax year. There is no maximum amount on which CGT deferral relief and IHT relief can be claimed.

How do I check the progress of the Fund?

A formal valuation statement will be sent to you every six months, but you can call us at any time for an informal overview. We will also notify you of significant events including investments and disposals. Your statement will include for each investment made, cost and both opening and closing market values for the relevant period.

Can I own my investment jointly with my spouse?

Investments in the Fund cannot be jointly owned, but each spouse can make a separate investment, and each can receive income tax relief at 30% on the first £500,000 invested by the Fund per tax year.

What are the key dates for benefiting from the various tax reliefs?

The key dates are as follows:

Income Tax Relief: based on the date on which the underlying investments in Qualifying Companies are made.

Capital Gains Tax Exemption: any capital gains on investments made by the Fund on your behalf will be exempt from capital gains tax provided they have been held for three years or for three years from the date they commenced trading, if later, and income tax relief has been obtained and not withdrawn.

CGT Deferral Relief: you can go back three years or forward one year from the dates the Fund invests in Qualifying Companies to claim deferral relief on other capital gains provided an amount equivalent to those gains is invested in Qualifying Companies by the Fund.

Inheritance Tax (IHT) Relief: an investment in an EIS Qualifying Company is normally treated as Relevant Business Property for the purposes of IHT when the shares are held for at least two years. In this case, an IHT exemption for 100% of the value of an EIS investment will be obtained in the event of the death of an investor. Under current legislation, IHT relief would be lost if the company's shares were listed on the main market of the London Stock Exchange or certain overseas stock markets. (Even if shares are sold, provided that the qualifying shares have been held for at least two years out of the last five and a replacement qualifying asset is held at the time of death, IHT relief should apply).

Who owns the investment in the EIS Qualifying Companies?

You are the beneficial owner of shares in each company in which the Fund invests and investments will be made in proportion to the total uninvested Contributions to the Fund by all Investors (net of commission to financial advisers as well as initial and periodic management and administration charges and expenses) subject to any rounding that may occur to avoid issuing fractions of shares. However, to allow efficient administration, the shares will be registered in the name of the Custodian or its nominee company who will hold them on your behalf as your nominee, subject always to HM Revenue & Customs rules for ownership from time to time.

How do I apply?

If you want to invest in the Fund you must complete and return the Application Pack included with this document.

The Application Pack comprises:

- 1. Application Form** – The Application Form must be completed by all investors. This confirms your agreement to the terms of the Investor Agreement on pages 28 – 39 and the appointment of Calculus to act as your discretionary Fund Manager.

PLEASE CHECK YOU HAVE SIGNED AND DATED THE APPLICATION FORM.

PLUS

- 2. Adviser & Anti-money laundering (AML) Certificate** – This is from your authorised financial adviser.

PLEASE CHECK YOUR ADVISER HAS SIGNED AND DATED THIS CERTIFICATE.

OR

Investor & AML Certificate – You must provide this if you do not have an authorised financial adviser.

IF APPLICABLE, THIS MUST BE COMPLETED AND YOU NEED TO SIGN AND DATE.

PLUS

- 3. Payment** – With your Application Pack you must make payment of the amount you wish to invest by sending a cheque or banker's draft which should be made payable to “**Calculus Capital EIS Fund 12**”.

Completed Application Packs and your payment for the amount you wish to invest should be sent to:

Calculus Capital EIS Fund 12
104 Park Street, London W1K 6NF

Contact Us

If you need any assistance completing the Application Pack or have any questions do not hesitate to contact us by telephone or send us an email:

020 7736 7838

info@calculuscapital.com

What should I expect after I invest?

We will acknowledge receipt of your application by return post. Once your cheque has been cleared, we will hold the money in the Fund ready to make the first investments for your Portfolio. There will be a First Closing Date for investment in the Fund on or before 5 p.m. on Friday 16th December 2011 and a Second Closing Date on or before 5 p.m. on Thursday 5th April 2012. A Portfolio funded by a Contribution made after the First Closing Date may not be invested in the same Investee Companies as a Portfolio funded by a Contribution made before the First Closing Date, depending on the timing of investments.

How do I claim my tax relief?

An EIS 3 form will be sent to you after each Qualifying Investment has been made so you do not have to wait until the entire Fund is invested before you claim tax reliefs. These forms can be used to claim both income tax and capital gains tax deferral relief by sending them to your tax office.

Investor Agreement

This agreement sets out the terms and conditions agreed between Calculus Capital Limited (“**The Fund Manager**”) and the Investor named in an Application Form accepted by the Fund Manager (“**Investor**”) relating to the Investor’s participation in the Fund.

1 Definitions, Construction & Interpretation

- 1.1 In this agreement the definitions contained on pages 40 – 41 shall apply. Personal pronouns in the singular are references to the Investor and in the plural are references to the Fund Manager.
- 1.2 Words and expressions defined in the FSA rules which are not otherwise defined in this agreement shall, unless the context otherwise requires, have the same meaning in this agreement.
- 1.3 Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules or regulations as from time to time amended, re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.
- 1.4 Unless otherwise indicated, references to clauses shall be to clauses in this agreement.
- 1.5 Headings to clauses are for convenience only and shall not affect the interpretation of this agreement.

2 Investing in the Fund

- 2.1 This agreement comes into force on the date on which the Fund Manager accepts your Application Form. If accepted, the Fund Manager will notify you in writing that your Application Form is accepted in respect of the Fund.
- 2.2 This agreement enables you to appoint the Fund Manager as a discretionary investment fund manager to make venture capital investments in EIS Qualifying Companies and to manage those investments in common on behalf of all such investors.
- 2.3 I, the Investor, hereby appoint:
 - (a) the Fund Manager, on the terms set out in this agreement, to manage the Fund which includes my Portfolio as one of a series of similar Portfolios which together constitute the Fund. The Fund Manager accepts its appointment and obligations on the terms set out in this agreement; and
 - (b) the Custodian, through the agency of the Fund Manager, to act respectively as the Custodian on the terms of this agreement. As their agent for these purposes, the Fund Manager on their behalf accepts such appointment and obligations on the terms set out in this agreement.
- 2.4 The Fund Manager is authorised and regulated by the FSA for the conduct of UK financial services business.

- 2.5 Under the terms of this agreement, and in accordance with the FSA conduct of business rule 15.2.1, you do not have the right to cancel the arrangements to which this agreement applies.

3 Contributions

- 3.1 You:
 - (a) must make a Contribution in the Fund of not less than the minimum amount shown in your Application Form at the same time as submitting your Application Form to invest in the Fund;
 - (b) may make further Contributions up to and including the Second Closing Date; and
 - (c) may not make any Contributions after the Second Closing Date.
- 3.2 You may make a withdrawal from the Fund and terminate this agreement pursuant to clause 15.2 below.
- 3.3 Contributions received shall be deposited (in a segregated client account) pursuant to clause 7.8 pending their investment.

4 Services

- 4.1 The Fund Manager will manage the Fund as from the First Closing Date on the terms set out in this agreement. The Fund Manager will, subject to the exception set out below, exercise all discretionary powers in relation to the selection of, or exercising rights relating to, investments on the terms set out in this

agreement, including, in particular the negotiation and execution of agreements and ancillary documentation relating to investments in Investee Companies.

- 4.2 The Fund Manager will also arrange for the provision of nominee services in relation to the holding of Investee Company assets with the Custodian.
- 4.3 You hereby authorise the Fund Manager (and grant to the Fund Manager a power of attorney) to act on your behalf and in your name or your Custodian's name to negotiate, agree and do all such acts, transactions, agreements and deeds as the Fund Manager may deem necessary or desirable for the purposes of managing your Portfolio including making, managing and disposing of investments on your behalf and this authority (and power of attorney) shall be irrevocable and shall survive, and shall not be affected by, your subsequent death, disability, incapacity, incompetence, termination, bankruptcy, insolvency or dissolution. This authority (and power of attorney) (subject to clause 7.6) will terminate upon your complete withdrawal from the Fund.
- 4.4 The Fund Manager and the Custodian shall not except as expressly provided in this agreement or unless otherwise authorised, have any authority to act on your behalf or as your agent.
- 4.5 Where the collective interest of the Fund when taken together with the collective interests of other funds managed or advised by the Fund Manager in any Investee Company exceed 50%

of the voting rights, the voting rights will be exercised in accordance with your wishes.

5 Investment Objectives & Restrictions

- 5.1 In performing the services set out in clause 4 (the "Services"), the Fund Manager shall have regard to and shall comply with the investment objectives and the investment restrictions set out in the schedule to this agreement.
- 5.2 In performing the Services, the Fund Manager shall at all times have regard to:
- (a) the need for the investments in Investee Companies within your Portfolio to attract the tax advantages in accordance with the investment objectives and restrictions set out in the schedule of this agreement; and
 - (b) all Applicable Laws.
- 5.3 Surplus cash held prior to investment in Investee Companies, and in the event of a gradual realisation of investments prior to termination of the Fund under clause 15.1 and any cash proceeds of realised investments, may be placed by the Fund Manager on deposit in accordance with clause 7.8.

6 Terms applicable to transaction

- 6.1 In effecting transactions for the Fund, the Fund Manager will act in accordance with the FSA rules.
- 6.2 Where relevant, it is agreed that all transactions will be effected in accordance with the rules and regulations of any relevant market,

exchange or clearing house (and the Fund Manager shall take all such steps as may be required or permitted by such rules and regulations and/or by good market practice) through which transactions are executed and to all Applicable Laws so that:

- (a) if there is any conflict between the provisions of this agreement and any such rules, customs or Applicable Laws, the latter shall prevail; and
- (b) action may be taken as thought fit in order to ensure compliance to any such rules, customs or Applicable Laws.

You should, however, be aware that the Investee Companies will be unquoted, small companies and your Portfolio will therefore be invested in unlisted securities; there is therefore generally no relevant market or exchange or consequent rules and customs and there will be varying practices for different securities. Transactions in such securities will be effected on commercial terms that in the opinion of the Fund Manager are the best that can be secured.

- 6.3 Subject to the FSA rules, transactions for one investor will be aggregated with those for other investors pursuant to clause 6.4. They may also be aggregated with transactions for other clients of the Fund Manager, and of its Connected Persons, and Associates and their Connected Persons and, if so, any investments made pursuant to such transactions will be allocated on a fair and reasonable basis in

accordance with the FSA rules and endeavours will be made to ensure that the aggregation will work to the advantage of each of the investors, but you should be aware that the effect of aggregation may work on some occasions to an investor's disadvantage.

6.4 Where the Fund Manager proposes making an investment in a Investee Company for you and on behalf of one or more other Fund Investors, the Fund Manager will use all reasonable endeavours to procure that the number of shares in the relevant Investee Company to be subscribed as an investment for your Portfolio shall, as nearly as possible, be in the proportion which your Contributions bears to the total Contributions by all other Fund Investors. This will, however, depend on matters such as:

- (a) The timing of investments: a Portfolio funded by a Contribution made after the First Closing Date may not be invested in the same Investee Companies in which a Portfolio funded by a Contribution made before the First Closing Date;
- (b) Variations to prevent Investors having fractions of shares: entitlements to shares will be to the nearest whole share rounded down and the aggregate of fractional entitlements may be held by the Custodian for the Fund Manager; and
- (c) If one or more of the Fund Investors notifies the Fund Manager that he is an accountant, lawyer or other professional person who is subject to professional rules

preventing him from making an investment in a particular Investee Company, then the number of shares provisionally allocated to that Investor or Investors shall not be acquired for any of his Portfolios in the Fund.

6.5 The Fund Manager will act in good faith and with due diligence in its choice and use of counterparties but, subject to this obligation, shall have no responsibility for the performance by any counterparty of its obligations in respect of transactions effected under this agreement.

7 Custody

7.1 The Fund Manager shall arrange for the Custodian to provide services for the safeguarding of the assets within your Portfolio. The Fund Manager will be responsible for providing administrative services in relation to the safe keeping of investments and cash comprised in the Fund from time to time, including the settlement of transactions, collection of income and the effecting of other administrative actions in relation to the investments.

7.2 The Investee Company shares in your Portfolio will be registered in the name of the Custodian. All such Investee Company shares within your Portfolio in the Fund will be beneficially owned by you at all times but the Custodian will be the legal owner of the Investee Company shares. The Custodian will not carry on any activity with regard to Portfolio investments except as

instructed by the Fund Manager. You confirm that:

- (a) The Custodian's duties shall be solely of a mechanical and administrative nature, acting in accordance with all reasonable and lawful instructions of the Fund Manager and you from time to time concerning the Investee Company investments;
- (b) In no event shall the Custodian dealing with the Fund Manager or you with respect to any document signed or action undertaken on behalf of the Fund Manager or you in accordance with this Deed be obliged to inquire into the necessity or expediency of any act or action of the Fund Manager or you, the existence or non-existence of any fact or facts which constitute conditions precedent to acts by the Fund Manager or you or any act or failure to act by the Fund Manager or you or as to any other matter whatsoever involving the Fund Manager or you;
- (c) The Custodian shall in all cases be fully protected in acting, or refraining from acting under the Fund and with regard to the Investee Companies, in accordance with written instructions from the Fund Manager or you;
- (d) The Custodian shall not be under any liability or responsibility of any kind to the Fund Manager or you arising out of or in

relation to any failure or delay in performance or breach by any Investee Company of any of their respective obligations pursuant to the investment proposal;

- (e) The Custodian shall not be obliged to take any steps to ascertain whether any default has occurred under or pursuant to this Investor Agreement or with regard to any Investee Company investment. The Custodian shall be entitled to assume that no such event has occurred and that each person is performing its obligations under this Investor Agreement and with regard to the Investee Company investment until an officer of the Custodian acting in connection with this Investor Agreement shall have actual knowledge or received express notice to the contrary in its capacity as your agent. In such circumstances the Custodian shall promptly inform the Fund Manager and you.

- 7.3 The Custodian will hold any title documents or documents evidencing title to the investments. Individual investor entitlements are not identifiable by separate certificates or other physical documents of title or external electronic records. In the event of a default of the Custodian, those for whom it holds securities may share in any shortfall pro rata.

The Fund Manager may deliver or accept delivery of certificates and/or CREST balances on behalf of the Custodian.

The Custodian holds the Investee Company shares pursuant to a trust under which the interests of clients are created or extinguished when a client makes acquisitions or disposals in accordance with this agreement.

The Custodian may only resign if it shall first have given not less than thirty (30) days notice of its intention so to do to the Fund Manager, and the Fund Manager has appointed a successor Custodian. If the Fund Manager has not appointed a successor Custodian within twenty (20) days of the date of the Custodian's resignation notice then the Custodian may appoint a successor Custodian provided that such successor is a reputable body corporate with necessary competent personnel and equipment as may be required to enable it to provide its services properly and efficiently, and in compliance with the FSA rules. The Custodian's resignation notice shall only take effect upon the appointment of a successor, and in default of any such appointment the intended resignation of the Custodian shall not take effect.

The Fund Manager shall maintain at all times a record sufficient to show your beneficial interest in the whole number of Investee Company shares allocated to you and the cash balance within your Portfolio.

- 7.4 Investee Company shares or title documents may not be lent by you to a third party and nor may there be any borrowing by you against the security of the Investee Company shares or such title documents.

- 7.5 Cash held for you may be applied, or Investee Company shares may from time to time be realised by the Fund Manager (acting reasonably) in order to raise funds, to discharge your obligations under this agreement, for example in relation to payment of outstanding fees, costs and expenses.

- 7.6 The following applies to matters arising with regard to shareholder rights in each Investee Company:

- (a) Variation of Investee Company Share Capital – If there is any proposed variation of the share capital of the Company (whether that variation is a capitalisation issue (other than a scrip dividend), rights issue, consolidation, subdivision or reduction of capital or otherwise):

- (i) if a bonus or capitalisation issue and no action is required to be taken, the Fund Manager will be notified and the resultant Investee Company shares will be automatically credited to your holding;

- (ii) if a rights issue or other proposed variation, the Custodian will send the Fund Manager such summary of the proposal and the required action to

- be taken (if any) as it may receive, and if no instruction is received from the Fund Manager, the Custodian will allow the rights to lapse. Lapsed proceeds in excess of £3 will be credited to you. Sums less than this will be retained for the benefit of the Custodian. However, if nil paid rights in a secondary market are acquired for you, such rights will be taken up, unless the Fund Manager provides contrary instructions;
- (iii) offers will be accepted by the Custodian only upon instructions received from the Fund Manager;
- (iv) your entitlement to new Investee Company shares will be to the nearest whole share rounded down and the aggregate of fractional entitlements may be held by the Custodian.
- (b) Partly paid shares – If partly paid shares are held for you and are the subject of a call for any due balance and no instruction is received from the Fund Manager, the Custodian may sell sufficient of your Investee Company investments as (in its reasonable opinion) necessary to meet the call.
- (c) Investee Company Liquidation – In the case of a proposal to wind up, amalgamate or take over a Investee Company the Fund Manager will be sent a

summary of the proposal and the required action to be taken (if any).

- 7.7 Where applicable you are responsible for complying with all requirements under the Takeover Code applicable to you in your capacity as a holder of Investee Company shares, including obligations to notify the FSA and the Takeover Panel of dealings in relevant shares during a takeover or merger.
- 7.8 Unless otherwise agreed as a result of facilities provided by your adviser, cash will not be held in accordance with the client money rules of the FSA. The cash balance held for you in the Fund will be deposited with an authorised banking institution in a common account in the name of the Fund Manager with customer trust status together with cash balances belonging to other Investors. The mandate for the operation of that account shall be jointly held by the Fund Manager and the Custodian. Neither the Custodian nor the Fund Manager shall have any liability whatsoever or howsoever arising if any such banking institution should be or become insolvent or otherwise unable to repay monies belonging to you which have been so deposited. The Fund Manager may debit or credit the account for all sums payable by or to you (e.g. dividends receivable in cash or amounts payable by you) and make adjustments:
- (a) in respect of sums received by you otherwise than as a result of credits properly made to the accounts initiated by

the Fund Manager under this agreement; and

- (b) to effect settlement in respect of your investments.

Share dividends shall not be receivable under this agreement otherwise than in cash.

Interest will be payable on all credit balances on the bank account and shall be paid to the Fund Manager as a contribution towards the cost of establishing and maintaining the Fund.

- 7.9 You confirm that in no event shall an investment counterparty dealing with the Fund Manager or Custodian with respect to any document signed or action undertaken for or on behalf of you in accordance with this Investor Agreement be obliged to inquire into the necessity or expediency of any act or action of you, the existence or non-existence of any fact or facts which constitute conditions precedent to acts by you or any act or failure to act by you or as to any other matter whatsoever involving you. You declare that a person who deals with the Custodian and the Fund Manager in good faith may accept a written statement signed by the Custodian or the Fund Manager to the effect that their appointment as such hereunder has not been revoked as conclusive evidence of that fact.

8 Reports & Information

- 8.1 The Fund Manager shall send you a report relating to the Fund, complying with the FSA

rules, every six months, in respect of the periods ending on or around 5 April and 5 October. Reports will include a measure of performance in the later stages of the Fund once valuations are available for the investments. Investments will be valued by the Fund Manager in accordance with appropriate IPEVC Guidelines from time to time prevailing.

- 8.2 Details of dividends which are received in respect of your Investee Company investments will be provided in respect of each tax year ending 5 April and appropriate statements sent to you within sections 1105(1), (2) and (3) of the Corporation Taxes Act 2010.
- 8.3 Each of the Fund Manager and the Custodian shall supply such further information which is in its respective possession or under its control as you may reasonably request as soon as reasonably practicable after receipt of such request.
- 8.4 Any statements, reports or information so provided by the Fund Manager or the Custodian to you will state the basis of any valuations of investments provided.

9 Fees & Expenses

The Fund Manager shall receive fees for their services, and reimbursements of their costs and expenses, as set out on page 25. To the extent that fees payable are not covered by dividends earned from investments or proceeds realised by investors, the Fund Manager retains the right to deduct amounts owed from funds awaiting investment.

10 Resources

The Fund Manager and the Custodian shall each devote such time and attention and have all necessary competent personnel and equipment as may be required to enable them to provide their respective services properly and efficiently, and in compliance with the FSA rules.

11 Your Obligations

- 11.1 Your Portfolio, which is/are established by this agreement, is/are set up on the basis of the declaration made in your Application Form, which includes the following statements made in relation to your Contribution(s):
- (a) the fact as to whether or not you wish to seek EIS Relief for the investments in Investee Companies;
 - (b) that you agree to notify the Fund Manager if any investment is in any Investee Company with which you are connected within section 163 and sections 166 to 177 of ITA 2007;
 - (c) that you agree to notify the Fund Manager if, within three years of the date of issue of shares by a Investee Company, you become connected with that Investee Company or receive value from that Investee Company;
 - (d) that you will provide the Fund Manager with your tax district, tax reference number and national insurance number; and

- (e) that you are aware that you are consenting to the client categorisation described in your Application Form and that, unless otherwise agreed in your Application Form as a result of facilities provided by your adviser, your Contributions are not to be treated as client money in accordance with the FSA rules.

- 11.2 You hereby confirm that the information stated in your Application Form in these (and all other) respects is true and accurate as at the date of this agreement.
- 11.3 You must immediately inform the Fund Manager in writing of any change of tax status, other material change in circumstance and any change in the information provided in the Application Form to which clause 11.1 above refers.
- 11.4 In addition, you must provide the Fund Manager with any information which it reasonably requests from time to time for the purposes of managing your Portfolio pursuant to the terms of this agreement.

12 Delegation and Assignment

The Fund Manager (and the Custodian where reasonable and as may be agreed with the Fund Manager) may employ agents and subcontractors, including Associates, to perform any administrative, custodial or ancillary services to assist the Fund Manager in performing its services, in which case it will act in good faith and with due diligence in the selection, use and monitoring of agents. Any such

employment of agents shall not affect the liability of the Fund Manager (or the Custodian where appropriate) under the terms of this agreement.

13 Potential Conflicts of Interest and Disclosure

13.1 The Fund Manager and the Custodian may provide similar services or any other services whatsoever to any client and neither the Fund Manager nor the Custodian shall in any circumstance be required to account to you for any profits earned in connection therewith. So far as is deemed practicable by the Fund Manager or the Custodian, the Fund Manager or the Custodian will use all reasonable endeavours to ensure fair treatment as between Investors and such other clients in compliance with the FSA rules.

13.2 The Fund Manager, and any Associate may, subject to FSA rules and without prior reference to you, recommend transactions in which it or an Associate has, directly or indirectly, a material interest or a relationship of any description with another party, which may involve a potential conflict with its duty to you. Neither the Fund Manager, nor any Associate, shall be liable to account to you for any profit, commission or remuneration made or received from or by reason of such transactions or any connected transactions. For example, such potential conflicting interests or duties may arise because:

(a) the Fund Manager or an Associate may receive remuneration or other benefits by reason of acting in corporate finance or

similar transactions involving companies whose securities are held for you;

- (b) the Fund Manager may take an equity stake in a Investee Company whose securities are held for you at a price not below the issue price available to you subject to subparagraph (c) below;
- (c) the Fund Manager's entitlement to the Performance Fee described on page 24 may be structured by way of subscriptions for Investee Company shares by or on behalf of the Fund Manager and/or its Connected Persons, or Associates, or their Connected Persons, and/or others with whom the Fund Manager may share such entitlement. Those Investee Company shares may be subscribed at a price below the issue price available to you and may dilute the returns to you but only to the extent of the value of the Performance Fee;
- (d) The Fund Manager or an Associate provides investment services for other clients;
- (e) Any Associate or Connected Person may be or become a director of, hold or deal in securities of, or is otherwise interested in any Investee Company whose securities are held or dealt in on your behalf;
- (f) The transaction is in securities issued by an Associate or the client of an Associate;

- (g) The transaction is in relation to an investment in respect of which the Fund Manager or an Associate may benefit from a commission or fee payable otherwise than by you and/or the Fund Manager or an Associate may also be remunerated by the counterparty to any such transaction;
- (h) The Fund Manager deals on behalf of you with an Associate;
- (i) The Fund Manager may act as agent for you in relation to a transaction in which it is also acting as agent for the account of other Investors and Associates;
- (j) The Fund Manager may, in exceptional circumstances, deal in investments as principal in respect of a transaction for you;
- (k) The Fund Manager may effect transactions involving placings and/or new issues with an Associate who may be acting as principal or receiving agent's commission. The Fund Manager or an Associate may retain any agent's commission or discount or other benefit (including directors' fees) that accrues to them; or
- (l) The transaction may be in the securities of a Investee Company for which the Fund Manager or an Associate has underwritten, managed or arranged an issue within the period of 12 months before the date of the transaction.

14 Liability

- 14.1 The Fund Manager agrees, for itself and as agent for the Custodian that each of them will at all times act in good faith and with reasonable care and due diligence. Nothing in this paragraph 14 shall exclude any duty or liability owed by you under the FSA rules.
- 14.2 The Fund Manager shall not be liable for any loss to you arising from any investment decision made in accordance with the Fund investment objectives and the investment restrictions set out in the schedule to this agreement or for other action in accordance with this agreement, except to the extent that such loss is directly due to the negligence or wilful default or fraud of the Fund Manager or any of its officers, agents or employees.
- 14.3 The Fund Manager accepts responsibility for holdings of Investee Company shares in the name of the Custodian and for the acts and omissions of the Custodian, provided, however, that the Fund Manager shall not be liable for any loss to you arising from any action it takes in accordance with this agreement, except to the extent that such loss is directly due to the negligence or wilful default or fraud of the Fund Manager or any of its officers, agents or employees.
- 14.4 Subject to clauses 6.6 and 12, neither the Fund Manager nor the Custodian shall be liable for any defaults of any counterparty, agent, banker, nominee or other person or entity which holds money, investments or documents of title for

the Fund, other than such party which is an Associate.

- 14.5 In the event of any failure, interruption or delay in the performance of the Fund Manager's or the Custodian respective obligations resulting from acts, events or circumstances not reasonably within its control (including but not limited to acts or regulations of any governmental or supranational bodies or authorities) or breakdown, failure or malfunction of any telecommunications or computer service or systems, you acknowledge that neither the Fund Manager nor the Custodian, as appropriate, shall be liable or have any responsibility of any kind for any loss or damage thereby incurred or suffered by you.
- 14.6 The Fund Manager gives no representations or warranty as to the performance of the Fund. Investments in Investee Companies are high risk investments and are not Readily Realisable Investments. There is a restricted market for such investments and it may therefore be difficult to sell the investments or to obtain reliable information about their value. By entering into this agreement you confirm that you have carefully considered the suitability of the investment objectives and restrictions set out in the schedule to this agreement, have read and understood this Information Memorandum including in particular the risk warnings set out therein, and have your own independent advice. Nothing in this clause 14 shall exclude the liability of the Fund Manager for its own fraud.

15 Termination

- 15.1 The Fund Manager will seek to realise Investee Company investments within a reasonable period after the applicable three year EIS qualifying period and to terminate the Fund in an orderly fashion thereafter. You acknowledge that there can be no guarantee as to the performance or value of investments, or the achievability or timing of realisations. On termination of the Fund, the Fund Manager shall endeavour to procure that all remaining Investee Company shares in your Portfolio will be sold or transferred into your name or as you may otherwise direct. Any cash within your Portfolio will (net of fees and costs, including bank charges) be paid to you.
- 15.2 You are entitled to withdraw your Portfolio from the Fund in accordance with paragraph 2 of the Schedule to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001, and, in particular to make withdrawals of Investee Company shares in your Portfolio at any time after the end of the period of seven years beginning with the date on which the shares in question were issued. You are entitled to withdraw cash in your Portfolio at any time before it has been committed to an Investee Company and subject to giving 20 days notice in writing. The Fund Manager will have a lien on all assets being withdrawn or distributed from the Fund and shall be entitled to dispose of some or all of the same and apply the proceeds in discharging any liability you owe to the Fund Manager. This

agreement shall terminate upon the completion of the withdrawal from the Fund of all Investee Company shares and cash which you are entitled to received under this clause 15.2. The balance of any sale proceeds and control of any remaining Investee Company investments will then be passed to you.

15.3 If:

- (a) the Fund Manager gives you not less than three months' written notice of its intention to terminate its role as Fund Manager under this agreement;
- (b) the Fund Manager ceases or believes that it is likely to cease to be appropriately authorised by the FSA, or that it will for any reason be unable to act as Fund Manager; or
- (c) the Fund Manager is no longer able to categorise you as a professional client under the rules of the FSA; or
- (d) you have been categorised by the Fund Manager as a retail client under the rules of the FSA in reliance upon a continuing certification by a financial adviser whose processes and systems have been approved by us and that financial adviser ceases to act for you or advises us that an investment in the Fund is no longer suitable for you

the Fund Manager shall use reasonable endeavours to make arrangements to transfer

the investments to another appropriately authorised fund manager, on the basis that that fund manager shall assume the role of the Fund Manager under this agreement (*mutatis mutandis*). If the Fund Manager (acting reasonably) believes it is unlikely that it will find a replacement fund manager, or no such replacement fund manager has been located within a reasonable period, the Fund Manager may give you notice to terminate this agreement forthwith and, subject to clause 16, the investments held for your account shall be transferred into your name or as you may otherwise direct.

16 Consequences of Termination

16.1 On termination of this agreement pursuant to clause 15, the Fund Manager will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this agreement.

16.2 Termination will not affect accrued rights, existing commitments or any contractual provision intended to survive termination and in particular the Fund Manager and the Custodian will remain entitled to and you will pay fees, expenses and costs properly incurred and payable under the terms of this agreement up to and including the date of termination. Termination will be without penalty or other additional payments.

16.3 On termination, the Fund Manager may apply cash held for you, and may retain and/or realise

such Investee Company investments, as may be required to settle transactions already initiated and to pay your outstanding liabilities, including fees, costs and the expenses payable under clause 9 of this agreement, the details of which are set out in the schedule to this agreement.

17 Confidential Information

17.1 None of the Fund Manager, the Custodian or you shall disclose to third parties or take into consideration for purposes unrelated to the Fund information either:

- (a) the disclosure of which by it would be or might be a breach of duty or confidence to any other person; or
- (b) which comes to your notice or the notice of a Connected Person of the Fund Manager or the Custodian but properly does not come to the actual notice of that party providing services under this agreement.

17.2 Each of the Fund Manager and the Custodian will at all times keep confidential all information acquired in consequence of the services, except that information may be disclosed:

- (a) as may be necessary and appropriate in connection with the proper performance and enforcement of this agreement;
- (b) to a proposed or actual direct successor in interest to one of the parties;

- (c) where the information is in the public knowledge; or
 - (d) which a party is entitled or bound to disclose under compulsion of law; or
 - (e) to a tax or regulatory authority in compliance with any applicable legal requirements; or
 - (f) is given to their professional advisers where reasonably necessary for the performance of their professional services; or
 - (g) which is authorised to be disclosed by the relevant party.
- 17.3 The Fund Manager may verify your identity and assess your financial standing. In doing so, one or more credit reference agencies may be consulted which will record a search.

18 Complaints and Compensation

- 18.1 The Fund Manager has established procedures in accordance with the FSA rules for consideration of complaints. Details of these procedures are available from it on request. Should you have a complaint, you should contact the Fund Manager. If the Fund Manager cannot resolve the complaint to your satisfaction, you may be entitled to refer it to the Financial Ombudsman Service.
- 18.2 The protections offered by the FSA to retail clients do not apply and compensation under the UK investor compensation scheme will not

be available in the event of the failure of the Fund if you have been categorised as a professional client under the rules of the FSA.

19 Notices, Instructions and Communications

- 19.1 Notices of instructions to the Fund Manager and the Custodian must be in writing and signed by you or on your behalf, except as otherwise specifically indicated in this agreement.
- 19.2 The Fund Manager and the Custodian may rely and act on any instruction or communication which purports to have been given by persons authorised to give instructions by you under the Application Form or subsequently notified by you from time to time and, unless that relevant party receives written notice to the contrary, whether or not the authority of such person shall have been terminated. Without prejudice to the foregoing, in no event shall any such party dealing with your representative with respect to any document signed or action undertaken on behalf of you be obliged to inquire into the necessity or expediency of any act or action of you, the existence or non-existence of any fact or facts which constitute conditions precedent to acts by you or any act or failure to act by you or as to any other matter whatsoever involving you.
- 19.3 All communications with you shall be sent (whether postal or electronic) to the latest address you have supplied in writing to the Fund Manager or the Custodian and shall be deemed received by you on the second day

after posting or on the day after dispatch in the case of electronic communication. All instructions by you shall be made in writing. Telephone conversations between you and the Fund Manager or the Custodian, (as the case may be) may be recorded. Communications sent by you will be deemed received only if actually received by the Fund Manager or the Custodian (as the case may be). The Fund Manager and the Custodian will not be liable for any delay or failure of delivery (for whatever reason) of any communication sent to you.

20 Unsolicited Real Time Financial Promotions

The Fund Manager may communicate an unsolicited real time financial promotions (i.e. interactive communications such as a telephone call or electronic mail promoting investments) to you.

21 Amendments

The Fund Manager may amend this agreement by giving you written notice with immediate effect if such is necessary in order to comply with Applicable Laws including HMRC requirements, or in order to maintain the EIS Relief or in order to comply with the FSA rules. Any other proposed amendments will be notified to you, and if you fail or omit to give notice of your rejection of the proposed amendment within 30 days of the date of the amendment notice, this agreement shall be deemed amended accordingly.

22 Data Protection

All data which you provide to the Fund Manager and the Custodian (as appropriate) will be held by the

relevant party subject to the Data Protection Act 1998. You hereby agree that the Fund Manager and the Custodian may pass your personal data to each other and to other parties insofar as is necessary in order for them to provide their services as set out in this agreement and to the FSA and any regulatory authority which regulates them and in accordance with all other Applicable Laws.

23 Entire Agreement

This agreement, together with the Application Form and the other documents mentioned in it, comprises the entire agreement of the Fund Manager and its Associates, and the Custodian with you relating to the Fund and the provision of the services.

24 Rights of Third Parties

The Custodian, and its respective Connected Persons may enforce any term of this agreement which purports to confer a benefit on that person, provided that the Fund Manager and you may amend, rescind, vary, waive, release, assign, novate or otherwise dispose of all or any of their respective rights or obligations under this agreement without the consent of any person who is not a party to this agreement. Save as provided, a person who is not a party to this agreement has no right under the contracts (rights of third parties) act 1999 to enforce any term of this agreement, but this does not affect any right or remedy of such third party which exists or is available apart from that act.

25 Severability

If any term, condition or provision of this agreement shall be held to be invalid, unlawful or unenforceable to any extent, such term, condition or provision shall not affect the validity, legality or enforceability of the remainder of this agreement.

26 Governing Law

This agreement and all matters relating thereto and any dispute or claim arising out of or in connection with it or its subject matter or formation (including non-contractual disputes or claims) shall be governed by and construed in accordance with English law and the parties submit to the exclusive jurisdiction of the English courts.

Schedule

Investment objective and restrictions of the Fund

1. To offer you the opportunity to invest in EIS Qualifying Companies on the basis described in this Information Memorandum.
2. To generate capital gains and provide you with access to the tax advantages associated with EIS investments.

Investment restrictions for the Fund

1. In carrying out its duties hereunder in respect of investments in Investee Companies, regard shall be had, and all reasonable steps taken, by the Fund Manager to comply with such policies or restrictions as are required in order to enable you (subject to your particular circumstances) to have access to EIS Relief as may be prescribed by HMRC from time to time.
2. No more than 25% of the Contribution of the Investor will be invested in any one company.
3. You should be aware that the investments will not be Readily Realisable Investments. There is a restricted market for such investments and it may therefore be difficult to deal in the investments or to obtain reliable information about their value.
4. In the event of a gradual realisation of investments prior to termination of the Fund under clause 15.1, the cash proceeds of realised EIS investments may be placed on deposit or invested in fixed interest government securities or other investments of a similar risk

profile. Proceeds will be paid out on termination of the Fund or in instalments in advance of termination, as determined by the Fund Manager.

Definitions

AIM – The London Stock Exchange’s alternative investment market

Adviser & AML Certificate – A certificate from your authorised financial adviser in the form approved by Calculus. The Adviser & AML Certificate is enclosed within the Application Pack

Applicable Laws – all relevant UK laws, regulations and rules, including those of any government or of the FSA

Application Form or Application – The form for making an application in the Fund. The Application Form is enclosed within the Application Pack

Application Pack – The Individual Investor’s Application Form and Adviser & AML Certificate (or Investor & AML Certificate)

Associate – any person or entity which (whether directly or indirectly) controls or is controlled by the Fund Manager

CREST – The UK’s electronic registration and settlement system for equity share trading

Capital Gains Deferral Relief – The relief from CGT provided for by Section 150C and Schedule 5B of the Taxation of Chargeable Gains Act 1992

CGT – Capital Gains Tax

Connected Person – a director, shareholder, partner, employee or Associate of the Fund Manager, or any Associate, or the Custodian (as the case may be)

Contribution – The total gross amount subscribed by an Investor in accordance with the terms of the offer set out in the Memorandum

Custodian – An entity (which may be an Associate or a third party) whom the Manager appoints to carry out safe custody and administration (and related) services in relation to investments made by the Fund

EIS – Enterprise Investment Scheme

EIS Qualifying Company or Qualifying Company – A company which is a qualifying company for the purposes of the Enterprise Investment Scheme

EIS Qualifying Investment or Qualifying Investment – Investments by an individual eligible for relief under Part 5, Income Tax Act 2007 into shares of a Qualifying Company as defined in S180, Income Tax Act 2007

EIS Relief – Income tax relief under the EIS legislation

FSA – Financial Services Authority

First Closing Date – On or before 5.00 p.m. on Friday 16th December 2011

Fund – The Calculus Capital EIS Fund 12

Fund Manager or Manager or Calculus Capital – Calculus Capital Limited (registered in England and Wales under company number 3861194) whose registered office is 104 Park Street, London, W1K 6NF

IHT – Inheritance Tax

IHTA 1984 – The Inheritance Tax Act 1984

Information Memorandum or Memorandum – This information memorandum published by the Fund Manager in relation to the Fund

Investee Company – A company, being a Qualifying Company, in which the Manager makes an investment

Investor – an individual who completes an Application Form which is accepted by The Fund Manager

Investor Agreement or Agreement – The Investor Agreement in the form set out on pages 28 – 39

Investor & AML Certificate – Where you do not have an authorised financial adviser, a certificate to be provided by you, in the form approved by Calculus. The Investor & AML certificate is enclosed within the Application Pack

IPO – An Initial Public Offering (flotation on a recognised stock market including AIM or PLUS Market) of its shares by a company

IRR – Internal Rate of Return, which is a measure of performance derived by calculating the discount rate which when applied to a series of cash flows produces a result equivalent to zero

Performance Fee – The fee payable to the Manager, upon the return to the Investor (or his/her nominee) by way of distribution of cash (whether of capital or gross income) or transfer to him/her (or his/her nominee) of any shares held on his/her behalf of an amount equal to 20% of the aggregate value (whether of capital or gross income) which has been returned to an Investor less the Investor's Contribution to the Fund. On transfer of shares into the name of the Investor (or his/her nominee), the shares value shall be determined by the Manager and certified by the auditor to the Fund and the fee shall be satisfied by the appropriate number of shares to the Manager

PLUS-quoted – Shares quoted on the PLUS market (formerly OFEX)

Portfolio – Your personal allocation of all investments that the Manager makes under the terms of the Investor Agreement and all cash subscribed by you (after deduction of expenses and charges) which remains to be invested at any given time

Readily Realisable Investments – a government or public security denominated in the currency of the country of its issuer or any other security which is admitted to official listing on an exchange in an EEA state, regularly traded on or under the rules of such an exchange, or regularly traded on or under the rules of a recognised investment exchange or (except in relation to unsolicited real-time financial promotions) designated investment exchange, or a newly issued security which can reasonably be expected to fall within the above categories when it begins to be traded. This term does not include AIM or PLUS traded investments, nor does it include unlisted securities

Relevant Business Property or Business Property Relief – Relevant business property for IHT purposes which includes shares in unlisted trading companies and the relief available thereon as set out in the IHTA 1984 (S.105)

Relevant Period – A minimum of three years from the date of investment in the Investee Company or three years from its date of commencement of trading, if later

Second Closing Date – On or before 5.00 p.m. on Thursday 5th April 2012

Directory

Manager	Calculus Capital Limited 104 Park Street London W1K 6NF Telephone: 020 7493 4940 Website: www.calculuscapital.com
Legal and Tax Adviser	RW Blears LLP 125 Old Broad Street London EC2N 1AR Telephone: 020 3192 5690 Website: www.blears.com
Custodian (Quoted)	HSBC Bank Plc 8 Canada Square London E14 5HQ
Custodian (Unquoted)	Calculus Nominees Limited 104 Park Street London W1K 6NF
Bankers	Adam & Company plc 22 King Street London SW1Y 6QY
Auditor to the Fund	Hillier Hopkins LLP Charter Court Midland Road Hemel Hempstead Herts, HP2 5GE

Each of the professional firms: RW Blears LLP, HSBC Bank Plc, Adam & Company plc and Hillier Hopkins LLP has been named above for information purposes only and takes no responsibility for any statement or omission from this Information Memorandum.

Calculus Capital is a member of the British Venture Capital Association (BVCA) and the Enterprise Investment Scheme Association (EISA). Calculus Capital's VCTs are members of the Association of Investment Companies (AIC). Calculus Capital is authorised and regulated by the Financial Services Authority.

Notes

Notes



Calculus Capital Limited is authorised and regulated by the Financial Services Authority