



HIGHGATE

Tech Fund 2

An Investor Fee Free Fund

INVESTMENT MEMORANDUM

*An Enterprise
Investment Scheme
Fund from:*



*Authorised and regulated by the
Financial Services Authority*





Welcome



Dear Investor

I am delighted to be continuing work with the Highgate team with the launch of Highgate Tech Fund 2. To my mind, the ethos and methodology of the Highgate approach to investment represents the intrinsic sentiment behind the Enterprise Investment Scheme, being to foster and encourage private sector investment into growing British companies. Highgate's unconventional Investor Fee Free charging structure gives investors tax relief on 100% of their funds invested and has 100% of their investment actually put to work earning returns, truly embodying EIS principles.

Britain has a long history of invention, innovation and exploration over centuries and is responsible for some of the world's greatest technological achievements. To name but a few - radar, the internal combustion engine, penicillin, the light bulb, the steam engine, the jet engine, television and then, the more down-to-earth, the lowly rubber band and the lawnmower. All of these have been around for decades but we still use them! A small island but a great competitor on a global scale, with many fearless heroes who dared to do what no man (or woman!) had done before!

Whilst geographical exploration is perhaps a thing of the past, the last two decades particularly of technological innovation in our contemporary society present many opportunities to conquer the next 'must have' on a global scale. How do you find the winners? Well, I believe Highgate has those skills. From my personal experience of the Highgate team over a number of years, I have been impressed with their ability and track record.

It is not just about spotting a winning technology but understanding its market and, above all, working with the management to get ahead of the competition, market the product successfully, drive the company forward, add in necessary skills where needed and keep the company on track.

To quote the famous split infinitive, "to boldly go" is not for the faint-hearted but mixed with shrewd and experienced management, hedged by the EIS 'famous five' tax breaks, myriad opportunities afforded by technology, with strong market drivers and improving global economics – a true 21st century Fund.

Please do join us in investing – we have put our money 'where our mouth is' and want to share the potential for world-beating success with you.

Yours sincerely

Susan Phillips

Director General, EIS Association

Important Notice

This Investment Memorandum has been issued by Enterprise Corporate Finance Limited, which is authorised and regulated by the Financial Services Authority. This Investment Memorandum is a financial promotion in accordance with Section 21 of the Financial Services and Markets Act 2000. Your attention is drawn to the section headed "Risk Factors" on Page 21.

The information given in this document is not to be construed as advice relating to legal, taxation or investment matters and prospective investors are recommended to seek your own personal financial advice from either your Stockbroker, Bank Manager, Solicitor, Accountant, Independent Financial Adviser or other professional advisers, who should be authorised under the Financial Services and Markets Act 2000.

This document refers to current legislation on EIS relief, IHT relief and CGT Deferral relief. The tax reliefs set out in this document are those currently available and depend on individual circumstances. The levels and bases of tax relief may change.

Investments in unquoted shares carry higher risks than investments in quoted shares and involve a degree of risk as well as the opportunity of reward. Past performance is not necessarily a guide to future performance and Investors may not get back the amount invested. The value of shares and income from investments may go down as well as up. Applications will only be accepted on the terms and conditions set out in the Investor Agreement on Page 25 in this Investment Memorandum.

This Investment Memorandum does not constitute an offer or invitation to subscribe to the Highgate Tech Fund 2 by any person in any jurisdiction outside the United Kingdom and this document and its contents are not for publication or distribution to persons outside the United Kingdom. It does not constitute an offer to buy or sell or solicitation of another to buy or sell any security or share nor is it a public offering in the United Kingdom.

Enterprise Corporate Finance Limited, Highgate Associates and their respective officers have taken all reasonable care to ensure that the facts stated in this Investment Memorandum are true and accurate in all material respects and that there are no other material facts which have been omitted which would make any part of this promotion misleading.

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Definitions

“Administrator”	The Administrator appointed by Enterprise
“Administrator Authority”	The authority that the Investor gives to Enterprise to give instructions to the Administrator on behalf of the Investor
“Associate”	Any other associated or group Company of Enterprise or Highgate
“CGT Deferral”	Capital Gains Tax deferral under the TCGA
“Companies Act”	The Companies Act 2006 (as amended)
“Enterprise”	Enterprise Corporate Finance Limited
“EIS” or the “Scheme”	The Enterprise Investment Scheme as constituted under the legislation in force at the date of this document
“EIS Relief”	Various income tax, inheritance tax and capital gains tax reliefs as described in Appendix 1 of this Memorandum
“EIS Qualifying Company”	Companies that qualify investors for EIS tax relief
“The Fund”	Highgate Tech Fund 2, details of which are set out in this document
“Highgate Associates” or “Highgate”	The team of business professionals specialising in operations, technology and capital raising who manage the Highgate Tech Fund 2
“FSA”	Financial Services Authority
“FSA Handbook”	The handbook of rules made by the FSA from time to time
“FSMA”	Financial Services and Markets Act 2000
“Fund Providers”	The Investment Partner, the Investment Adviser and the Administrator or any of them as appropriate
“Group Company”	A subsidiary or holding company as defined in Section 736 of the Companies Act
“IHT”	Inheritance Tax
“Investor”	A person whose name is on the Application Form, which is accepted by the Investment Adviser
“Investment Adviser”	Enterprise Corporate Finance Limited
“Investment Committee”	The individuals appointed from time to time, from Enterprise, Highgate or such others as seen fit, to assess and monitor investments.
“Investment Memorandum” or “Memorandum”	Information on the Fund as set out in this document
“Investment Partner”	Highgate Associates
“IPR”	Intellectual Property Rights
“Money Laundering Regulations”	The Money Laundering Regulations 2003 as may be amended from time to time
“Other Investors”	Any other investors in the Fund from time to time, whether or not they remain invested in the Fund
“Portfolio”	The cash and investments from time to time comprising the Investor’s portfolio
“Services”	The investment management services the Investment Adviser will provide to the Investor
“SME”	Small to Medium sized Enterprises
“Subscription”	The amount of money the Investor invests in the Fund
“TCGA”	The Taxation of Chargeable Gains Act 1992
“Taxes Act”	The Income Tax Act 2007
“Terms & Conditions”	The terms and conditions of an investment in the Fund as set out in the Investor’s Agreement in this document
“Three-year EIS period”	The period running from the date of issue of the shares and ending after 3 years or, if later, 3 years after commencement of the trade

Summary

The following summary should be read in conjunction with the full text of this document from which it is derived including in particular the section headed Risk Factors on Pages 21 & 22.

The Highgate Tech Fund 2

The Highgate Tech Fund 2 is a tax efficient fund issued under the Enterprise Investment Scheme which offers significant advantageous tax benefits to private individuals making investments into qualifying British companies. This is the second Highgate Tech Fund, the first having closed successfully in October 2010 – only 7 months after its inaugural launch. Like Fund 1, this Fund specifically takes advantage of innovative, disruptive, state of the art technologies that are coming to market place at an extraordinary rapid pace. Tech, and in particular software investments that are available, afford many opportunities for Fund 2. The markets that we believe are very attractive continue to be the SaaS, mobile telecoms, applications for smartphones, social media and internet/web based products and services.

This second Fund follows the successful launch of Fund 1 which was backed by a specific group of investors and managements' own capital pool. We are continuing our unconventional charging structure, i.e. we believe that our rewards should be in line with the successful delivery of results to Investors. This Investor Fee Free Fund is targeted at the Hi-tech sector of the UK economy, where opportunities abound and fast moving technology developments provide accelerated growth potential for those investors swift and experienced enough to make good investment decisions quickly and get invested at the right stage of these companies' development.

The Highgate Tech Fund 2 has unique features and, unlike many EIS funds, is not a fee-charging machine!

Key features are:

- Fees: The Highgate Tech Fund 2 does **not charge investors** at all.
- **100%** of the investment is put to work maximizing the investor's tax claim (rather than netting off the fund costs and VAT), and earning potential.
- The Fund Management takes **no profit** until 6% annualized has been returned to investors. Highgate have to deliver in order to earn themselves.
- Fund management take **no salaries**.

Although open to any investors who satisfy the necessary UK regulations, the Fund is specifically targeted towards professionals and individuals who are comfortable with their overall investment portfolio and seek to mitigate significant tax liabilities.

Fund 2 is also advised by Enterprise Corporate Finance Limited, whose management team have 20+ years of successful track records in investing, managing and realising the proceeds from EIS Investments. Enterprise works closely with Highgate Associates, which has been involved and has much expertise in working with EIS companies and early stage technology businesses in the UK, Europe and the USA.

The Fund takes full advantage of EIS tax breaks, which includes **20% upfront relief** against income tax; **unlimited CGT deferral** at the new higher rate of 28%; **complete CGT freedom** for investments held for 3 years; **Inheritance Tax Freedom** after 2 years, potentially sheltering 40%, and **downside protection** limiting exposure to 40 pence in the pound for a higher rate tax payer. Whilst the reliefs depend on personal circumstances, they can be combined, for example, deferring indefinitely an unlimited 3 year old CGT liability which disappears on death thereby allowing the investment and gain to be passed to dependants free of the 40% IHT charge.

Key Information

The Fund will invest in EIS Qualifying Companies with the overall following objectives:

No Fees to Investors - 100%/100% Rule

The Highgate Tech Fund 2 is an Investor Fee Free Fund. Investors are not charged any fees whatsoever. This unique advantage allows investors to enjoy 100% of EIS tax benefits and to have 100% of their investment actually put to work earning returns.

Access to private investment opportunities

Private company investments are often difficult for the private investor to access since these are usually taken by institutions for their higher growth potential. Both Enterprise and Highgate are uniquely positioned through their longstanding operation in the unquoted sector to source, identify and assess suitable investment opportunities that are normally not available to private investors.

Hands on Management

Highgate builds businesses with their bare hands. Growing companies need help as well as adequate funding to stay focused on their strategies, exploit new opportunities and prepare for the next stage of development or exit. Investments will only be made in companies where the Fund either engages or has vetted experienced professionals to work with the management team. The Fund will take board positions in all investee companies and takes an “active role” to guide, mentor and counsel the management team.

Low entry prices

The shortage of availability of capital for early stage companies and SMEs together with the Investment Committee members’ expertise in the sector should enable highly attractive terms to be negotiated with investee companies thus creating greater upside for investors.

Extensive tax benefits for private investors

The Fund offers Investors the full range of benefits available from the EIS. These are briefly summarised on Page 9 and set out in more detail in Appendix 1.

Unique market positioning

Strong deal flow in the sub-£5m arena is further advantaged as the majority of private equity and venture capital houses are targeting substantially larger deals.

Intellectual Property Rights

The last decade has seen a significant increase of IPR arising from the now-generic usage of web based and mobile applications. Increasingly, technology based companies develop or acquire intellectual property which has become a standard category of asset and easier to value. Whilst the Fund will avoid areas such as biotech, it will consider opportunities with demonstrable IPR, content ownership, viable markets and quantifiable product deliverables. One such area, the media sector, offers much in the way of the exploitation of IPR and content providers are a particular target area, as well as mobile applications and location based services delivered via mobile devices.

Early Stage Companies

The Fund will target companies that are in the early stages of their development and organisation, which show a particular innovation or product development that can have a significant high growth opportunity, either in new or established markets. These companies can typically accelerate rapidly, generating better than average results within a short time frame.

Exit Strategy

Investee companies will need to demonstrate a clear exit strategy in order to provide investors with their returns. Whilst EIS shares must be held for a minimum of 3 years in order to obtain the full value of the tax breaks, experience shows that this may take longer in order for the company to maximise its value. The Fund should therefore be viewed as a 4-7 year investment for full exit potential. However, early stage Tech companies can move rapidly and its possible that exit opportunities may arise before the 3 year EIS period is completed. Highgate’s team will monitor this carefully and recommend taking profits if this benefits shareholders and roll these forward with CGT deferral or distribute the proceeds to the Investor.



Full Due Diligence - robust and thorough

Comprehensive in-depth due diligence skills deployed by the Investment Committee members and its team for each potential investee company. The Enterprise core discipline is advisory corporate finance, a significant part of which is to review every aspect of the business and to set strategy as appropriate. Highgate members have specific technological, operational and financial management experience in companies from early stage to exit and conduct due diligence on each investment to a level of detail that is not often found in other comparable funds.

Extensive Network Resource

The Investment Committee's extensive business network comprises serial entrepreneurs and business people with finely tuned skills in relevant disciplines and sectors enabling the Fund's management to call on comprehensive resources to identify and mentor investee companies for maximum returns.

Considerable experience of all market conditions

The Investment Committee members have operated throughout a variety of economic cycles and market conditions, enabling adverse conditions to be weathered and new opportunities to be exploited. Attention will be paid to current economic circumstances and the investee company's ability to withstand sustained adverse conditions as well as to exploit growth opportunities which may arise consequently.

Sound EIS Process

The Investment Committee deploys good quality advice from tax professionals teamed with its own management, who understand the need to monitor the investee company's growth, which considerably reduces the risk of inadvertent breach of EIS status, unless otherwise advantageous to Investors.

EIS Tax Relief and Timing

The Enterprise Investment Scheme both enhances the returns available to investors and de-risks the investment profile.

EIS benefits include:

20% Up Front Tax Relief. Individuals may claim back up to 20% relief against income tax on EIS investments up to a maximum of £500,000 each per tax year, equating to an actual cost of £8,000 for each £10,000 of investment. The whole of this allowance is allowed to be carried back to the previous tax year for offset against income tax i.e. a theoretical £1m could be invested of which £500,000 could be carried back to the last tax year. With increasing higher rates of income tax to as much as 50% and perhaps more in future, together with significant restrictions on pensions contributions and benefits, this opportunity is increasingly attractive for tax planning. Shares must be held for a minimum of 3 years from the date they are issued to the Investor for this relief to be available.

No Capital Gains Tax provided the shares are held for a minimum of 3 years, there is no CGT due on the proceeds. However, the shares can be held for much longer, to realise the investment potential, thus continuing sheltering gains from CGT. Whilst the Fund intends to provide an exit to investors through the appropriate mechanism for each investee company, this relief should enable investors to shelter substantial capital gains.

Unlimited CGT Deferral Relief is also available (over and above £500,000 income tax relief) allowing CGT liability dating back 3 years or forward 1 year, to be deferred indefinitely at the relevant rate applicable at the time of the original gain i.e. 28%, 40% or 18%. As well as indefinite deferral, there is also the potential for the liability to be reduced by other tax allowances over a period of time such as timing disposals in order to utilise annual CGT allowances and inter-spousal transfers to maximise tax efficiency.

Inheritance Tax has been dubbed the 'optional tax' and individuals today are exposed to potential IHT bills at 40%, largely because of relatively high property prices. However, high earners are potentially more exposed. After two years from the investment date, EIS qualifying companies generally fall outside the estate for IHT purposes, potentially allowing considerable assets to be preserved 100% intact for dependants, without the current 40% IHT tax liability.

Loss Relief applies where there is a demonstrable crystallisation of loss which can be offset against either income tax (in the current or previous tax year) or against capital gains. In the case of a 50% income tax payer with a total loss, a £10,000 investment would have already received £2,000 of income tax relief, leaving £8,000 to be offset against income tax resulting in a maximum exposure of £4,000 i.e. 40 pence in the pound. For a 40% tax payer offsetting in the same way results in an exposure of 48 pence in the pound. Offsetting against CGT in the same situation at a 28% liability band, results in an exposure in the order of 58 pence in the pound.

Losses can also be offset against CGT at the prevailing rate, currently 28% in either the current tax year or subsequent tax years. In this case, the maximum exposure would be in the order of 58%.

FUND Differentiators

Operational Experience

- The team build businesses with their bare hands
- The team is 100% committed full time to the Fund
- Fund management take an active role (not just a board seat) to guide, mentor and counsel the investee management team.
- Operational experience combined with financial depth
- Comprehensive Due Diligence on Investee Companies
- Flexibility is key and the team will act opportunistically to capitalise on exit opportunities, notwithstanding the 3 year EIS period, if an early exit is in Investor's best interests.
- Equally, on exit, profits are immediately distributed to investors or can be rolled over into another EIS fund and are personal to the Investor. Their value depends on the individual circumstances of the Investor. Investors should obtain advice from their own professional advisers as to their tax position in respect of their own Fund. Please note that tax advantages are only available on the actual amounts invested in Investee companies.

Value Add

As well as taking a seat on the board, we will provide investee companies with:

- Assistance in establishing controls and procedures and financial reporting at a standard required for exit
- Advice, guidance, mentoring to impart the wealth of experience Highgate has (e.g. having started and built numerous tech companies from zero to IPO) with a view to growing the company quickly, and more profitably
- Advice from and/or secondment whenever appropriate, of our team of experienced business builders, Marketing Directors, CFO's, Sales Directors etc.
- Assistance in establishing worldwide distribution through our network of partners and distributors around the world

Structure of the Fund

The Highgate Tech Fund 2 is an EIS Fund, which capitalises on EIS tax reliefs in a form which the Investment Committee believes allows flexibility to make sound and strategic investments on a timely basis. Tax reliefs are granted to Investors on the date on which the investments in underlying companies are made. The Investment Committee expects to undertake all investments within 12 months from the closing date of the Fund.

Where will my money be invested?

The Investment Committee will select investments in line with the Fund investment criteria set out on Page 19. These are likely to be in unquoted companies with clearly defined exit strategies. The Investment Committee seeks a balance of strong technologies and growth opportunities.

The Fund is a generalist fund, primarily investing in new technologies (primarily software) and applications, early stage and SME's, high growth areas, such as web based, location based services delivered via mobile devices, mobile applications, cloud computing services, software as a service (SaaS) and internet related services.

A list of current investments under consideration is available from Highgate from time to time. There is no guarantee that any specific investment will be made until the formal due diligence process is complete.

Whilst unquoted companies are generally higher risk than traditional investments, the Fund management have both specific and successful track records in identifying exceptional opportunities and nurturing companies to achieve their potential. The Investment Committee looks to take a mid to long term view when making investments as the EIS rules require investments to be held for at least three years.

The Fund will have a wide remit to invest in early stage companies and SMEs and in sectors that are positioned to benefit from strong growth trends driven by contemporary influences in our everyday life. These areas are characterised by strong and sustainable growth potential. The range of investee companies will naturally be diverse since there are many factors which impact on the economy and social trends.

The Fund is likely to invest in highly technical innovation and the Investment Committee will seek to invest in companies that have potential to generate revenue in the short term, and/or have a proven business model and are seeking additional development and growth capital.

As a priority, new technologies will be sought across all sectors with particular emphasis in the creation and perception of branding and the exploitation of intellectual property.

Brief current examples of current and potential investments are set out below and further details are available separately from this document. These examples are intended to give a flavour of the types of companies that may be considered and there is no guarantee that all or any of these potential investments will be made.



1. iVoucher - already invested

iVoucher is a revolutionary marketing system designed to bring business to your restaurant. It unobtrusively captures your customers' details via sms text message (Tabletext™) while they're in your venue, subscribes them into your exclusive Restaurant Club, and then provides you with a mechanism to build on your restaurant brand and tempt them back with benefits and incentives that they value. You control which messages are sent to which customers, and each message is delivered entirely under your own brand. And the information you gather on each customer is for your use alone.

You subscribe to iVoucher and manage its operation through any web browser, anywhere in the world. For the first time ever, restaurants now know who their customers are and can communicate with them.

3. Diary.com

Diary.com is the easy way to plan and journal your life, on your mobile or the web. You are probably using other planning and journaling sites and services, but Diary lets you import your items from your favourite service like Facebook, and manage privately. It means you start to have one view of all your plans, Birthdays and tasks, and you can also journal and share easily. Its much easier and safer with Diary.

Although a website, you can use your Diary on your iPhone, its all backed up onto Diary.com so your mobile Diary is always connected, and if you end up losing it, just download the app, login and its all there. Its so easy.



2. HG Apps Store Ltd - already invested

Smartphone apps are big business and a great opportunity to make money and/or enhance your business reputation. Either way it is a crowded market so for your app to succeed where many others fail you need to work with the best app development partner.

The HG Apps Store is a Smartphone application development house with a difference.

We develop apps in partnership with you, sharing the risks and rewards. If we like your idea we will develop it for free, test it and then launch it, we can even help you market it and we will share the download revenues with you. So no upfront development costs – unless you want to of course.



4. Red Bedlam

Virtual Worlds will provide a premier form of entertainment in the 21st Century, as well as providing a platform for innovative business and learning solutions and facilitating education resource environments. As one of just a handful of companies in the world with the necessary skills and experience of building, maintaining and managing virtual worlds, online communities and virtual economies, RedBedlam can provide custom solutions for a wide range of clients and partners in both the B2B and entertainment sectors. RedBedlam's proprietary Virtiverse technology, engine and suite of tools is the most efficient and cost effective of its kind and enables new entrants to the market to bypass years of development time.

Enterprise Corporate Finance Ltd

Enterprise Corporate Finance Limited is an investment adviser specialising in and predominantly working with unquoted investments. Susan Phillips, MD, has a background in investment management and for over 20 years has specialised in financing, advising and mentoring unquoted companies across a wide range of industries. Susan is a recognised leader in the EIS community and acts as Director General of the EIS Association.

Enterprise is different. It is not a traditional investment adviser and has its own highly defined strategy for success.

A key factor in Enterprise's approach is its network of experienced business people, the active investors, who are experts in their fields and who work closely with Enterprise on specific deals. This significant resource enables Enterprise to tap into an extensive, detailed pool of knowledge and experience enabling it to assess prospective investee companies, conduct highly valuable, cost-effective commercial due diligence and mentor investments through to exit.

Enterprise's hands-on approach equips it to make better investment decisions – its policy is to invest experienced human skills in conjunction with cash investment to support the strategy and focus of the business plan. Enterprise deploys only experienced members of its team to work with investee companies.

Enterprise has many years' breadth and depth of experience in dealing with smaller unquoted companies and demonstrable success in delivering results, both in pure financial terms and tangible achievement.

Very few investment organisations can offer the particular understanding of the requirements of the smaller unquoted business. The defining factor is good quality management. Enterprise will seek opportunities where the management are passionate about their business, really understand it and have the drive and intelligence to succeed. Such individuals are able to react quickly to changing market conditions, perceive new opportunities, steal a march on their competition and inspire their teams to achieve objectives.

Enterprise will address particular industries which offer superior returns, often because they are undergoing change and offer strong growth patterns. The management team and network enable Enterprise to know the market and to understand the trends that affect investment opportunities. This focused approach enables Enterprise to make more intelligent investment decisions and manage progress more successfully.



Highgate Associates

Highgate Associates was established in 2001 by Andrew Muir and Ken Nelson, each having over 25 successful years dedicated to starting and building technology companies globally.

Andrew Muir and Ken Nelson co-chair the Fund Investment Committee and work closely with Enterprise in allocating EIS Funds to the investee companies and managing the Fund investments. Highgate's senior Financial Director, Henk Nieuwenhuizen, oversees all investments made by the Fund to ensure proper accounting and disclosures.

Highgate deploys a very focussed hands-on approach to the Highgate Tech Fund 2 EIS investments, taking board positions and active roles in guiding, mentoring and counselling the management teams within the investee companies. This "bare hands" approach brings added value and synergies to the company management teams. Of particular focus is close scrutiny of the exit strategy and opportunities for returns to Investors that may arise during the company's investment period.

Management Team



Andrew Muir **Co-Chairman of Fund Board and Co-Chair of the Investment Committee**

Muir is a software engineer turned businessman, with more than 25 years of executive and general management experience in the computer software and services sector. He has held numerous high-profile business roles that have focused on spearheading major international sales and marketing initiatives for US-based corporations, as well as the development of global strategic partnerships. He is a specialist in start-ups, turnarounds and delivering rapid profitable growth.

As International Managing Director of Vocus (NASDAQ: VOCS), the leading SaaS business for the PR industry, he founded the international operation in London and grew it from a standing start to a \$multi million business with offices in the UK, Germany, Thailand and Hong Kong and with clients around the world. As part of the US management team he played a key role in the growth of what is now a \$100M plus listed business, outside the USA, and was actively involved in bringing the company to a highly successful IPO.

Prior to Vocus, Muir founded Cyveillance International, the brand and reputation management software company as a subsidiary of the USA parent and built sales and operations both direct and indirect, around the world. He has been a frequent speaker at industry events on the subject of the internet and brand management. He is also widely quoted in the national, trade and business press, including CNN, BBC, The London Times, FT, New Media Age, .Net, Brand Strategy, Revolution magazine and Silicon.com, among others.

During the course of his career, Muir has founded and run a number of software and service companies and has been responsible for their significant growth. In the mid 90's, he served as Managing Director for Isogon International Ltd. in the UK, a New York-based enterprise software and services company and grew the business globally through a combination of direct and indirect sales. Prior to that, he founded Logistics Solutions Ltd., an IBM AS/400 based software and services company located in Hong Kong. Muir expanded operations throughout the Asia Pacific region, supplying logistics and distribution software and services to some of the largest trading and retail companies in the Far East.

During the 80's Muir sat on the distribution group board of the UK public company Suter plc and played a key role in its growth from a US\$20Million operation in to a US\$1Billion world-wide mini-conglomerate. He also sat on the boards of a number of subsidiaries and was a member of the executive team responsible for strategic acquisitions and the turnarounds of under-performing group companies.

Muir studied computer science at Coventry University, speaks several languages, and resides in London.



Kenneth Nelson
Co-Chairman of Fund Board and Co-Chair of the Investment Committee

Nelson brings a unique combination of senior-level operational and financial expertise and investment experience.

He is a seasoned corporate executive, with a background of over 30 years in international finance and operations. Nelson's strong history in structuring corporate financial offerings, including IPO's and various debt and equity instruments, resulted in raising over \$1 billion dollars in public and private financings, and orchestrating over 100 mergers and acquisitions.

Since 2001, Nelson has been engaged by companies to actively build their businesses and ultimately effect a sale transaction for them. He recently acted as President of Wavelight Inc., a subsidiary of a \$200Million medical technology company (listed on the German Xetra) which was sold to Alcon Laboratories in 2008. He was responsible for the entire US operations and was responsible for integrating the firms after the acquisition. Earlier in 2007, Nelson was brought in to sell Digital Harbor Inc; a software technology firm (venture backed) which was sold in mid-2007 to an Irish based company.

Prior to that, he was engaged as CFO and SVP operations at NexTone Communications, a telecom software firm in the VoIP marketplace. Nelson was instrumental in building the company from its infancy to over \$40m in sales. He created an international organization, and raised over \$80million in financing for the company. NexTone was merged into Reef Point systems and then sold to GenBand.

Nelson was CFO at Cyveillance Inc., a Washington DC based e-business Intelligence Company. In this role, he helped build the company by raising \$50 million in venture capital and bank financings and growing sales over 400% in 12 months. He served as Acting Chief Operating Officer and a member of the Office of the President. Nelson oversaw the growth of the company from 12 employees to over 150 in less than 12 months.

He has completed several major corporate restructurings and over 50 trade sales of private and public technology companies over the past 30 years.

Management Team



Henk Nieuwenhuizen **Member of the Investment Committee**

Nieuwenhuizen is an experienced executive, with a background of over 25 years in international finance and operations. He has significant expertise in the areas of corporate finance, accounting, audit, tax, personnel and administration. Nieuwenhuizen has started several successful European operations for US software and technology companies over the last 25 years. His detailed knowledge of IFRS and UK and US GAAP accounting methods serves him uniquely in the global marketplace in which he works.

Nieuwenhuizen started Highgate Associates BV, in 2008, focused on the European marketplace. Highgate's new office in the Netherlands supplements existing offices in London and Washington. He has been actively involved in restructurings for technology and service companies private markets. He has been involved in setting up and operating new distribution channels throughout Europe, the Mid-East and Asia.

Since 1993, Nieuwenhuizen has been engaged by companies to actively build their businesses in Europe.

Nieuwenhuizen was engaged as Finance Director - EMEA at NexTone Communications, a telecom software firm in the VoIP marketplace, in 2005. He was instrumental in helping build the company international activities from its infancy to over \$40m in sales. He created an international organization and was a board member of the companies European subsidiaries. NexTone was merged into Reef Point systems and then sold to GenBand in late 2008.

From 1999 until 2005, Nieuwenhuizen was Finance Director - EMEA at webMethods, a Washington DC based technology company that went public on the NASDAQ in 2000. In this role, he helped build the company international operations from 1 person to over 140 in the first 2 years. He was responsible for all Finance, Administration, IT, Legal and Human Resources functions.

Prior to that Nieuwenhuizen was Financial Director of Descartes Systems Group, which acquired ROADSHOW International in 1996, where he was Financial Director of International Operations. Nieuwenhuizen was responsible for setting up the international operations in some 15 countries and ran all the finance, accounting and administrative functions for the subsidiaries from 1993. In addition, several operating groups of the company reported to him.

From 1986 until 1993, he was Financial Controller in Benelux for Tandon Computers. There Nieuwenhuizen was in charge of all financial accounting and administration activities. His work in the restructuring of Tandon has given him a unique view point of taking companies through recovery and reorganisation.

Nieuwenhuizen's strong history in starting and growing technology companies, and structuring corporate merger and acquisition transactions, allows him to bring strategic focus to his detailed abilities to run the day to day operations of any venture.



Susan Phillips

Fund Board and Investment Committee member

Phillips founded Enterprise Corporate Finance Limited in 1992 and has a track record in corporate finance, specialising in development capital in the sub-£5m market.

To assist with fund-raising exercises for SMEs, she has become an acknowledged expert in the EIS and is a Director and Council member of the EISA, the official trade body for the EIS (see www.eisa.org.uk) and acts as its Director General. The objective is to promulgate investment activity in the SME marketplace, an activity which dovetails with advisory and investment management activities in this area.

Her sector skills are broadly based, as are the businesses with which she works although she has in-depth experience in financial services, media, leisure, retailing, environmental/ethical investments and certain types of technology.

In 1988/89, she was a key party in an MBO team backed by Merchant Navy Pension Fund/Ensign Trust to acquire an investment management company to establish the UK's first independent PEP provider with a range of innovative products, including a guaranteed PEP. The company was subsequently sold to Abtrust, now Aberdeen Prolific with a full product range and funds under management. Phillips' earlier career commenced with a legal background within Burberrys, a subsidiary of GUS plc - a diverse role encompassing legal, intellectual property, human resources, property, insurance, litigation and corporate administration, followed by a move into sales and marketing, predominantly investment related.

Further specialists and members will be appointed to both the Fund Board and Investment Committee in line with the size of the Fund.

The Fund Management Process

The Board will:

- Unanimously approve every investment purchase or sale prior to the transaction being agreed
- Report to the Fund's Investors
- Liaise with active Investors on a regular basis to review and report performance
- Appoint specialists such as investment, legal, accountancy and technical professionals
- Monitor portfolio balance and exit to Investors
- Manage the winding up of the Fund

The Investment Committee will:

- Source investment propositions
- Research investment proposals and carry out due diligence involving relevant active investors as appropriate
- Prepare investment recommendations to the Fund Board
- Negotiate terms of investment
- Monitor performance of investment and report to the Board

Investment Criteria

Investment Size and Spread

The minimum Fund size will be £500,000, with a maximum size of £10 million. The Fund management will focus on the quality of investment opportunities rather than adhere to a strict investment limit. The Investment Committee will aim to achieve a spread of investments across the portfolio commensurate with the overall fund size.

Investment Timing/Closing Date

In accordance with the Fund's technical status, tax relief is granted when the individual investments are made and shares are issued to Investors. The closings of the Fund will take place on 31st January 2011, 5th April 2011, with the final close taking place on the 31st July 2011, unless the Board recommends an extension.

Primary Criteria

Without exception, the experience of the Investment Committee members over the extent of their respective investment histories demonstrates that there is one outstanding factor that 'makes or breaks' a successful investment – the management. The Fund will invest in companies that have strong, motivated and cohesive management teams with the appropriate skills set to deliver the business plan. Where there is a lack of skill, for example, a Finance Director or a need for sales resource, the Fund will appoint suitably experienced individuals who can add value to the investee company.

Stage of Investment

The Investment Committee will be seeking investment opportunities in companies looking for additional development and growth capital, although they will consider exceptional situations provided that these can demonstrate real potential for revenue or a unique market opportunity.

Additionally, the Investment Committee will be looking at companies which offer the opportunity to expand internationally, outside the UK, utilising many of the strengths, contacts and experience that Highgate professionals possess in order to ramp up the success of the business.

Exit Strategy

Investee companies must be able to demonstrate that there is a clear route for exit. Whilst future developments cannot be controlled in advance, it is important that there is a strategy in place at the outset to deliver returns to Investors. The aim will be to distribute returns to Investors within a 3-5 year period, which may, in exceptional circumstances, be extended to 4 - 7 years in order to maximise exit values.

Exit before completion of the three year EIS qualifying period would prejudice the available tax reliefs so the Fund Board will not normally contemplate exit before this period has expired. The Fund rules do not allow Investors to require the Fund management to sell individual investments although they have the option to terminate their Investor's Agreement. Again, tax reliefs will be prejudiced if shares are sold before the expiry of the relevant three year qualifying period.

Between completion of the three year EIS qualifying period and the expiry of five years, the Fund management intends to distribute cash proceeds to Investors in line with six-monthly reporting. Thereafter, the Fund may be extended for up to two years in order to maximise returns to Investors. The Fund management offers a roll-over option into subsequent funds according to circumstances at the time.

Costs/Management Charges/Performance Fees

NO FEES TO INVESTORS - 100% / 100% Rule

The Highgate Tech Fund 2 is an Investor Fee Free Fund. Investors are not charged any fees what so ever. This unique advantage allows investors to realise 100% of the EIS tax advantages and to have 100% of their investment actually put to work earning returns.

Overview

Highgate deploys a unique charging structure since the management team believes that their rewards should be in line with the successful delivery of results to Investors. In contrast to many EIS and similar funds, investors receive their tax reliefs based on the full value of their investment, not after the deduction of costs and VAT, so 100% of their investment is earning returns.

Performance Fee

Highgate do not charge management salaries or fees. The management return is achieved through participation in a performance fee aligned to investor returns. After the Investor has received an annualised return of 6% on their gross investment, the performance fee will be equivalent to 25% of Investor profits with the balance of 75% being distributed to Investors.

Investee Company Service Charge

6.5% of the total investment made and an annual charge of 2.25% (exclusive of VAT and paid quarterly in arrears) will be invoiced to the investee company. These charges cover the costs of legal, due diligence, EIS applications and compliance filings of the investment process. Highgate will normally supply additional resource such as marketing, PR, financial accounting etc. as the individual company requires. Highgate reserves the right to charge investee companies on commercial terms for services which are agreed to.

Introductory Comissions

Introductory comissions to authorised intermediaries are available and they should contact the Investment Advisor on 020 8785 5758 with their details and for confirmation of terms.

Terms of the Fund

Maximum Fund Size: £10m¹

Minimum Individual Investment: £5,000

Maximum Individual Investment: Unlimited²

Closing Dates: First closing date: 1st January 2011
Second closing date 4th April 2011
Final closing date 31st July 2011³

Life of Fund: 4 - 5 years, extendible to 7 years

¹The Fund management reserves the right to increase the fund size at its discretion

²Please note that the maximum eligible for full EIS Relief is £500,000 per tax year per individual. Joint applications are not allowed but spouse applicants each have their own individual allowance

³The Fund management reserves the right to close the fund at any time prior to the closing date at its discretion

Other Information

Individual Investors are the beneficial owners of the shares selected by the Fund for both legal and taxation purposes. For administrative purposes, the shares are registered with the Fund Administrator which is appointed as proxy for the Investor, being the legal and beneficial owner, to vote on their behalf and to instruct the disposal of the shares.

The Fund Administrator will also apply for the relevant EIS certificates for Investors to claim their tax reliefs, which must be submitted to the Investor's own Tax Inspector and is the responsibility of the Investor, not the Fund management. The certificate stating and confirming the EIS Relief obtainable by an Investor is on Form EIS 3 issued by the Fund Administrator after each Investment in an EIS Qualifying Company. An Investor cannot obtain EIS Relief regarding investment in companies within the Fund without the Form EIS 3. The latest date on which an Investor can claim EIS Relief is five years after 31 January following the tax year to which the claim relates.

Risk Factors

- Past performance of the Fund management is no guarantee of future performance. The value of shares in any investee companies may go down as well as up and Investors may not get back the full amount invested. Investors should not consider investing unless they can afford a total loss of their investment.
- The companies in which the Fund will invest will generally have no listing or quotation on any recognised stock exchange, although they may have or acquire a quotation on AIM or PLUS Markets or other trading platform. Therefore, there may not be a recognised or active market for the shares of investee companies and it may be difficult to sell or realise the investment or obtain reliable information about its value. Investors should not consider investing funds which are, or may be required during the life of the Fund.
- Investee companies will often be relatively small and highly dependent on the skills of a small group of key executives.
- Investee companies will often be especially vulnerable to changes in technology, government actions, changes in statute and competitive pressures. In particular, there may be changes to the EIS legislation which may affect Investor's tax positions.
- Minority holdings in unquoted investments may be difficult to protect and difficult to realise. The timing of realisations of investments by the Fund cannot therefore be predicted.
- The tax reliefs referred to in this Information Memorandum are those currently applying or expected to apply. However, Investors should be aware that tax reliefs can change. Their applicability and value will depend upon the individual circumstances of a given Investor, and Investors should seek their own independent professional advice on their particular tax situation and the application of such tax reliefs prior to making an investment in the Fund.
- It is the intent of the Fund Board and Investment Committee to invest in companies which qualify under the EIS legislation but there is no guarantee that EIS status can be maintained throughout the life of the investment. Both investee companies and Investors need to comply with the requirements of the EIS legislation in order to maintain EIS Relief and non-compliance may result in the loss or partial claw-back of EIS Relief and potential interest penalties.
- Shares in companies which qualify under the EIS legislation will normally qualify for Business Property Relief for Inheritance Tax purposes. In order to secure this relief Investors must retain their shareholding in an investee company for a minimum of two years. The Fund Board and Investment Committee intend to invest in companies which qualify for both EIS relief and Business Property Relief.

- In addition, actions taken by an investee company and its Board, whether in breach of any undertakings given to the Fund on subscription or otherwise may result in the loss of the investee company's qualifying status, and the consequent loss of CGT/EIS Reliefs for Investors on that subscription.
- Future government actions and legislation including taxation policy may affect the performance of the Fund and the return to Investors.
- In order to avoid any claw-back of EIS income tax relief, Investors must retain their shareholding in an investee company for a minimum of three years. Whilst the Fund management will do their best to maintain EIS tax reliefs, this cannot be guaranteed. The Fund management may dispose of Fund investments within three years where it considers it in the best interests of Investors as a whole to do so, which may result in the loss or partial claw-back of CGT/EIS Relief. IHT shares generally need to be held for a minimum of 2 years and disposal will result in the proceeds falling back into the estate for IHT assessment if disposed within the 2 year period.
- Following a listing of an investee company's shares on the London Stock Exchange, Business Property Relief for Inheritance Tax purposes will cease.
- EIS Qualifying Companies are usually at early stages in their development and as such may represent a higher risk than the average company profile invested in by British Venture Capital Association firms.
- The Fund Board and Investment Committee aim to invest funds promptly in order to obtain EIS tax certificates for investors on a timely basis. However, investee companies may not be suitable under due diligence and no guarantee can be given as to Investors being able to obtain tax relief in the current year. Although it should be noted that Investors may carry back their investment to the previous tax year preceeding the date of share issuance.

Frequently Asked Questions

To read a list of frequently asked questions please go to www.highgatetechfund.com/faq



APPENDIX 1

EIS Tax Relief and Rules

EIS tax relief comprises (i) income tax relief, (ii) capital gains tax deferral relief for subscriptions, (iii) capital gains tax exemption, (iv) loss relief and (v) inheritance tax relief. The reliefs, described below, which must be claimed, are available provided the Investor and the EIS Qualifying Company comply with the EIS legislation.

Income Tax Relief

EIS income tax relief allows investors who are not connected with the EIS Qualifying Company to reduce the amount of their liability to income tax, provided they hold the EIS shares for a three-year period. Employees, paid Directors and investors with more than a 30% interest in the company are deemed connected with it. Income tax relief is available to individuals (counting husbands and wives separately) in respect of the amount subscribed for eligible shares in an EIS Qualifying Company at the lower rate of income tax, which is currently 20%, on a maximum of £500,000 for any one tax year. The Investor has the right, in respect of each separate investment, to elect to carry back the full amount of the relief subject to a maximum of £500,000 and apply it to the previous year. This Relief is usually either passed to the Investor in the form of a tax rebate or via an adjustment in PAYE code.

Example

Initial Investment	£50,000
Less income tax relief at 20%	£(10,000)
Net cost of Investment	£40,000

Capital Gains Tax Deferral Relief for Subscriptions

Where an individual has a chargeable capital gain, a claim may be made to defer the assessment of that chargeable gain, or any part of it, which arises within the period of three years before or one year after an investment has been made in an EIS Qualifying Company. The amount of gains that may be deferred is subject to no maximum and is limited only by the amount subscribed in the EIS Qualifying Company. Gains may be deferred until the shares are disposed of or, if earlier, until certain other events occur. A gain may become payable again once the shares in the EIS Qualifying Company have been sold.

Example

Initial Investment	£50,000
Income Tax Relief	£(10,000)
Capital Gains Deferral	£(14,000)
Net cost of Investment	£26,000

Capital Gains Tax Exemption

There is no CGT payable on gains in respect of Investments made in an EIS Qualifying Company (on which EIS Relief has been obtained and not withdrawn) where the investments have been held for at least three years from the date of subscription or from the date of commencement of the EIS Qualifying Company's trade if later.

Example

Realised value of Investment after 3 years	£80,000
Less initial Investment	£(50,000)
Tax Free Gain	£30,000

After Tax:

Realised value of Investment after 3 years	£80,000
Less initial Investment	£(50,000)
Tax Free Gain	£30,000
Add income tax refund (20%)	£10,000
Total Tax Free Cash Returned	£90,000
Net Tax Free Cash Gain	£40,000

Loss Relief

If any investment in an EIS Qualifying Company realises capital losses, then loss relief applies (net of initial income tax relief). This loss can be offset against income tax of the same year or a preceding one, or against capital gains of the same year or carried forward. Loss relief can reduce the Investor's exposure to 48% of the original investment, (assuming a 40% tax payer offsetting against income tax relief) or 40% with effect from 6th April 2010 (assuming a 50% tax payer offsetting against income tax relief). Losses offset against capital gains tax will obtain relief at 28% for the tax year 2010/11 and at the prevailing rate in subsequent years.

Example

Initial Investment	£50,000
Less income tax relief at 20%	£(10,000)
Net cost of Investment	£40,000
If Investment fell to £0, Net loss	£(40,000)
Loss relief at 40%	£16,000
Net loss	£(24,000)
Percentage of Original Outlay	48%

EIS AND INHERITANCE TAX RELIEFS SUMMARY

Shareholdings in EIS Qualifying Companies may fall outside of Inheritance Tax (IHT) after two years due to the interaction with Business Property Relief. This enables potentially significant holdings to be preserved without being taxed. The current exempt level for IHT is £325,000 with any excess being taxed at 40%. The following is a summary of the main provisions of Business Property Relief for Inheritance Tax; it does not set them out in full and Investors should seek professional advice before making any investment to ensure the availability of the relief.

Inheritance Tax Total Relief

If the investment has been held for at least two years before death, the investment should, in most cases, be entirely free from Inheritance Tax and with the other benefits of the EIS, the effective cost of investment may be reduced to zero.

Example

Initial Investment	£50,000
Less income tax relief at 20%	£(10,000)
Capital Gains Tax Deferral	£(20,000)
IHT relief @ 40%	£(20,000)
Net cost of investment	£0

Basic Rules

Relief is available for transfers of certain categories of business and of business assets ("relevant business property"), if they qualify as "relevant business property" and the transferor has owned them for a minimum period. The relief is available for transfers in life and on death. It is also available when relevant business property is chargeable as settled property. The relief reduces the value transferred by a transfer of relevant business property.

Relevant Rates of Relief

The rate is 100% for shares which are not listed on a recognised exchange ("unquoted shares") and/or traded on AIM or PLUS Markets. Relief may be restricted, though, if at the time of the transfer the company owns an asset that is not required for use in the business.

This section is only a condensed summary and should not be construed as constituting advice, which a potential investor should obtain from his own independent investment or taxation adviser before applying for shares in the Fund. None of the Fund's Board, Investment Adviser, Investment Partner or the advisers to the Fund can guarantee that an Investor will obtain any of the tax reliefs described above.

APPENDIX 2

Investor Agreement

This Investor Agreement (the “Agreement”) sets out the terms and conditions for the Highgate Tech Fund established for the Closing Date specified in the Application Form to which this is attached and on acceptance of an Investors Application form by the Investment Adviser will constitute a binding agreement between such Investor and the Fund Providers. If you invest in more than one Fund, should further Funds be introduced in the future, these terms and conditions apply separately to your investment in each such Fund and each will constitute a “Portfolio”.

1. Definitions

1.1 The following terms shall have the following meanings in this Agreement:

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 and 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 References to the singular only shall include the plural and vice versa.

1.5 Unless otherwise indicated, references to Clauses shall be to Clauses in this Agreement.

1.6 Headings to Clauses are for convenience only and shall not affect the interpretation of this Agreement.



the Act	Financial Services and Markets Act 2000;
Administrator	Enterprise Administration Limited or such other Administrator as may be appointed;
Applicable Laws	all relevant UK laws, regulations and rules, including those of any Government or of the FSA;
Application Form	an application form to invest in the Fund completed by the Investor in the form provided by the Investment Adviser;
Closing Date	in respect of the Fund, the date on which final Subscription may be made by an Investor to the Fund, which shall be a date determined and notified by the Investment Adviser;
Cost of Investments	in respect of the Fund, the amounts of the Subscriptions which are invested in Investments for the Fund;
EIS	the Enterprise Investment Scheme as set out in current legislation;
EIS Qualifying Company	a company which is a qualifying company for the purposes of EIS;
EIS Relief	relief from income tax under EIS;
FSA Rules	the rules contained in the FSA's Handbook of Rules and Guidance;
FSA	Financial Services Authority;
Fund	The Highgate Tech Fund 2 which describes a number of separate investment management arrangements for Investors each being provided pursuant to an agreement in the form of this Agreement, with aggregation of investment in EIS Qualifying Companies;
Fund Board	Such members of Enterprise and/or Highgate as shall be appointed from time to time in order to oversee the activities of the investment committee and vote with regard to investments;
Fund Provider(s)	the Investment Partner, the Investment Adviser and the Administrator or any of them as appropriate;
Investment	an investment acquired for the Fund;
Investment Adviser	Enterprise Corporate Finance Limited, which is authorised and regulated by the FSA, or such other Investment Adviser as may be appointed;
Investment Committee	Such members as shall be deemed to be appropriate by the Fund Board to review and monitor investee companies from time to time;
Investment Partner	Highgate Associates;
Investment Objective	the investment objective for the Fund as set out in paragraph 1 of Schedule 1 to this Agreement;
Investment Restrictions	the investment restrictions for the Fund as set out in paragraph 2 of Schedule 1 to this Agreement;
Investor	a person whose Application Form is accepted and who becomes an investor in the Fund;
IPO	Initial Public Offer;
Portfolio	the investments made through the Fund which are allotted to the Investor;
Readily Realisable Investment	a Government or public security denominated in the currency of its issuer or any other security which is: <ul style="list-style-type: none"> - 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 categories above when it begins to be traded, but for the avoidance of doubt excluding any security which is traded on AIM, PLUS Markets or Sharemark or is unquoted.
Services	The services provided under Clause 4 of this Agreement;
Subscription	a subscription to the Fund pursuant to Clause 3 of this Agreement;
Tax Advantages	the various tax advantages, including EIS Relief, arising from subscriptions for shares in EIS Qualifying Companies;
Taxes Act	the Income Taxes Act 2007.

2. Investing in the HG Tech Fund 2

2.1 By signing the declaration contained in the Application Form, the Investor agrees to be bound by the terms and conditions of this Agreement.

2.2 This Agreement enables the Investor to invest in the Highgate Tech Fund 2 for which the Investor submits a valid Application Form which is accepted by the Investment Adviser, with related Subscriptions.

2.3 In respect of the Fund for which the Investor submits an Application Form which is accepted and to which the Investor makes Subscriptions, the Investor hereby appoints the Investment Adviser to fulfil its role in managing the Portfolio for the Investor on the terms set out in this Agreement. The Investment Adviser agrees to accept its appointment and obligations on the terms set out in this Agreement.

2.4 The Investment Adviser is regulated by the FSA. The Investor is classified as an intermediate customer.

2.5 Under the terms of this Agreement, the Investor has the right to cancel the product or service to which this Agreement applies, for a period of up to 14 days from the day on which the Investment Adviser accepts the Investor's Application Form. The right to cancel will not be applied to any transactions undertaken during the cancellation period, where the price of the relevant investment depends on fluctuations in the financial marketplace outside of the Investment Adviser's control. In order to cancel the product or service the Investor must ensure that their written instructions to cancel are dispatched to the Administrator before the expiry of the 14 day cancellation period.

3. Subscriptions

3.1 In respect of The Fund:

(a) The Investor shall make a Subscription of not less than £5,000 at the same time as submitting his Application Form to invest in the Fund. There is no maximum subscription but EIS Relief is limited to £500,000 in any one tax year, although this may be carried back to a previous tax year to the extent of unused EIS Relief.

(b) The Investor may make further Subscriptions to the Fund up to and including the Closing Date for the Fund. The total Subscriptions made to the Fund by the Investor shall be the initial value of the Investor's Portfolio; and

(c) The Investor may not make any Subscription after the Closing Date.

3.2 The Investor may make a withdrawal from the Fund's Portfolio, or terminate the Agreement pursuant to Clause 15 below. In the case of there being excess Subscriptions to the Fund which cannot be invested within twelve months, the Investor's share of the Surplus (as hereinafter defined) will be returned to the Investor. The Surplus means such total amount less any charge incurred that the Fund has not invested at the end of the initial twelve months.

3.3 The Administrator shall deposit Subscriptions received in an interest bearing client account pursuant to Clause 7 pending their investment.

3.4 The Investment Adviser reserves the right not to proceed with the Fund if the aggregate subscription is less than £500,000.

4. Services

4.1 The Investment Adviser will manage the Fund as from the relevant Closing Date on the terms set out in this Agreement. The Investment Adviser will exercise all discretionary powers in relation to the selection of, or exercising rights relating to, Investments of the Fund on the terms set out in this Agreement.

4.2 The Investment Adviser shall not, however, except as expressly provided in this Agreement or unless otherwise authorised, have any authority to act on behalf of, or in respect of, the Investor or to act as the agent of the Investor.

5. Investment Objectives and Restrictions

5.1 In performing its respective Services, the Investment Adviser shall have regard to and shall comply with, the Investment Objective and the Investment Restrictions.

5.2 In performing its Services, the Investment Adviser shall at all times have regard to:

- (a) the need for the Fund to attract the Tax Advantages, and
- (b) all Applicable Laws;

5.3 Generally, the Investment Adviser reserves the right to return uninvested cash if it concludes that it cannot be properly invested for the Investor and it considers it to be in the best interests of the Investor having regard to availability of EIS Relief for the Investor.

5.4 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 government securities or in other investments of a similar risk profile.

6. Terms Applicable to Dealing

6.1 In effecting transactions for the Fund, the Investment Adviser will act in accordance with the FSA Rules and will ensure that best execution is sought at all times and deals are made on such markets and exchanges and with such counterparties as the Investment Adviser thinks fit.

6.2 Where relevant, it is agreed that all transactions will be effected in accordance with the rules and regulations of the relevant market or exchange and they shall take all such steps as may be required or permitted by such rules and regulations and/or by good market practice. All transactions in Investments will be subject to the rules and customs of the exchange or market and/or clearing house through which the 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.

The Investor acknowledges that the Portfolio will be invested in range of unlisted securities and, although some may be traded on AIM, PLUS Markets or Sharemark, there is generally no relevant market or exchange and consequent rules and customs and there will be varying practices for different securities. Transactions in shares of such securities will be effected on the best commercial terms which can be secured.

6.3 Subject to the FSA Rules, transactions for the Portfolio may be aggregated with those of other customers, and of the Fund Providers' employees and associates and their employees. In particular, but without prejudice to the generality of the foregoing, the transactions in Investments for Investors in the Fund will be aggregated. 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, including the Investor, but the Investor acknowledges that the effect of aggregation may work on some occasions to the Investor's disadvantage.

6.4 Where deals are aggregated with those for other Investors in the Fund, the Investment Adviser shall

have absolute discretion as to the number of shares in an EIS Qualifying Company held as an Investment for the Fund allocated to the Investor, provided that Investors shall not have fractions of shares. Minor variations may be allowed to prevent Investors having fractions of shares but only in circumstances in which there can be minor variations. Entitlement to shares will be to the nearest whole share rounded down and the aggregate of fraction entitlements may be held by the Administrator for the Investment Adviser. Certain categories of professional persons may be excluded from any Investments to which they or their employer are connected with. In such event, their investment in such Investment will be redistributed across all other Investors as equitably as practically possible, and an equivalent cash amount will be re-credited to their Fund Portfolio.

6.5 The Investment Adviser 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.

6.6 Proceeds of a sale of an Investment are only payable to a Portfolio and Investments receivable by the Portfolio when settlement with the market is effected in full. Where settlement with a relevant counterparty in respect of a transaction is not effected in full, the Investor will, as against all other Investors in the Fund whose transactions were effected for settlement with the relevant counterparty:

- (a) if purchasing Investments, be entitled to Investments actually delivered by the relevant counterparty and thereafter to a cash sum from the client settlement bank account equal to the whole or relevant part of the sum debited to the account in respect of the relevant Investments; and
- (b) if selling Investments, be entitled to cash actually paid to such relevant counterparty and thereafter to Investments held by the Administrator in the nominal value of the bargain made for the Investor.

7. Custody

7.1 The Administrator will be responsible for the safe keeping of Investments and cash comprised in the Fund, including the settlement of transactions, collection of income and the effecting of other administrative actions in relation to the Investments.

7.2 Investments will be registered in the name of the Investor and will therefore be beneficially owned by the Investor at all times but the Administrator has by virtue of this Agreement the Investor's proxy to vote on the Investor's behalf and to instruct the acquisition and disposal of the investments.

7.3 The Administrator will hold any title documents or documents evidencing title to the Investments with the exception of share certificates which will be sent to the Investor. Individual customer entitlements will not be identifiable by separate certificate or other physical document of title or external electronic record. In the event of an unreconcilable shortfall in the event of a default of the Administrator, customers may share in that shortfall pro-rata. On occasion, investments may be used to settle another person's transaction, which will not affect the Administrator's record of Investor entitlements. The Administrator may deliver or accept delivery of certificates. The Administrator accepts responsibility for holdings in the name of the Investor. The Administrator holds the investments pursuant to a trust under which the interests of customers are created or extinguished when an Investor makes acquisitions or disposals in accordance with this Agreement.

7.4 Investments or title documents may not be lent to a third party and nor may there be any borrowing against the security of the Investments or such documents.

7.5 An Investment may be realised in order to discharge an obligation of the Investor under this Agreement, for example in relation to payment of fees, costs and expenses related to this Agreement.

7.6 The Administrator will arrange for the Investment Adviser to receive details of any meetings of shareholders in Investments and any other important information issued to shareholders in Investments.

The Investment Adviser may apply to the Administrator for a proxy directing how any voting rights are to be exercised by the Administrator in respect of an Investment. In the case of variations in the share capital, receipts of a notice of conversion or proposal to wind-up, amalgamate or takeover a company whose Investments are held for an Investor:

- A bonus or capitalisation issue will be automatically credited to the Investor's holding;
 - Otherwise (where appropriate) the Investment Adviser will be sent a summary of the proposal and the required action to be taken (if any);
 - If, on a rights issue, no instruction is received from the Investment Adviser, the Administrator will allow the rights to lapse. Lapsed proceeds in excess of £3 will be credited to the Portfolio. Sums less than this will be retained for the benefit of the Administrator;
- All offers will be accepted upon going unconditional. Entitlement to shares will be to the nearest whole share, rounded up or down, and the aggregate of fractional entitlements may be held by the Administrator for the Administrator.

If partly paid shares held for the Portfolio are the subject of a call for any due balance and no instruction is received, the Administrator may sell sufficient of the Investments to meet the call.

Where instructions are sought from the Investment Adviser, the Administrator will (other than as referred to above or in accordance with any other notified procedure) only act if instructions are received and in accordance with them.

7.7 The Investment Adviser is responsible for complying with all requirements under the Takeover Code to notify the FSA and the Takeover Panel of dealings in relevant shares during a takeover or merger.

7.8 On behalf of the Administrator, Edwin Coe LLP, will hold cash subscribed by the Investor in accordance with the Solicitors'Accounts Rules of the Solicitors' Regulation Authority. Such cash balance will be deposited with an authorised banking institution in the name of Edwin Coe LLP for the account of the Administrator. The Administrator may debit or credit the account for all sums payable by or to the Investor (including dividends receivable in cash and fees and other amounts payable under the Investment Agreement) and make adjustments:

- in respect of sums received by the Investor otherwise than as a result of credits properly made to the account initiated by the Administrator under the Investor's Agreement;
 - or in respect of the settlement of Investments.
- Share dividends shall not be receivable under this Agreement otherwise than in cash. Interest will be payable on credit balances in the bank account at rates published by the Administrator, which shall be Royal Bank of Scotland plc's base rate from time to time. Where the Investor forwards a cheque to the Administrator for credit to his account, no interest will be credited until the cheque is cleared.

7.9 The Administrator may decide to cease to treat as client money any unclaimed cash of the Portfolio if there has been no movement in the balance in the bank account in a period of six years (notwithstanding any payments or receipts of charges, interest or similar items) and the Administrator has taken reasonable steps to contact the Investor and to return the balance.

7.10 Interest on cash balances may be credited against any fee or commission payable under the Investment Agreement.

8. Reports and Information

8.1 The Investment Adviser shall send the Investor a report relating to the Fund, complying with the FSA Rules, every six months, in respect of the periods ending on 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.

8.2 Details of dividends which are received in respect of the Investments will be provided in respect of each tax year ending 5 April and appropriate statements sent to the Investor.

8.3 Share certificates will be provided for each transaction for the Investor's Portfolio.

8.4 The Investment Adviser and the Administrator shall supply such further information which is in its possession or under its control as the Investor may reasonably request as soon as reasonably practicable after receipt of such request.

8.5 Any statements, reports or information so provided by the Investment Adviser to the Investor will state the basis of any valuations of Investments provided.

9. Fees and Expenses

The Fund Providers shall receive fees for their respective Services, and reimbursements of costs and expenses, as set out in Schedule 2 to this Agreement.

10. Management and administration obligations

10.1 The Fund Providers shall 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, efficiently and in compliance with the FSA Rules.

10.2 Except as disclosed in any Information Memorandum issued in relation to the Fund and as otherwise provided in this Agreement (for example on early termination), the Fund Providers shall not take any action which may prejudice the tax position of the Investor insofar as they are aware of the relevant circumstances, and in particular which may prejudice obtaining the Tax Advantages for the Fund Investments.

11. Obligations of the Investor

11.1 The Fund established by this Agreement is set up on the basis of the declaration made by the Investor in his Application Form which includes the following statements by the Investor in relation to his Portfolio of the Fund:

(a) the fact as to whether or not the Investor wishes to seek EIS Relief for the Investments;

(b) that he agrees to notify the Investment Adviser if any Investment by the Fund in any company is in a company with which the Investor is connected, in which case, his Investment in such company will be redistributed across all other Investors as equitably as practically possible, and an equivalent cash amount will be re-credited to his Fund Portfolio;

(c) that he agrees to notify the Investment Adviser if, within three years of the date of issue of shares in an EIS Qualifying Company which are an Investment, the Investor becomes connected with the company or receives value from such company; and

(d) the Investor's tax district, tax reference number and National Insurance number.

The Investor confirms that the information stated in the Application Form in these (and all other) respects is true and accurate as at the date of this Agreement.

11.2 The Investor agrees immediately to inform the Investment Adviser 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.

11.3 In addition, the Investor agrees to provide the Investment Adviser with any information which it reasonably requests for the purposes of managing the Fund pursuant to the terms of this Agreement.

11.4 The Investment Adviser shall promptly notify the other Fund Providers of information provided under this clause as appropriate.

12. Delegation and Assignment

A Fund Provider may, where reasonable, employ agents, including associates, to perform any administrative, custodial or ancillary services to assist the Investment Adviser 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 Provider under the terms of this Agreement.

13. Potential Conflicts of Interest and Disclosure

13.1 Each of the Fund Providers may provide similar services or any other services whatsoever to any other customer and they shall not in any circumstance be required to account to the Investor for any profits earned in connection therewith. So far as is deemed practicable they will use all reasonable endeavours to ensure fair treatment as between the Investor and other customers in compliance with the FSA Rules.

13.2 The Fund Providers, and any Associate may, subject to the overriding principle of suitability and Best Execution and in accordance with the FSA Rules, and without prior reference to the Investor, 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 the Investor. Neither of them, nor any Associate, shall be liable to account to the Investor 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) they 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 in the Fund;
- (b) they may take an equity stake in a company whose securities are held in the Fund;
- (c) they or an Associate provides investment services for other customers;
- (d) any of their Directors or employees, or those of an Associate, is or may become a Director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of the Fund;
- (e) the transaction is in securities issued by an Associate or the customer of an Associate;

- (f) the transaction is in relation to an Investment in respect of which they or an Associate may benefit from a commission or fee payable otherwise than by the Investor and/or they or an Associate may also be remunerated by the counterparty to any such transaction;
- (g) they deal on behalf of the Fund with an Associate;
- (h) they may act as agent for the Fund in relation to the transaction in which they are also acting as agent for the account of other customers and Associates;
- (i) they may, in exceptional circumstances, deal in investments as principal in respect of a transaction for the Fund;
- (j) they may have regard, in exercising their management discretion, to the relative performance of other funds under its management;
- (k) they may effect transactions involving placings and/or new issues with an Associate who may be acting as principal or receiving agent's commission. Associates may retain any agent's commission or discount or other benefit (including Directors' fees) that accrues to them;
- (l) the transaction is in the securities of a company for which they or an Associate has underwritten, managed or arranged an issue within the period of 12 months before the date of the transaction;
- (m) the transaction is in securities in respect of which they or an Associate, or a Director or employee of them or an Associate, is contemporaneously trading or has traded on its own account or has either a long or short position;
- (n) the Fund Providers or their Associates receive remuneration in connection with the management, operation or investment of subscriptions of the Fund or any other fund;
- (o) the interest of a bank resulting from a loan made by such an institution;
- (p) an interest arising from the formation by any of the Fund Providers or their Associates of a company with a view to an interest in that company being acquired on behalf of the Fund or any other fund, of which any of the Fund Providers or their Associates is the Investment Adviser.

14. Liability

14.1 Each of the Fund Providers 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 to the Investor by the Administrator and the Investment Adviser under the FSA Rules.

14.2 Neither of the Fund Providers shall be liable for any loss to the Investor arising from any investment decision made in accordance with the Investment Objective and the Investment Restrictions 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 Provider or of its Associates or any of their respective employees.

14.3 The Administrator accepts responsibility for holdings of shares in the name of the Investor.

14.4 Subject to Clauses 6.6 and 12, the Investment Adviser shall not 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 its Associate.

14.5 In the event of any failure, interruption or delay in the performance of a Fund Provider's 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 and breakdown, failure or malfunction of any telecommunications or computer service or systems, the Fund Provider shall not be liable or have any responsibility of any kind to any loss or damage thereby incurred or suffered by the Investor.

14.6 Neither of the Fund Providers gives any representations or warranty as to the performance of the Portfolio. The Investor acknowledges that EIS Investments are high risk Investments, being non 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. The Investor undertakes that he has considered the suitability of investment in EIS Investments carefully and has noted the risk warnings set out in the Information Memorandum about the Fund.

15. Termination

15.1 The Investment Adviser shall set a date, which it shall notify to the Investor, on which the Fund will terminate, which is likely to be four to seven years after the Closing Date for the Fund. On termination of the Fund, all shares held in the Portfolio will either be sold and cash transferred to the Investor and/or the shares will be transferred into the Investor's name or as the Investor may otherwise direct.

15.2 An Investor may not withdraw his funds in full or in part from the Fund prior to termination of the Fund, unless the Investment Adviser so agrees. In which case the Portfolio shall be sold and cash proceeds transferred to the Investor but the Investor acknowledges:

(a) that he may lose EIS Relief in respect of them; and
(b) that it may not be practicable for the relevant shares to be sold in which case there may be a delay in completing the withdrawal.

If it is practicable to effect, and the Investor decides to proceed with an early withdrawal, the Investment Adviser will, unless the Investor otherwise requests, effect the withdrawal on the last business day of the month following that in which such decision is made.

15.3 If:

(a) the Investment Adviser gives to the Investor not less than three months' written notice of its intention to terminate its role as Investment Adviser under this Agreement; or

(b) the Investment Adviser ceases to be appropriately authorised by the FSA or becomes insolvent the Investment Adviser shall endeavour to make arrangements to transfer the funds to another Investment Adviser in which case that Investment Adviser shall assume the role of the Investment Adviser under this Agreement, failing which the Agreement shall terminate forthwith and, subject to Clause 16, the proxy granted under Clause 2 shall terminate.

16. Consequences of Termination

16.1 On termination of this Agreement pursuant to Clause 15, the Investment Adviser 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 will be without penalty or other additional payments save that the Investment Advisor reserves the right to charge Investor fees, expenses and costs up to and including the date of termination and payable under the terms of this Agreement.

16.3 On termination, the Fund Providers may retain and/or realise such Investments as may be required to settle transactions already initiated and to pay the Investor's outstanding liabilities, including fees, costs and expenses payable under Clause 9 of this Agreement, the details of which are set out in Schedule 2 to this Agreement.

17. Confidential Information

17.1 (a) Neither of the Fund Providers or the Investor shall disclose to third parties information the disclosure of which by it would be or might be a breach of duty or confidence to any other person

(b) Neither of the Fund Providers shall be required to take into consideration for the purposes of this Agreement information which comes to the notice of an employee, officer or agent of a Fund Provider or of any Associate but does not come to the actual notice of the individual employees, officer or agent of the Fund Provider providing services under this Agreement to the Investor.

17.2 Each of the Fund Providers will at all times keep confidential all information acquired in consequence of the Agreement, except for information which

- (a) is public knowledge; or
- (b) which may be entitled or bound to be disclosed under compulsion of law; or
- (c) requested by regulatory agencies; or
- (d) is given to their professional advisers where reasonably necessary for the performance of their professional services; or
- (e) is authorised to be disclosed by the other party and shall use all reasonable endeavours to prevent any breach of this sub-clause.

18. Complaints and Compensation

18.1 The Investment Adviser and Administrator have established procedures in accordance with the FSA Rules for consideration of complaints. Details of these procedures are available from them on request. Should an Investor have a complaint, they should contact either the Investment Adviser or Administrator. If the Investment Adviser or Administrator cannot resolve the complaint to the satisfaction of the Investor, the Investor may be entitled to refer it to the Financial Ombudsman Service.

18.2 The Investment Adviser participates in the Financial Services Compensation Scheme, established under the Financial Services and Markets Act 2000, which provides compensation to eligible Investors in the event of a firm being unable to meet its customer liabilities. Payments under the protected investment business scheme are limited to a maximum of £48,000, made up of 100% of the first £30,000 and 90% of the next £20,000 of the claim. Further information is available from the Investment Adviser.

19. Notices, Instructions and Communications

19.1 Notices of instructions to the Fund Providers should be in writing and signed by the Investor, except as otherwise specifically indicated.

19.2 The Fund Providers may rely and act on any instruction or communication which purports to have been given by persons authorised to give instructions by the Investor under the Application Form or subsequently notified by the Investor 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.

20. Unsolicited real time financial promotion

The Investment Adviser may communicate an unsolicited real time Financial Promotion (i.e. interactive communications such as a telephone call promoting EIS Qualifying Company investments) to the Investor.

21. Amendments

The Investment Adviser may amend these terms and conditions in this Agreement by giving the Investor not less than ten business days written notice. The Investment Adviser may also amend these terms by giving the Investor written notice with immediate effect if such is necessary in order to comply with Inland Revenue requirements in order to maintain the EIS Relief or in order to comply with the FSA Rules, and the Investor shall be bound thereby.

22. Data Protection

All data which the Investor provides to the Fund Providers is held by the Fund Providers respectively subject to the Data Protection Act 1998. The Investor agrees that the Fund Providers may pass personal data to other parties insofar as is necessary in order for them to provide their services as set 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, comprises the entire agreement of the Fund Providers with the Investor relating to the provision of the Services and supersedes all earlier meetings, any correspondences, or discussions that may have taken place preceding the signing of the Investor Application Form.

24. Rights of Third Parties

24.1 Except as provided in clause 24.2, 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.

24.2 Edwin Coe LLP, is unconditionally and irrevocably authorised to hold and release Investor monies in accordance with the written instructions of the Administrator without any permission or authorisation from the Fund or any Investor. Edwin Coe LLP will not have any liability or responsibility whatsoever to the Fund, the Administrator or any Investor in connection with the Fund provided it acts in accordance with the written instructions of the Administrator which it may rely upon at all times.

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 shall be governed by and construed in accordance with English Law and the parties submit to the non-exclusive jurisdiction of the English Courts.

Schedules

Schedule 1 Investment Objective and Restrictions of the Fund

Investment Objective of the Fund

1. To offer a wide range of investors the opportunity to invest in smaller companies at their early stage of development, pre IPO. Plus the added bonus of obtaining the tax advantages associated with EIS investments.

Investment Restrictions for the Fund

2. Each Investment shall be in a company in which the Fund Board and Investment Committee has conducted appropriate investigations. The investigation will establish whether it is a suitable potential Investee company and in respect of which the Fund Board and Investment Committee subsequently decides to invest.

3. In carrying out its duties hereunder in respect of the Fund, regard shall be had, and all reasonable steps taken, to comply with such policies or restrictions as are required in order to attract the EIS Relief as may be prescribed by HMRC from time to time.

4. In particular, but without prejudice to the generality of the above statements, the restrictions for the Fund are as follows:

(a) Each Investment shall be in shares of an EIS Qualifying Company.

(b) Generally the Investment Adviser reserves the right to return un-invested cash if it concludes that it cannot be properly invested for the Investor and/or, considers it to be in the interests of the Investor, having regard to EIS Relief for the Investor.

5. The Investor acknowledges that the Portfolio will include non-Readily Realisable Investments, that 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.

6. The intention is to disinvest over years 4 to 7. 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. Investments will be transferred to Investors on termination of the Fund or in instalments in advance of termination, as determined by the Fund Board and Investment Committee, subject to HMRC approval.

Schedule 2 Fees and Expenses in respect of the Fund

No Fees to Investors

The Highgate Tech Fund 2 is an Investor Fee Free Fund. Investors are not charged any fees what so ever. This unique advantage allows investors to realize 100% of the EIS tax advantages and to have 100% of their investment actually put to work earning returns.

Performance Fee

The management return is achieved through participation in a performance fee aligned to investor returns. After the Investor has received an annualised return of 6% on their gross investment, the performance fee will be equivalent to 25% of Investor profits with the balance of 75% being distributed to Investors.

Investee Company Service Charges

6.5% of the total investment made and an annual charge of 2.25% (exclusive of VAT and paid quarterly in arrears) will be invoiced to the investee company. These charges cover the costs of banking, escrow services, legal, due diligence, EIS filings etc. of the investment process. Highgate will normally supply additional resource such as marketing, PR, financial accounting etc. as the individual company requires. Highgate reserves the right to charge investee companies on commercial terms for services which are agreed to.

Introductory Fees/Commissions

The Fund will pay introductory fees/commissions to authorised intermediaries who should contact the Investment Advisor on 020 8785 5758 with their details and for confirmation of terms.

Application Procedure

In order to apply for investment in the Highgate Tech Fund 2, please note that certain documentation and confirmations are required. The following notes should assist:

1. Complete the Application Form in full

Your tax and national insurance information is required in order to assist with your claim for EIS relief. Joint applications are not permitted; further application forms are available on request from Enterprise Administration on 020 8785 5758.

The Investment Adviser reserves the right to reject an Application Form if it has reasonable cause to do so, for example, if relevant information is not included or if the application is received late. Lawyers, accountants or other professional persons who are subject to professional rules preventing them from making investments in certain companies to which they provide services should advise Enterprise of this fact.

The Closing Dates for the Highgate Tech Fund 2 are 31st January 2011, 5th April 2011 and 31st July 2011 respectively.

2. Complete the Declaration form

Please sign EITHER the declaration for a High Net Worth Investor OR the one for a Self-Certified Sophisticated Investor to confirm that you are eligible to invest in the Highgate Tech Fund 2.

3. Enclose your cheque

Your cheque should be drawn on an account in the name of the Applicant at a UK Clearing Bank in order to comply with Money Laundering regulations. Third party cheques are cannot be accepted.

4. Enclose your Money Laundering verification

Regulations are such that Highgate Tech Fund 2 is required to confirm both your identity and proof of address in order to comply with the Money Laundering Regulations 2003. Failure to provide the necessary evidence of identity may result in your Application being treated as invalid or result in a delay. One document from list A and one document from list B will be required but further evidence may be requested at the discretion of the Fund Administrator. For enquiries, please contact Enterprise Administration on 020 8785 5758.

List A

Passport – photograph page or driving licence showing photograph including counterpart;

List B

Utility bill (but not a mobile telephone bill) not more than 3 months old;
Council Tax bill (for the current year);
original correspondence or tax notification from HM Revenue & Customs;
original bank statement or building society statement. The statement you provide must show transactions and relate to the bank/building society account from which your payment is drawn. Please note that statements printed via the Internet are not acceptable.

To be completed by the financial adviser (if applicable:)

Stamp of Financial Intermediary

Stamp

Firm or full address details:

Name

Company

FSA No

Address

Address

Telephone

Email

Application Form for Individuals

Before completing this Application Form you should read the Investor Agreement and the Application Procedure. Once completed in full, attach your cheque made payable to **Edwin Coe LLP re: Highgate Tech Fund 2** and send by post to **Enterprise Administration Limited, Erico House, 93/99 Upper Richmond Road, London SW15 2TG.**

Applications must be accompanied by the Declaration for either High Net Worth Individuals or Self-Certified Sophisticated Investors and relevant Money Laundering documentation

Title: Forename(s): Surname(s):

Permanent Residential Address:

Postcode:

Time at current address:

Previous Address

(if less than 3 years at current address):

Postcode:

Telephone:

Email:

National Insurance No:

Town & Country of Birth:

Date of Birth:

Tax Reference No:

Nationality:

Tax District:

I wish to invest £ (minimum: £5,000) in the Highgate Tech Fund 2 on the terms set out in the Investment Memorandum attached to this Application Form.

I confirm that:

I have read the terms and conditions in the Highgate Tech Fund 2 Investment Memorandum and Investor Agreement and agree to be bound by them.

I will notify Enterprise Corporate Finance Limited if, within three years of the date of issue of shares by an EIS Qualifying Company which is allotted to my Portfolio, I become connected with the EIS Qualifying Company or receive value from such a company.

To the best of my knowledge and belief the particulars I have given to Enterprise Corporate Finance Limited are correct.

If any of the above changes or if there are other relevant circumstances of which the Investment Adviser should be aware I will notify them immediately.

I will notify Enterprise Corporate Finance Limited of any Investment through the above Fund in any company with which I am connected within sections 291 to 291B of the Income and Corporation Taxes Act 1988.

Signed :

Date:

Application Form for Individuals

Declaration

Please sign the relevant declaration below in order to confirm your eligibility to invest in the Highgate Tech Fund 2 as EITHER a High Net Worth Individual OR a Self-Certified Sophisticated Investor. In both cases, the following declaration needs to be signed and dated for the purposes of both the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("Financial Promotion Order") and the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 ("CIS Exemptions Order").

I understand that in relation to the Financial Promotion Order this means:

- (a) I can receive financial promotions that may not have been approved by a person authorised by the Financial Services Authority;
- (b) the content of such financial promotions may not conform to rules issued by the Financial Services Authority;
- (c) By signing this statement I may lose significant rights;
- (d) I may have no right to complaint to either of the following -
 - (i) The Financial Services Authority; or
 - (ii) The Financial Ombudsman Scheme;
- (e) I may have no right to seek compensation from the Financial Services Compensation Scheme.

I understand that in relation to the CIS Exemption Order this means:

- (a) I can receive promotions, made by a person who is authorised by the Financial Services Authority, which relate to units in unregulated collective investment schemes that invest wholly or predominantly in unlisted companies;
- (b) The schemes to which the promotions will relate are not authorised or recognised for the purposes of the Financial Services and Markets Act 2000.

Declaration for High Net Worth Individual

I declare that I am a certified high net worth individual for the purposes of both the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("Financial Promotion Order") and the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 ("CIS Exemptions Order").

I am a certified high net worth individual because at least one of the following applies –

- (a) I had, during the financial year immediately preceding the certificate issue date, an annual income to the value of £100,000 or more;
 - (b) I held, throughout the financial year immediately preceding the certificate issue date, net assets to the value of £250,000 or more.
- Net assets for these purposes do not include -
- (i) The property which is my primary residence or any loan secured on that residence;
 - (ii) Any rights of mine under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; or
 - (iii) Any benefits (in the form of pensions or otherwise) which are payable on the termination of my service of on my death or retirement and to which I am (or my dependants are), or may be, entitled.

I accept that I can lose my property and other assets from making investment decisions based on financial promotions.

I am aware that it is open to me to seek advice from someone who specialises in advising on investments (including unregulated investment schemes).

Signed: _____

Date: _____

Application Form for Individuals

Certificate for Self-Certified Sophisticated Investors

I declare that I am a self-certified sophisticated investor for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 ("Financial Promotion Order") and the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 ("CIS Exemptions Order").

I am a self-certified sophisticated investor because at least one of the following applies –

- (a) I am a member of a network or syndicate of business angels and have been so for at least the last six months prior to the date of this certificate;
- (b) I have made more than one investment in an unlisted company in the two years prior to the date of this certificate;
- (c) I am working, or have worked in the two years prior to the date of this certificate, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises;
- (d) I am currently, or have been in the last two years prior to the date of this certificate, a Director of a company with an annual turnover of at least £1 million.

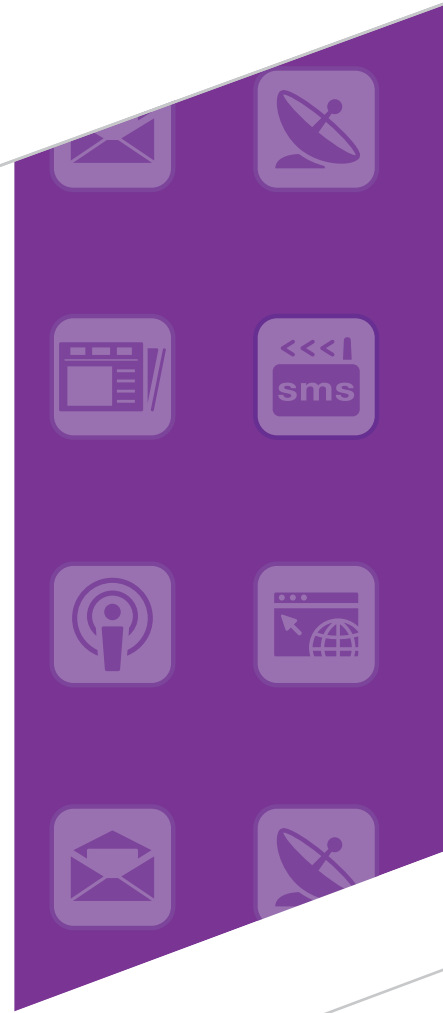
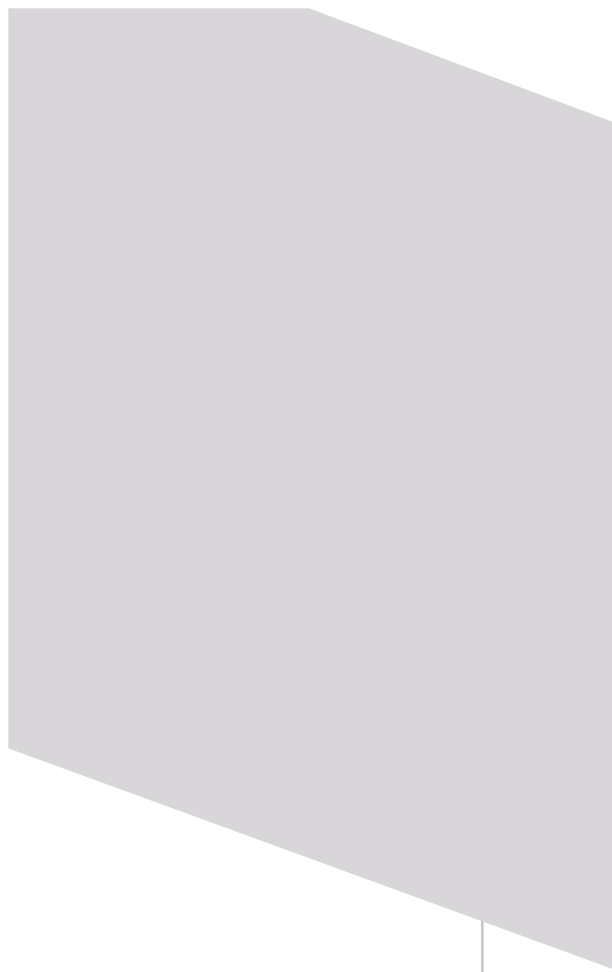
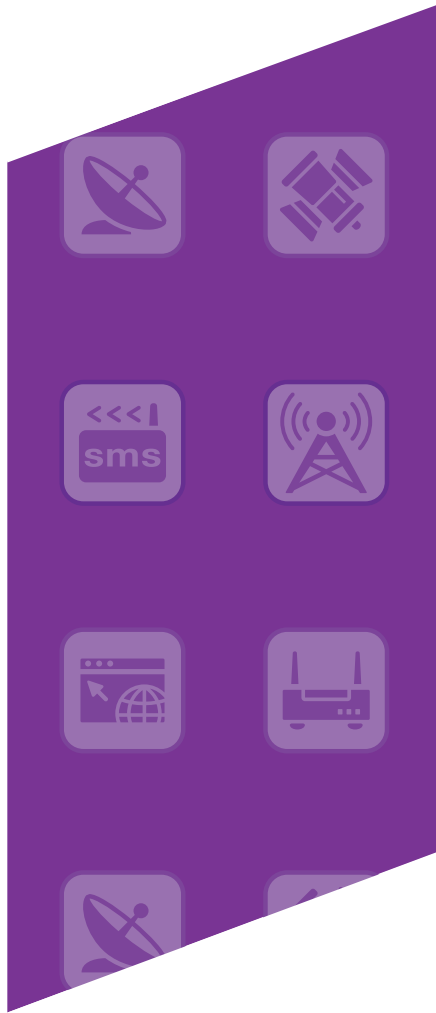
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I am aware that it is open to me to seek advice from someone who specialises in advising on investments (including unregulated investment schemes).

Signed: _____

Date: _____





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London
EC3A 8BE

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Fax: 020 8819 4427
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October 2010