



Par Syndicate EIS Fund I
INFORMATION MEMORANDUM

1 September 2011

Par Syndicate EIS Fund I

WARNING: This warning is given pursuant to the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (the “CIS Exemption Order”) and the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “Financial Promotion Order”).

This Memorandum is a financial promotion within the meaning of the Financial Services and Markets Act 2000 (“FSMA”) and is being made pursuant to s21 of FSMA. This Memorandum has been issued by Par Fund Management Limited, an authorised person within the meaning of FSMA, authorised and regulated by the Financial Services Authority with registered number 485668. Reliance on this promotion for the purposes of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested.

IMPORTANT NOTICES

If you are in any doubt about the contents of this confidential information memorandum (the “Memorandum”), you should consult an appropriate professional adviser who specialises in advising on the acquisition of interests in unregulated collective investment schemes.

Status of the Memorandum and Authorised Recipients

Par Syndicate EIS Fund I (the “Fund”) is an unregulated collective investment scheme, managed and operated by Par Fund Management Limited (the “Manager”).

The Fund is a pooled subscription structure where individual investors, acting collectively through discretionary investment management agreements, make investments in companies qualifying for EIS purposes (“EIS Qualifying Companies”). The Fund is not authorised or otherwise approved by the Financial Services Authority (the “FSA”). Accordingly, it is an unregulated scheme and its promotion in the United Kingdom is restricted by statute. The Fund cannot be marketed to the general public in the United Kingdom. This Memorandum is issued by the Manager to provide information in respect of the Fund to persons who are eligible to be treated as elective professional customers OR to persons otherwise falling within the categories set out in the FSA’s Conduct of Business Sourcebook Rule COBS 4.12.1.

This Memorandum may be issued or distributed in the United Kingdom by an “authorised person” (as defined in FSMA) only in circumstances where it is exempt from the general restriction imposed on authorised persons in financial promotion of unregulated collective investment schemes under sections 21 and 238 of FSMA. This promotion is exempt from the general restriction contained in Sections 21 and 238 of FSMA on the communication of invitations or inducements to engage in investment activity on the grounds that it is made only to:-

- a) Investment Professionals as defined in article 14 of the CIS Exemption Order and article 19 of the Financial Promotion Order;
- b) Certified High Net Worth Individuals as defined in article 21 of the CIS Exemption Order and article 48 of the Financial Promotion Order;
- c) Certified or Self-Certified Sophisticated Investors as defined in articles 23 and 23A of the CIS Exemption Order and articles 50 and 50A of the Financial Promotion Order;
- d) High Net Worth Companies as defined in article 22 of the CIS Exemption Order and article 49 of the Financial Promotion Order;
- e) A High Value Trust as defined in article 22 of the CIS Exemption Order and article 49 of the Financial Promotion Order; or
- f) An association of High Net Worth or Sophisticated Investors as defined in article 24 of the CIS Exemption Order and article 51 of the Financial Promotion Order.

This Memorandum is directed at persons of the type described above, having professional experience of participating in unregulated schemes and the scheme to which this Memorandum relates is available only to such persons. The contents of this Memorandum have not been approved by any “authorised person” for the purposes of sections 21 or 238 of FSMA, which approval is required unless an exemption applies. Persons who do not have professional experience in participating in unregulated schemes should not rely on this Memorandum.

Promotion of the Fund is being made solely pursuant to this Memorandum. Any information (whether oral or written) regarding the Fund that is not contained in this Memorandum or the Investment Agreement should not be relied upon in considering whether to apply for an interest in the Fund. To the fullest extent permitted by law, but subject at all times to the rules of the FSA and to the requirements of FSMA, no representation or warranty is made regarding the information contained in this Memorandum.

This Memorandum does not purport to offer legal, tax or investment advice to prospective investors. It is the sole responsibility of potential investors proposing to apply for an interest in the Fund to inform themselves of and to take their own professional advice regarding:

- a) the legal requirements relating to the acquisition of such an interest within the countries of their nationality, residence, ordinary residence or domicile;
- b) any foreign exchange restrictions or exchange control requirements to which they might be subject on the acquisition, disposal or transfer of such an interest; and
- c) the income tax and other taxation consequences which might be relevant to the acquisition, holding or disposal of such an interest.

Prospective investors should note that (i) existing laws, and (ii) taxation levels, bases and applicable reliefs may change or may be interpreted adversely to the Fund or its investors.

Prospective investors should not subscribe for interests in the Fund unless they are satisfied that they have asked for and received all the information that they consider they need to evaluate the merits and risks of the proposed investment.

The delivery of this Memorandum does not imply that the information it contains is correct as at any time subsequent to the date printed on the front cover of this Memorandum or, where information is expressed in this Memorandum to be accurate at a particular date, such date.

Membership of industry associations on the part of Fund Providers does not imply endorsement by such industry associations of products promoted by their members.

Risk Warnings

Investments in unquoted shares involve a high degree of risk. Investment results may vary substantially over time and there can be no assurance that the Fund will achieve any particular rate of return. When reviewing the track records and other historical performance data in this Memorandum, prospective investors should bear in mind that past performance is not indicative of future performance.

Prospective investors should note that most of the protections under FSMA do not apply to membership of the Fund and that compensation under the Financial Services Compensation Scheme may not be available.

Certain information in this Memorandum represents or is based upon forward-looking statements or information. The Manager believes that such statements and information are based upon reasonable estimates and assumptions. Forward-looking statements and information are, however, inherently uncertain and actual events or results may differ from those projected. Undue reliance should not therefore be placed on such forward-looking statements and information.

Interests in the Fund are only suitable for persons who are able to bear the loss of some, or even the whole, of any amount invested and who have no need for immediate liquidity in their investment. Investors should refer to pages 47 to 49 in this Memorandum for further information.

Conflicts of Interest

The relationship between the Investors, the Manager and the other entities providing services in connection with the Fund or between any of them and their respective clients may give rise to conflicts of interest. Investors should refer to pages 30, 43 and 49 in this Memorandum for further information.

Restrictions on Distribution

This Memorandum is not intended for publication or distribution to persons outside the United Kingdom. This Memorandum does not constitute an offer or solicitation to any person in any jurisdiction outwith the United Kingdom in which such offer or solicitation is not authorised or to any person to whom it would be unlawful to make such offer or solicitation. Without prejudice to the generality of the foregoing, neither this Memorandum, nor any copy of it, may be taken or transmitted into the United States of America, Canada, Australia, Republic of Ireland, South Africa or Japan or into any other jurisdiction where it would be unlawful to do so. Any failure to comply with this restriction may constitute a violation of relevant local securities laws. This Memorandum 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.

Memorandum Personal to Recipient

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Key Parties and Advisers

THE MANAGER

Par Fund Management Limited
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Par Fund Management Limited is a member of the British Venture Capital Association. It is authorised and regulated by the FSA and is entered in the register (www.fsa.gov.uk/register) under reference 485668.

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The Share Centre Limited is a member of the London Stock Exchange. It is authorised and regulated by the FSA and is entered in the register (www.fsa.gov.uk/register) under reference 146768.

LEGAL ADVISER

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The Fund at a Glance

The Par Syndicate and the Par Syndicate EIS Fund I

The Par Syndicate is a group of informal investors (business angels), currently over 140 strong, who started investing together at the beginning of 2009. The Fund has been formed to co-invest with the Par Syndicate and similar investor groups, focusing on innovative companies with high growth potential and taking advantage of EIS Reliefs.

Strategic Investment Case

Par Equity was formed with a view to investing in innovative small and medium-sized businesses with high growth potential. Such investments can involve a high degree of risk, as they can have unproven technologies, management teams or business models, with the possibility that Investors could lose all of their capital. There can be a long interval between investment and eventual exit. Nevertheless, successful investments can generate attractive returns.

Par Equity's investment model is to combine intellectual and financial capital, so as to invest in businesses it understands well and fund them to succeed. This investment capital is derived from various sources, including the Par Syndicate. The Fund allows Investors to invest alongside business angels, aligning themselves with the angels' commercial experience and sector insights, whilst benefitting from the formal investment process undertaken by the Manager. In addition, the Fund will invest in a portfolio of at least five EIS Qualifying Companies, providing an element of diversification.

Tactical Rationale

Technology can flourish in the hot-house environment of universities, laboratories and test-sites, but technology of itself doesn't make a business. Some investors are willing to put significant sums into an unproven technology, hoping that a business will emerge from it. Par Equity's model is to apply commercial judgment to investment opportunities, looking through the technology to the business underneath. We do this in the equity gap, a grey area beyond the reach of many business angels but not big enough in scale to attract competition from private equity funds, which often deal in tens or hundreds of millions each time they invest.

We believe that our model, which is to furnish both financial and intellectual capital, suits this early-stage part of the investment spectrum. The kind of company that responds best to this approach is one that is big enough to harbour realistic ambitions for growth, small enough to need help with the day-to-day challenges of achieving those ambitions and whose managers are smart enough to realise that they need this help. They value both the money that we can bring and the brains, experience and contacts of the Par Syndicate and the Par Advisory Panel. This means that we have a competitive advantage when it comes to the decision management teams make when they consider bringing an external investor into their companies.

Geography

Par Equity is based in Scotland, but the Fund will have a UK-wide investment remit. We are particularly interested in companies with the potential to access a global market-place, so that they are not reliant on domestic economic factors. That said, Par Equity has a hands-on approach to interacting with Investee Company management teams, reflecting our belief that early stage companies are faced with a wide range of strategic and operational challenges and that, by providing help and support, we can help those management teams overcome these challenges for the benefit of Investors.

Enterprise Investment Scheme

Although we will always strive to identify promising investments and, provided that the Investee Company is an EIS Qualifying Company, we will make investment decisions without taking into account the possible effects of EIS Relief, the availability of EIS Relief allows higher-rate tax payers the opportunity to reduce their overall risk significantly. The availability of EIS Relief may, however, be restricted as a result of changes to an Investor's circumstances or to an Investee Company's circumstances.

Restrictions on Investors

The Fund is an unregulated collective investment scheme - please read the Important Notices.

Term Sheet

Investment Objective

The Fund will invest in innovative small and medium-sized companies with high growth potential. These will be companies whose business is to exploit technology in their target markets.

Enterprise Investment Scheme

The Fund will seek to generate attractive investment returns and to offer Investors the opportunity to mitigate investment risk by investing only in EIS Qualifying Companies. EIS allows qualifying Investors considerable scope to benefit from tax reliefs and tax planning opportunities. As an unapproved fund, the availability of EIS Relief will accrue over the course of the Investment Period, as and when investments are made, rather than on commencement of the Fund.

Collaborative Investment Approach

The Fund is expected to co-invest with the Par Syndicate (and other Syndicates) where possible. The Manager believes that this collaborative approach will benefit Investors as investment decisions will be informed by the views of experienced Angels with domain knowledge. In addition, the Manager has an active management style and will maintain close involvement with Investee Companies, drawing on the Advisory Panel to provide a diverse pool of seasoned entrepreneurs and executives to mentor, guide and advise Investee Company managers, building value for Investors.

Investment Stage and Size

The Fund will invest in early stage companies, often pre-revenue, providing growth capital. The Fund will generally participate in initial investment transactions of at least £0.5 million per Investee Company, usually more. Follow-on investments may be smaller.

Fund Size and Concentration Limit

The Fund Minimum Threshold is £500,000. The maximum size of the Fund is £10 million. No Investee Company will account for more than 20% of an Investor's Subscription.

Subscription Size

Investors may subscribe in multiples of £1,000, subject to a Minimum Subscription of £20,000. There is no maximum Subscription.

Fees

An Initial Fee of 5.0% will be deducted from Investors' Subscriptions, from which the Manager will pay commissions to Authorised Intermediaries and the establishment costs of the Fund. If an Authorised Intermediary reduces or waives his commission, the Investor's Subscription will be increased accordingly. Alternatively that part of the Initial Fee rebated by Authorised Intermediaries (3%) can be donated to charity under Gift Aid (see page 63). This will be the only fee charged to Investors until and unless they have received aggregate Exit Proceeds in excess of their Subscriptions, when the Performance Fee will apply.

The balance of Investors' Subscriptions will be available to invest in EIS Qualifying Companies, which will pay arrangement and monitoring fees to the Manager (from which the Manager will make payments to other Fund Providers). Investors will not pay an ongoing management fee, but there will be a dealing commission of 0.35% on each transaction payable by the Investor to the Administrator on transactions subsequent to the investments made by the Fund.

The Manager will receive a Performance Fee of 20% of Exit Proceeds in excess of an Investor's Subscription. Investors will not pay the Performance Fee until they have received aggregate Exit Proceeds in excess of their Subscriptions and those who are able to benefit from EIS Relief would therefore enjoy a priority return equating to 39.9% before the Performance Fee becomes payable.

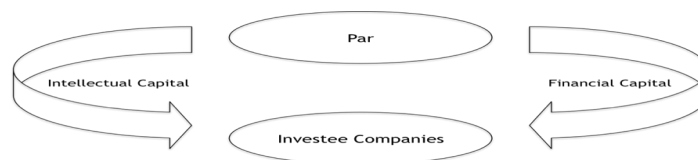
Closing Date and Next Steps

The Initial Closing Date will be on 30 September 2011. The Final Closing Date, after which no new Subscriptions will be accepted, will be on 30 June 2012 or such later date as the Manager may determine. This Memorandum incorporates an Application Form and guidance on its completion.

What's Different About Par Equity?

Par Equity - Investors in Innovation

Par Equity is an Edinburgh-based venture capital firm, formed in 2008, to provide intellectual and financial capital to innovative young companies with high growth potential:



Par Equity benefits from a strong flow of investment opportunities, partly because the management of young companies recognise the power of the Par model to add value and partly because Par Equity operates in the equity gap, where young companies struggle to find finance. Critically, Par Equity looks for businesses using technology, not technology in search of a business application. Sustainable technologies are a key focus area for Par Equity.

The Investment Team

The members of the Investment Team have, collectively, a broad range of experience in investment, business management, transaction execution, commercial negotiation, deal structuring, strategy, corporate turnaround and corporate restructuring. They work with the Par Syndicate and the Advisory Panel in evaluating potential investments and have a significant network of professional and personal contacts that they can call on in assessing opportunities. Par's collaborative model, with the active involvement of a network of investors and other contacts, allows it to access opportunities that may not be available to the general market.

The Par Syndicate

The Fund may invest alongside the Par Syndicate. We believe that the involvement of successful business people in the investment process is a positive factor, as the experience that informs their perspectives is extremely valuable. As at 31 August 2011, the Par Syndicate had over 140 members, primarily drawn from business backgrounds. This includes members who have joined the Par Syndicate following an offer to welcome members of Capital Angels, another Syndicate.

Par Innovation Fund I LP

Par Innovation Fund I LP is a venture capital fund managed by the Manager, focused on post-revenue businesses. It is in its second year of investing.

The Advisory Panel

Many members of the Par Syndicate are also members of the Advisory Panel, a reservoir of intellectual capital placed at the disposal of investee companies. Par Advisers are typically experienced executives, usually with a track record of entrepreneurial success, although some have made their careers in the corporate arena. The majority of Par Advisers have extensive experience of innovative businesses in hands-on operational roles. They are deployed to assess potential investment opportunities and to provide mentoring, insight and high-level advice to Investee Companies. In this way, the Manager expects the Advisory Panel to help mitigate the increased levels of enterprise risk typically attributed to smaller companies.

Investment Pipeline

Since its formation, Par Equity has focused on building a strong pipeline of good quality investment opportunities. It has cultivated links with co-investment partners, professional firms and other third parties and has benefited from introductions from each of these sources to potential investee companies. Most importantly, however, the Par Syndicate, the Advisory Panel and the Investment Team, together with their respective networks, are a potent source of introductions to investment opportunities as well as providing a powerful source of commercial insight.

How Will the Fund Work?

In the Beginning

Each Investor will complete an Application Form and pay their Subscription into a segregated client money account by no later than the Final Closing Date.

Finding Investments

The Investment Team will be responsible for identifying and evaluating potential investments on behalf of the Manager. As an organisation that combines the co-ordination of an active Syndicate and the management of a venture capital fund, we have access to a significant pipeline of opportunities. In a typical week we review between three and five business plans and expect this level of activity to increase during the next twelve to eighteen months.

Deciding What to Invest In

The Manager, through the Investment Committee, has sole discretion as to whether or not to make an investment on behalf of the Fund. In reviewing potential investee companies, the Investment Committee will consider a range of factors including the status of any technology on which the company relies, its competitive position, its growth prospects, the quality of its management team and the prospects for an exit. Where an investment is made alongside the Par Syndicate or another Syndicate, the Fund will be co-investing with experienced business people, whose views will further inform the appraisal process. In addition to forming a view on the commercial rationale for investing, the Investment Team will also undertake or commission confirmatory due diligence in areas such as the company's legal and financial position.

Concluding Investments

The Investment Team includes experienced dealmakers, with many years' experience in negotiating and concluding corporate transactions. By using template investment documentation and a core team of legal advisers wherever possible, we seek to keep deal costs low, as if this is not done such costs (even though they are borne by the Investee Company) can account for a significant percentage of the gross investment, reducing the impact that the financing can have in adding value to the Investee Company's business. For the same reason, the Fund's structure does not place the full burden of Fund costs on Investee Companies, as is sometimes the case. Although this marginally reduces the benefit of EIS Relief to Investors, we believe that the best quality investment opportunities are more likely to attract more than one prospective investor, where funds requiring Investee Companies pay significant arrangement fees can be at a disadvantage.

Investors' Subscriptions will be held by the Administrator and released as investments are made. Investors receive both a contract note and an EIS3 Form in respect of each Investee Company. Holdings in Investee Companies will be credited to the Investor's EIS Share Account. Any Subscription Surplus at the end of the Investment Period will be returned to the Investor less estimated future dealing commissions.

After the Investment

Through Par Equity, the Manager will manage Investors' holdings in Investee Companies through to an Exit Event (or termination of the Investment Agreement, if earlier). Our standard requirements include a range of shareholder controls and rights in relation to how Investee Companies are managed, including the right to appoint directors to Investee Company boards. We also require the right to have an observer attend Investee Company board meetings and the right to receive information. In this way, Par Equity keeps close to developments in Investee Companies and is well-placed to help add value, whether in response to opportunities or challenges, as well as to report back to Investors. Par Equity charges Investee Companies a monitoring fee to cover the time spent in this regard. Part of the monitoring fee will be used to pay the Administrator and Custodian whilst the Investment Agreement remains in force.

Exit

This is, of course, a key area of focus and critical to driving returns to Investors. Net Exit Proceeds will be distributed to Investors each time an Exit Event occurs and will not be reinvested.

Part 1: More About the Fund

Investment Attractions

Niche Focus

The Fund is focused on innovative companies. These are companies who are developing new technologies for sale or using advances in technology to disrupt existing markets. To date, the Par Syndicate has invested in companies operating in software, public health, e-commerce, social media, consumer electronics and medical devices.

Information and Communications Technology

This is an extremely broad area. The Fund will focus on specific areas where there is particular scope for market growth, such as mobile telecommunications, 3-D and social media.

Clean Technology

There is a growing emphasis on technology as a means of reducing the carbon costs of modern lifestyles and this is an area where small, innovative companies can have a big effect. Scotland and the UK generally are at the forefront of efforts to develop and commercialise such technologies.

Medical Technology

In the context of ageing populations across the developed world and rising expectations as to the standard of healthcare delivery, medical technology is an increasingly interesting area.

Established Market Presence and Prospective Deal Flow

Par Equity enjoys a significant pipeline of potential investment opportunities, introduced from a number of different channels including the Par Syndicate and the Advisory panel. On this basis, we are confident that the Fund should continue to enjoy a substantial and consistent deal flow during the Investment Period.

Interaction of Financial and Intellectual Capital

Par Equity's investment model combines the provision of finance to companies with the provision of experienced, successful executives and entrepreneurs as mentors and advisers for Investee Companies. In this way, we believe that we have established a powerful environment for creating value in investee companies. We also believe that the combination of financial and intellectual capital is an attractive one for companies seeking finance, which should tend to improve the Fund's competitive position in terms of accessing investment opportunities.

Positioning of Fund

Par Equity has been positioned, in terms of its target investment size, to sit in the equity gap that begins at the upper end of the typical transaction sizes for Angel networks and ends at the lower end of typical transaction sizes for private equity firms. Accordingly, we expect the Fund to benefit from a lesser degree of competition for investment opportunities than might otherwise be the case. We also expect the Fund to benefit from Par Equity's close links with and understanding of the Angel community, together with a flexible approach to structuring investments where other Syndicates or co-investment partners are involved.

Investment Objectives and Investment Restrictions

Overview

Par Equity's objective on behalf of the Fund is to put both financial and intellectual capital to work. We will seek to align the Fund's interests with entrepreneurs by investing in their businesses and working with them to add value for the benefit of all parties. We will seek to achieve this through the operation of the Advisory Panel, a team of successful executives with strong track records of building and managing businesses, who will work with Investee Companies with a view to helping them fulfil their potential. The Fund's Investment Objectives and Investment Restrictions are described below.

Key Investment Objectives

The Fund will invest in EIS Qualifying Companies operating in:

- Information and communications technology, electronics and software;
- Clean technology; and
- Medical and healthcare technology.

The Fund's principal Investment Objective will be to generate capital gains for Investors through increases in value of Investee Companies, realised through an Exit Event.

Revenue Model

The Fund will only invest in companies with a clear model for generating revenues and accessing their target markets.

Investee Company Management

In assessing management teams, we look for a demonstrably deep knowledge of the domain in which the team operates, or plans to operate. Value will be placed on the management team's uncompromising commitment to achieving success. Previous entrepreneurial or management experience and track record will be desirable, but not a prerequisite.

Smaller companies are typically run by small teams with lots to do. Where a team needs to develop in certain areas, Par Advisers will be available to mentor managers and give them the benefit of their own experience, bringing focus to important decisions as well as urgent ones.

Competitive and Market Position

We will seek to identify companies that have the potential to achieve a strong competitive position in their chosen market(s). Such companies will include those that can demonstrate an ability to keep ahead of their competition by doing what they do better, more quickly or more efficiently than their competitors. Alternatively, Investee Companies may benefit from significant defensive barriers to competitive activity through development of infrastructure, control of distribution channels or intellectual property.

We will also seek to identify companies with scalability. These are companies that either can sell their products or services into new markets domestically or into similar markets internationally, or whose business processes can be applied to other products or services, or companies with established customer relationships that can be leveraged by selling additional products or services.

Stage of Development

The Fund's investment criteria do not require current revenues or profitability, as we will assess the potential for future prospects in reaching an investment decision. We will, however, focus on companies with strong market potential. This means that the potential Investee Company should have its products or services in their market or with a clear route to that market. They should have an identifiable existing or intended customer base that should have significant scope for sales growth. The management should have and be able to articulate a vision of what form a successful future might take.

Geography

Par Equity has a hands-on, operational bias. This means that we like to be geographically close to management teams - usually not more than four hours' travel from our offices in Edinburgh. In addition, the Par Syndicate, like many other Angel groups, tends to have little interest in making cross-border investments. Accordingly, Investee Companies will be based in the UK. That said, we are particularly interested in companies with a scalable business that are able to address a global market place - companies from "over here" that have the potential to do rather well "over there".

Potential for Par to Add Value

Underpinning each of the Fund's investment criteria is the question of whether we can add value, in particular through bringing to bear the skills of the Advisory Panel. In addition to providing finance when it is needed, Par Equity may seek to add value through enabling an Investee Company to add to its product or service suite by acquisitions or organic development, providing practical help in strengthening management teams, accessing new markets or simply improving processes across the board. We aim to bring credibility and confidence to Investee Companies.

In circumstances where Par Equity is not the lead investor, this criterion will carry less weight.

Future Funding Requirements

The future funding requirements of young companies are very difficult to predict accurately. Where possible, however, we will seek to focus on companies with the potential to reach viability without recourse to large venture capital backed funding rounds.

In the current banking market, SMEs often find it difficult to obtain bank finance. In any event, the Fund will not rely on financial leverage to drive returns on equity.

Exit

In assessing a potential investment, we attach considerable importance both to the potential for exit and to the focus displayed by the company's management team. Indicators of potential for exit will include a clear route to exit and a credible plan for achieving it. Where appropriate, members of the Advisory Panel who are familiar with or working in acquisitive corporates are approached for input in assessing whether prospective Investee Companies have a business model that is likely to result in their being acquired.

The foundations of a successful exit are laid by investing in a company with good potential and ensuring that the management team's interests are aligned with those of external shareholders. Furthermore, Par Equity's investment style is an active one, so it will be in constant contact with Investee Companies and closely engaged with what they are doing, informing the decision as to when the time may be right for an exit and how it might best be achieved.

Investment Restrictions

The Fund will only invest in securities entitling holders (who are themselves eligible) to claim EIS relief, issued by EIS Qualifying Companies. It will not invest in any other form of security, or in derivatives. It will not invest in companies operating outwith its core sectors.

Part 2: More About Taxation and EIS

IMPORTANT NOTICE

The following is a summary of the UK tax regime as it applies to investment by individuals in EIS Qualifying Companies. The summary is based on professional advice received, but any person who is in doubt about their tax position, or is subject to tax in any jurisdiction other than the UK, should consult an appropriate independent professional adviser on the taxation implications of their investment. The summary is based on amendments announced by the government but subject to EU approval.

Taxation of the Fund and of Investors

The Fund has no legal personality, so all income, expenses, gains and losses associated with investments made by the Fund are attributable to the individual Investors. Investors who are domiciled in the United Kingdom are responsible for completing and returning their self-assessment tax returns and for settling tax on their own behalf. Such Investors may also be able to take advantage of various reliefs associated with investment in EIS Qualifying Companies, most particularly EIS Relief.

EIS

EIS offers potentially attractive reliefs and tax planning opportunities to individuals who are UK taxpayers with sufficient taxable income or gains to take advantage of the opportunities available. EIS Relief that may be available comprises income tax relief, capital gains tax deferral relief and exemption, loss relief and inheritance tax relief. In order to obtain the benefit of these reliefs, the taxpayer must first invest in the EIS Qualifying Company and then make the necessary claim to HM Revenue & Customs, whilst both the taxpayer and the EIS Qualifying Company must comply with the relevant requirements of EIS. The Fund is an unapproved EIS fund and so Investors will become eligible to claim EIS reliefs from the point that investments in Investee Companies are made, rather than on subscription to the Fund (which is the case with approved EIS funds). The following description of reliefs and tax planning opportunities is an overview only and is not intended to be an exhaustive statement of EIS and its workings.

Income Tax Relief

UK taxpayers who invest in, but are not connected with, an EIS Qualifying Company may reduce the amount of their liability to income tax, provided that they hold their shares for at least three years. Connected investors include employees, directors receiving remuneration and investors with shareholdings of 30% or more. It has been announced that with effect from April 2011, individual investors may claim relief against income tax at a rate of 30% (previously 20%) on a maximum of £500,000 of investment in EIS Qualifying Companies in the 2011/12 tax year and £1,000,000 in the 2012/13 tax year. Relief may also be carried back to the prior tax year.

An investor who subscribes £100,000 in EIS Qualifying Companies can therefore (subject to his having sufficient taxable income against which to claim the relief) receive £30,000 (previously £20,000) in the form of a tax rebate or an adjustment to his PAYE code, making the net cash cost of his investment £70,000 for shares costing £100,000.

Capital Gains Tax Deferral Relief

UK taxpayers with chargeable capital gains unconnected with their EIS Qualifying Companies may defer the assessment of the chargeable gain, or a part of it, provided that the chargeable gain or part thereof arises within a period commencing three years prior to an investment in an EIS Qualifying Company and ending one year after it. There is no limit on the gains that may be deferred in this way, other than the amount invested in the EIS Qualifying Company. Gains are deferred until the earlier of certain specified events or the disposal of the shares, whereupon the gains will fall to be assessed and capital gains tax may become payable.

If the same illustrative investor, having subscribed £100,000 in EIS Qualifying Companies, has chargeable capital gains of at least £100,000, he could therefore reduce his net cash cost of investment by up to £30,000 (previously £20,000) through claiming income tax relief and by up to a further £28,000 by deferring assessment on £100,000 of his chargeable gains, giving a net cash cost at the point of investment of £42,000 for shares costing £100,000 (£100,000 - £30,000 - £28,000). The £28,000 is only deferred, however and will have to be accounted for on disposal of the shares.

Capital Gains Exemption

Provided that shares in an EIS Qualifying Company are held for at least three years from issue (or from the date on which the EIS Qualifying Company's trade commenced, if later), gains arising on disposal of such shares are exempt from assessment for capital gains tax.

The same illustrative investor who has subscribed £100,000 in EIS Qualifying Companies and who has disposed of his shares for £150,000 would therefore have a tax-free gain of £50,000. Taking into account his income tax relief of £30,000, therefore, he would have had tax-free cash receipts of £180,000 - a net tax-free gain of £80,000. Any chargeable gains deferral claimed pursuant to the investments will become chargeable at this time.

Loss Relief

Investment in EIS Qualifying Companies involves a high degree of risk, by virtue of the fact that they are typically young companies trying to establish themselves. Such companies are at greater risk of failure than more established businesses.

Loss relief is available in connection with realised capital losses in respect of shares in EIS Qualifying Companies (net of any initial income tax relief). The loss may be offset against the taxpayer's liability for income tax in the same year as the loss arises, or carried back to the preceding year. It may also be set off against capital gains of the same year or carried forward to set off against future gains. Depending on the rate at which an investor's income is taxed, loss relief may be available at a rate of up to 50%.

Inheritance Tax Relief

Shares in EIS Qualifying Companies may qualify for 100% relief from IHT provided that they have been held for at least two years. Relief is available for assets falling within the category of relevant business property that has been held for two years or more, whereby the value transferred can be reduced to nil for IHT purposes. Relevant business assets include both unlisted shares and shares listed on AIM or the Plus-quoted or Plus-traded markets. Relief may be restricted or unavailable in certain circumstances, for example where the company owns an asset that is not required for its business or where the business is carried on otherwise than for gain.

Currently, IHT is payable at a rate of 40% on all relevant transfers over £325,000. Accordingly, the cost of an investment in EIS Qualifying Companies can be reduced by 40% if it allows a taxpayer to avoid IHT on a transfer of assets. An investor who has subscribed £100,000 in EIS qualifying Companies and has claimed income tax relief at 20% can reduce the effective cost of his investment by up to a further 40% to not less than £40,000 by avoiding IHT on the transfer of assets in life, provided that the transfer takes place at least two years after the shares were first acquired.

EIS Requirements

Currently (some of these requirements may be relaxed in 2012), in order for a company to be an EIS Qualifying Company, it must satisfy various requirements, including the following:

- The company must not have any of its shares, debentures or other securities listed at the time that the shares are issued. The company will not qualify if there are arrangements in force at the date the shares are issued for such a listing to take place, or for the company to be acquired by or become part of a group where the shares, debentures or other securities of the acquiring company or group member are listed. Listing can be on a recognised investment exchange or an exchange, within or outwith the UK, designated by HMRC - this does not include AIM or PLUS;
- The company must have fewer than 50 full-time or full-time equivalent employees on the date that the shares are issued;
- The company must have gross assets of not more than £7 million prior to the fund-raising and not more than £8 million afterwards;
- The company must exist for the purposes of carrying out a qualifying trade or must be the parent company of a group whose business is essentially that of carrying out qualifying activities. For these purposes, any subsidiary should be at least 90% owned. HMRC defines qualifying trades by exception, so a qualifying trade is any trade other than one that is excluded, or where excluded trades comprise not more than 20% of the company's trade.

Investors should be aware that the rules of EIS place a constraint on the Manager in terms of structuring investments in Investee Companies, when compared to the range of structures available were EIS Relief not an objective. This means that some of the structuring techniques usually adopted by venture capital funds to mitigate investment risk will not be available to the Fund.

EIS Relief is not available to Investors connected with the Investee Company. Investors may be connected if they are employees or directors, or own more than 30% of the ordinary shares, loan capital, voting rights or rights to assets on a winding up. The 30% test is particularly important if any Investors ever consider any direct investment in Investee Companies. Accordingly, the Investment Agreement requires Investors to disclose any connections to Investee Companies.

EIS and Insolvency

Provided that the insolvency proceedings are entered into for genuine commercial reasons and not as a scheme or arrangement for avoiding tax, the liquidation, administration or receivership of a company will not lead to EIS relief being withdrawn from investors.

Illustrative Portfolio Return

Returning to the illustrative investor¹ and taking into account the initial fee that would be payable by that investor were he to make his investments via the Fund, the following table sets out a hypothetical portfolio purely for the purposes of illustrating the effects of EIS Relief:

Company	A	B	C	D	E	Total
<i>Investment in the Fund</i>						<i>£(100,000)</i>
Initial Fee	£(1,000)	£(1,000)	£(1,000)	£(1,000)	£(1,000)	£(5,000)
Cost of shares	£(19,000)	£(19,000)	£(19,000)	£(19,000)	£(19,000)	£(95,000)
Income tax relief at 30%	£5,700	£5,700	£5,700	£5,700	£5,700	£28,500
CGT deferral	£5,320	£5,320	£5,320	£5,320	£5,320	£26,600
Net post-tax cash outflows	£(8,980)	£(8,980)	£(8,980)	£(8,980)	£(8,980)	£(44,900)
Exit proceeds	£30,000	£NIL	£10,000	£20,000	£45,000	£105,000
CGT due on gains deferred ²	£(5,320)	£(5,320)	£(5,320)	£(5,320)	£(5,320)	£(26,600)
Capital loss ³	-	£13,300	£3,300	-	-	£16,600
Maximum value of loss relief ⁴	-	£6,650	£1,650	-	-	£8,300
Net post-tax cash inflows	£24,680	£1,330	£6,330	£14,680	£39,680	£86,700
Net return to investor ⁵	£15,700	£(7,650)	£(2,650)	£5,700	£30,700	£41,800
Performance fee ⁶						£(1,000)
Return post performance fee						£40,800

The table set out above is intended solely as an illustration of the potential effects of EIS Relief and is not intended as a guide to possible investment returns. An Investor is at risk of losing the entirety of his Subscription. In that event (equivalent to the out-turn for Company B across the whole portfolio) an investor able to take full advantage of EIS Relief would stand to recover up to 61.75% of his Subscription (based on current tax rates), or, looked at from another perspective, can cap his maximum post-tax loss at 38.25% of his Subscription. Investors unable to take full advantage of EIS Reliefs, however, would lose more and an Investor who is unable to take advantage of any EIS Reliefs could lose the entirety of his Subscription.

¹ The returns used for the purposes of this illustration are intended solely as aids to understanding the tax consequences of EIS and should not be taken as any guide to possible investment performance. Investment in early-stage companies involves significant risk – see “Risk Factors” on pages 47 - 49.

² Assuming capital gains tax remains payable at 28%

³ The value of the taxable loss could be between £4,648 and £8,300, depending on tax rates prevailing at the time

⁴ Assumes 50% income tax band available

⁵ The net return to this illustrative investor provides an example in respect of a taxpayer with a 50% marginal rate of income tax who is able to take full advantage of the reliefs available under EIS. The post-tax out-turn on any portfolio of investments will vary according to individual investors’ personal tax circumstances

⁶ On this portfolio, the investor’s exit proceeds exceed the original Subscription by £5,000, resulting in a performance fee of £1,000 and a post-tax investment return, net of fees, of 57.1%.

Part 3: More About Par Equity

Par Equity

Par Equity is an Edinburgh-based venture capital firm formed specifically to address the particular requirements of investment in small, high-growth potential companies. Through the Par Syndicate and the Par Funds, which are managed by Par Fund Management Limited (which is authorised and regulated by the FSA and a member of the British Venture Capital Association and the EIS Association) Par Equity aims to be a leading investor in its market niche, capitalising on its operationally-biased investment style and network of industry experts. Specifically, we are able to access people within our network who can add valuable perspective to our assessment of the commercial rationale for our investments. Functions such as deal negotiation, confirmatory due diligence and documentation are undertaken by individuals within the Investment Team with extensive corporate finance experience.

The Investment Team

Paul Atkinson

Paul is an entrepreneur and serial angel investor. He has a substantial track record of building value for companies in the technology and services sector and taking them to a successful exit. He has a BSc in Physics from Manchester University.

In 1995, Paul founded the IT recruitment business, Direct Resources, which he sold in 1999 to NASDAQ listed Mastech Systems Corporation for £3.4 million. During this period he also launched a spinout online business, Recruitment Scotland, which was sold to TMP Worldwide in 2000 for £9.0 million. In 2001, he founded his third recruitment business, Head Resourcing, which has grown into a business with a turnover of £36m in 2010 and has a projected turnover of £48m for 2011. It has also been listed twice in the top ten of the Sunday Times Fasttrack 100. Paul stepped down from his executive role with Head Resourcing in 2008 to establish Par Equity LLP, but remains a major shareholder in the business.

Paul has invested in a range of early stage IT and services companies, a number of which have made positive exit returns for the investors. He is currently non-executive Chairman of Head Resourcing, a non-executive director of Rocela Group Limited and until recently was chairman of the HR forum, Devonshire House Management Club. He is also a Founder and Coordinator of the Scottish IT Directors' Forum.

Andrew Castell

Andrew is a Chartered Accountant with extensive corporate finance and corporate restructuring experience. He has an MA in Jurisprudence from Oxford University.

Andrew began his career in the audit practice and then management consultancy practice of Touche Ross (now Deloitte). He then spent a number of years working in investment banking, gaining broad-based experience in transactional corporate finance advisory work. Andrew was Group Finance Director of Goshawk Insurance Holdings PLC and subsequently CBS Insurance Holdings PLC. In both cases he was heavily engaged in restructuring work to address the consequences of significant underwriting losses, undertaking a variety of transactions as part of these processes. At CBS, Andrew was one of the principal architects of Insurance Capital Partners LP, a fund providing investors with access to insurance underwriting as an asset class and which has so far delivered a 120% realised return on investment (net of fees but before tax) since commencing in 2006. Andrew is a non-executive director of Highlands & Islands Airports Limited, Soirbheas Limited, LINC Scotland Limited and Star Net Geomatics Limited.

Robert Higginson

Robert is well-versed in the software and technology industry, having held a number of senior strategy positions within blue-chip organisations, based in various European countries and the US. Latterly he has operated as an investor on his own account.

Robert's first technology role, in 1980, was as a programmer and, subsequently, Development Manager based in the US, at the start-up known today as Artemis International. Robert entered the Financial Services industry in 1986 as manager for realtime systems at Reuters. He subsequently joined Telekurs AG (now part of Swiss Financial Market Services AG, owned by the Swiss banking and asset management industry) in Switzerland to head up advanced systems, before moving into a strategy role at ABN Amro's Investment Bank in Amsterdam and finally Royal Bank of Scotland.

Since 2002 Robert has based himself primarily in London and Edinburgh, working with universities on technology transfer, start-up and early stage businesses, leveraging his international network to provide consultancy advice and, in some cases, finance. The majority of these businesses are engaged in technology, including waste-to-energy technologies. He has also invested in two large (over 50MW) on-shore wind farm projects: Baillie Wind Farm Limited and Spittal Wind Farm Limited.

Paul Munn

Paul is a Chartered Management Accountant and has experience of corporate management, turnarounds, business development and active shareowner engagement. He has a Bachelor of Laws degree from the University of Glasgow.

Paul has over 20 years' corporate experience, gained in a number of industry sectors, principally consumer goods, manufacturing and healthcare, with companies such as Mars Confectionery, BUPA and Price Waterhouse. He has worked in and has extensive experience of the US and the Far East as well as Europe. In addition to his management experience, Paul has acted as both principal and advisor in a number of corporate finance transactions. Paul joined Dawson International plc, an international textile business, in 1996, where he was appointed Group Finance Director before being appointed Chief Executive in 2000. During that time he led the business through a fundamental restructuring which focussed the business back on its heritage as a specialist cashmere group. Paul was a non-executive director of European Home Retail plc between 2002 and 2007. From 2005 until joining Par in 2008, Paul worked for Hermes Fund Managers Limited and was responsible for the successful commercial development of Hermes' corporate governance and active shareholder engagement services, which it offers to large institutional investors.

Chairman of the Advisory Panel

Professor Simon G Best, OBE, FRSE

Simon is a partner in Par Equity LLP and the CEO of Aquapharm BioDiscovery Ltd., a leading Scottish marine biotechnology company and the Chairman of the Edinburgh BioQuarter - a combined initiative of Edinburgh University, Scottish Enterprise, NHS Lothian and Alexandria Real Estate Inc. to ensure that Scotland's globally competitive biomedical research is exploited commercially to improve the health and wealth of its citizens. He is also a member of the University's Equity Management Group.

Simon was Chairman of the UK BioIndustry Association 2006-7 and Vice-Chairman of the US Biotechnology Organisation 1994-6. Other previous roles include - Entrepreneur-in-Residence at TVM Capital, Chairman of Ardana Plc., Neuro3D SA and the University of Edinburgh's Technology Fund, Vice-Chairman of the UK India Business Council (UKIBC) and a Non-Executive Director of Avesthagen Pvt. Ltd., Direvo Biotech AG and Entelos Inc. Simon was Founding CEO of Zeneca Plant Science and Roslin BioMed, which he merged with Geron Corporation (NASDAQ:GERN) to form Geron BioMed in 1999. In 1999 he was nominated by the World Economic Forum as a Global Leader of Tomorrow and in 2000 as a Technology Pioneer of the Year.

In total, Simon has helped raise over £135 million from public, private and corporate Investors in the past 15 years to build and realise value for investors in life science, cleantech and technology companies.

The Advisory Panel and PAL

The Advisory Panel is an integral part of the process of creating value for the Fund. The services of Advisory Panel members are delivered through PAL, a company formed specifically for this purpose. The Advisory Panel is chaired by Professor Simon Best, who has extensive experience of private equity-owned businesses and who holds, or has held, a number of chairman roles.

Par Equity has assembled the Advisory Panel to provide high-level, high-impact advisory input to Investee Company boards. Individuals invited to join the Advisory Panel are carefully selected on the basis of their business experience and areas of expertise, much of which has been built up in innovative businesses. Details of Advisory Panel members, including brief biographies, may be found on Par Equity's website (www.parequity.com).

The Advisory Panel is a fundamental part of Par Equity's business model and the Manager believes that it has the potential to mitigate the enterprise risks typically attributed to smaller companies and so to add significant value to investments made by the Fund. It should be noted that although Par Equity requires the right to appoint Investor Directors to the boards of Investee Companies, Investor Directors will generally be drawn from a wider pool of individuals known to or identified by the Investment Team and other Partners, rather than the Advisory Panel itself. Where the Fund has invested alongside the Par Syndicate, the Investor Director will generally be a member of the Par Syndicate who has invested in the Investee Company concerned.

The Advisory Panel has demonstrated its ability to contribute to the flow of introductions to potential investment opportunities enjoyed by Par Equity. Advisory Panel members have already been deployed with potential Investee Companies and have, in the opinion of the Manager, demonstrated their worth in adding value to Par Equity's model.

The Advisory Panel is intended to offer a more flexible means of delivering senior-level expertise and experience to Investee Company boards than the traditional model of appointing non-executives. By adopting an advisory model that makes much more effective use of Par Advisers' time, Par Equity is able to access high calibre individuals and apply them flexibly to Investee Companies.

Through PAL, Investee Companies are able to secure an agreed amount of Par Advisers' time. The Par Advisers assigned to the Investee Company are then provided with administrative support by Par Equity to increase the effectiveness of time spent with Investee Company management. Typically, their role will be to act as mentors, consultants, trouble-shooters or a source of introductions, as the situation demands.

In contrast to the position of non-executive directors, where an appointment is expected to last for some time, the Advisory Panel concept delivers individuals with relevant expertise for relatively short periods. This is particularly important when Investee Companies are expected to be operating in a fast-moving environment and potentially enjoying rapid growth, with the result that the challenges they face are likely to change rapidly over time. Par Equity will address these issues flexibly by suggesting appropriate Par Advisers as the needs of the Investee Company change, so that the right skills are being applied at the right time.

Par Advisers receive a package of benefits in exchange for their involvement with Par Equity. Included within this package is the ability to access, through membership of the Par Syndicate, opportunities to invest in the companies they advise. Where Par Advisers engage with an Investee Company, they may charge a day rate or receive sweat equity (shares for services), or some combination of the two.

The Par Syndicate

The Par Syndicate is an Angel network co-ordinated by Par Equity LLP. Many of the Par Syndicate's members are also members of the Advisory Panel. The Par Syndicate is flexible in terms of the sort of company it will consider for investment, but it is expected that Par Equity's area of focus, innovative technology, will continue to be the major theme. The Fund will co-invest with the Par Syndicate on all investments made by the Par Syndicate in EIS Qualifying Companies that meet the Fund's investment mandate. In such cases, the Investment Team will be involved in the Par Syndicate's decision-making process (although it does not advise the Par Syndicate) and so assessment of a prospective investment will be informed by the Par Syndicate.

Par Innovation Fund I LP

The Innovation Fund is a venture capital fund. It has a broadly similar investment remit to the Fund in terms of sector focus, but is exclusively targeted at companies with established revenues, whereas the Fund may invest in pre-revenue companies. The Innovation Fund is tax-transparent and its limited partners are not able to secure EIS Relief in respect of the investments it makes.

Investment Portfolio

Members of the Investment Team have been active and successful investors in unlisted companies, whether as third party investors or as entrepreneurs. In addition, Par Equity has acted as gatekeeper for the Par Syndicate since its formation in early 2009, during which time the Par Syndicate has concluded 21 investment transactions involving eight companies, investing £3.9 million as part of overall aggregate investments (including co-investment partners) of £8.6 million. The Innovation Fund concluded its first investment in Q1 2011 and has since completed a further three investments, deploying £1.1 million as part of aggregate investment (including co-investment partners) of £2.3 million. In consequence of this activity, Par Equity enjoys a strong flow of investment opportunities. Par Equity's portfolio is an illustration of the type of opportunity that may be pursued by the Fund - indeed the Fund may, if appropriate, participate in follow-on rounds in some of these companies.

Ciqua Limited - www.ciqua.com

Ciqua is a software company, headquartered in Edinburgh with an office in Australia. Its principal product, Session Insight, is a tool that provides powerful, real-time service diagnostics for mobile data communications providers. It offers mobile data communications providers the scope to reduce significantly the costs of customer care by reducing call volumes to support centres, reducing the duration of calls, increasing resolution rates and reducing customer retention costs and churn.

Ciqua is marketing its software to operators across the world, in regions including the Far East, Australasia, South America and Europe. Following investment by the Par Syndicate over a series of investment rounds in respect of which EIS Relief was available, Ciqua secured its first round of venture capital investment at the end of 2010 and has recently completed a further venture capital funding round in which the Innovation Fund participated.

Shaw Water Limited

Shaw Water was seeking to develop a highly innovative water testing technology, intended to allow water utilities to increase the frequency and accuracy of tests for cryptosporidium and, potentially, other water-borne pathogens, whilst reducing costs. The Par Syndicate stopped supporting the company towards the end of 2009 and, after a period of evaluating restructuring and refinancing options, the company went into liquidation in the middle part of 2010. The Par Syndicate's investments in Shaw Water were eligible for EIS Relief, so shareholders were, subject to their individual circumstances, able to claim loss relief.

The One Place Capital Limited - www.moneydashboard.com

The One Place Capital has developed two on-line products: moneydashboard.com, a personal financial management tool; and miiCard, an identity verification tool that allows consumers to satisfy anti-money laundering identification requirements without the need for hard copies of documents to be inspected each time a transaction is entered into. These two products will be developed as separately managed businesses to maintain the focus of management and also as a recognition of their divergent capital requirements (see below). After leading an initial round in 2009, the Par Syndicate has generally been supportive of further rounds of investment, each of which has been eligible for EIS Relief.

Kiltr Limited - www.kiltr.com

Kiltr is a professional and social networking site, aimed at Scots across the globe. Affinity is an increasingly important factor in use of social networks, as people with common interests group together. Kiltr's revenue model combines advertising and subscriptions and the underlying architecture is capable of being applied to other affinity groups, whether ethnic/national or otherwise. Following its open beta launch, Kiltr has continued to increase its user numbers and is now in revenue.

The Par Syndicate has led the seed, A and B funding rounds, collaborating with Barwell (a family office) and Scottish Enterprise. EIS Relief has been available at each round of investment.

Simple Audio Limited - www.simpleaudio.co.uk

Simple Audio is a consumer electronics business whose launch product is a distributed digital home entertainment system - users can install units throughout their homes, so that exceptionally high-fidelity audio can be heard across a number of rooms without the need for special cabling or the limitations of wireless connections. Simple Audio is addressing the rapidly growing market for such products and plans to launch a similar product with video capability in due course.

The Par Syndicate has led three investment rounds in the run-up to product launch, which will see the company take its distributed audio product range to four markets in Europe initially, where feedback from distributors and retailers indicates very strong demand. EIS Relief has been available at each round of investment.

Star Net Geomatics Limited - www.starnetgeomatics.com

Star Net has been in business for ten years, having started as a land survey service provider. More recently, with the advances in laser scan technology, it has focused on this area. What differentiates Star Net from the competition is the web-based portal, i-site, which has been developed in-house. This is an industry-leading inter/intranet web page capable of being extensively customised to individual client requirements, taking the point cloud data from the laser scans (or other similar scanning technologies) and allowing the customers to access remotely and manage any asset that has been scanned. Existing laser scan companies typically provide the customer with little more than the point cloud data.

Star Net combines point cloud data with full colour photography giving customers the ability to click and move throughout the scanned asset and most importantly, measure anything in 3-D. This removes the need for multiple site visits as clients can plan, design and maintain from any internet-connected computer. Star Net initially developed i-site for the Telecoms sector for customers with multiple (many thousands) of towers in remote locations. It is now working in Germany, France, Turkey and the U.S. The other sectors it is targeting are Oil & Gas, Nuclear, Power & Industrial, Renewables and Mining.

The Innovation Fund has invested in Star Net and the investment is not eligible for EIS Relief.

Aircraft Medical Limited - www.aircraftmedical.com

Aircraft Medical is a specialist developer and producer of high quality medical devices focused on the needs of anaesthesia and critical care professionals around the world. The company's proprietary technology includes the compact and versatile McGRATH® video laryngoscope range, as well as Index of Consciousness patient monitoring technology. The McGRATH® Series 5 is now sold in 35 countries around the world, capitalising on the rapidly emerging video laryngoscope market.

Aircraft Medical's design process, material selection, supply chain management, product testing and validation are operated under ISO13485 accreditation. In 2010 the company entered new expanded premises at Dalgety Bay, north of Edinburgh. It also has a dedicated R&D subsidiary in Barcelona, Spain, as well as a customer service team in the United States.

The company continues to develop its medical technology intellectual property platform, with a core interest in airway management and patient monitoring technologies. Aircraft Medical is widely acknowledged as a leader in medical product design and is committed to expanding its product range and markets in the coming years, and to building a significant new brand in healthcare.

This investment by the Par Syndicate was eligible for EIS Relief.

QSpine Limited

QSpine is a newly-formed business created from two pre-existing medical devices businesses. The merged entity will design, manufacture and distribute medical devices and surgical consumables directed at the orthopaedic surgery marketplace globally. In particular, QSpine has developed an innovative dynamic stabilisation device that is an effective solution to loss of vertebrae stability, delaying or even removing the need for surgery to fuse vertebrae, which has a low rate of satisfactory outcomes. The Innovation Fund led this investment in 2011, alongside members of the Par Syndicate, with further interest from the Par Syndicate expected at the second tranche.

miiCard Limited - www.miicard.com

miiCard was spun out from The One Place Capital Limited (see above) in 2011. miiCard is an on-line identity verification tool that allows consumers to satisfy anti-money laundering identification

requirements without the need for hard copies of documents to be inspected each time a transaction is entered into.

The investment transaction was led by the Par Syndicate, with co-investment from IQ Capital Fund I LP, Scottish Enterprise and a small number of independent business angels. The funds will be applied to taking miiCard through a process of trials with selected potential customers, whereupon further investment will be required to fund a commercial roll-out.

This investment is expected to be eligible for EIS Relief.

Larosco Limited - www.bongomagic.co.uk

Larosco has developed and launched a web-based recruitment and retail loyalty tool, Bongomagic, that allows users to create and distribute job adverts or product/service adverts using the personal networks of individuals such as employees or consumers. Based on the premise that employees (in the case of recruitment) and existing consumers (in the case of retail products and services) can be powerful ambassadors, Bongomagic allows users to tailor campaigns and to manage incentives to reward individuals for opening up their networks of contacts. Par Innovation Fund I LP led an investment in this company in 2011, alongside new and existing individual shareholders and Scottish Enterprise.

Company X

X has developed and is in the process of commercialising a device for generating electricity from tidal power. This product is intended to address a number of the issues facing tidal power generation, many of which relate to the hostile environment in which tidal power units operate and the resultant high costs of maintenance. X's approach is to build small-scale arrays for use in-shore in relatively sheltered and accessible areas such as large river estuaries. By deploying the arrays near commercial centres the power generated can be sold either in the wholesale market or to large-scale users such as industrial estates or corporations.

In addition to a design that minimises the exposure of critical components to the harsh marine environment and focuses on efficiency of operation, the approach of situating arrays in-shore means that maintenance is significantly easier and cheaper to undertake than for off-shore sites. This contrasts with the strategies of many other players in this market, which has been to focus on sites with high-energy tidal flows, where any benefits accruing from stronger tidal races have been outweighed by the extremely hostile environment in which units have to operate. X has agreed terms for the deployment of its first array.

Company Y

Offering a range of mobile device applications connected to a database of thousands of brands, Y offers the consumer the ability to use a mobile device to identify an advertisement automatically, whether it is pasted to the wall of the underground, in a magazine, or on the TV and to link seamlessly to the merchant's e-commerce site to facilitate a sale. The company's revenue stream will come from a percentage fee from the affiliate networks upon each sale. This service doesn't rely on the need to modify the advertisement in any way to include QR codes or watermarking, for example. The rich data that is generated about consumers' shopping habits, positioning of digital adverts and product preferences is expected to be of value to all those in the value chain.

Company Z

Z is an internet-based research company providing aggregated consumer opinions on an international scale, yielding detailed feedback on a huge database of music tracks. All actors in the value chain including radio stations, record companies, A&R and artists themselves can benefit from (and will pay for) this service. The model is based on thousands of internet-based scouts, each of whom is paid a very small fee each time they review a track. Z prepares aggregated reports, which are sold at a high price to customers such as record companies. Similarly, leading radio stations subscribe to Z's analytics dashboard.

The Manager's Chosen Charities

Where an Investor either chooses not to take advice in relation to the Fund from an Authorised Intermediary, or where the fee arrangement that the Investor has in place is such that the Authorised Intermediary does not take commission from Fund Providers, Three fifths of the Initial Fee is available to be donated to charity (otherwise it will be treated as an additional Subscription).

Details of how to donate to charity through the Fund application are set out in Part E of the Application Form. Set out below are brief summaries of the Manager's chosen charities, which Investors may choose between. Investors who invest at least £100,000 (or who are part of a group of Investors investing at least £100,000 in aggregate) may choose their own charity. Where acting as a group for this purpose, Investors should give a name to their group and provide it in the relevant box in Part E of the Application Form.

Help for Heroes (www.helpforheroes.org.uk)

Help for Heroes ("H4H") exists to assist persons who are currently serving or who have served in the Armed Forces, and their dependents, by advancing any lawful charitable purpose at the discretion of H4H's trustees and in particular, but not exclusively:

- To promote and protect the health of those that have been wounded or injured whilst serving in the Armed Forces through the provision of facilities, equipment or services for their rehabilitation; and
- To make grants to other charities who assist members of the Armed Forces and their dependents
- To promote and protect the health of those who have been wounded, sick or injured whilst providing services to, or in conjunction with, and in either case under the direction of the commander of, the Armed Forces in an area of conflict or war and to provide benefits to the dependents of such persons who are in need

H4H both funds capital projects and provides individual support in conjunction with delivery charities. H4H sees an individual on a road to recovery that starts with coming back from operations, probably to Selly Oak, then to Headley Court and then on the journey through life. H4H wants to support servicemen and women and their families, on every step of the way, funding services and facilities that give them the very best chance of a fulfilling and happy future. It does this by funding its strategic partners. Examples of H4H's funding activities include:

- £8.5m Rehabilitation Complex at Headley Court
- £6.5m to Combat Stress, including funds for the construction of a new accommodation block at their Surrey treatment centre
- £750,000 adaptive adventure training through the Battle Back programme
- £1m to St Dunstan's to assist the extension of the former North Wales Medical Centre In Llandudno
- Creation of a £6m Quick Reaction Fund to support individuals in need managed by the Service charities. Funds available within 72 hours for service personnel and their families.

Inspiring Scotland (www.inspiringscotland.org.uk)

Inspiring Scotland is an innovative venture philanthropy organisation - a unique partnership amongst the private, public and not-for-profit sectors in Scotland.

Working with a range of investors and supporters, all driven by a desire for social change, Inspiring Scotland is an exciting new way of investing money and skills to improve the lives of Scotland's most vulnerable people - long-term.

So, what's different about Inspiring Scotland?

There's a lot of great work being done across Scotland but there's a need for greater cohesion to achieve real and lasting change across a range of social issues. Many charities face the same set of challenges - funding is typically short-term or project-focused, leaving them unable to grow the scale of their operations, achieve financial sustainability, or make real and lasting change.

Inspiring Scotland takes the principles of venture capital - long term investment and tailored development support - and applies these principles to the not-for-profit sector. However, instead of working in financial investment, it works in social investment. It offers long-term support to charities - both financial and non-financial - typically over a 7 to 10 year period. It does not see it as charitable giving but rather as investing with a social return. From day one, it actively plans with charities for the period beyond its investment, helping them to achieve financial sustainability.

Inspiring Scotland's focus is on social issues where it can help to leverage real and lasting change. The theme for its first fund - the 14:19 Fund - is young Scots aged 14 to 19 years who are struggling to make a successful transition from school into employment, education or training - and the next stage of their lives. The 14:19 Fund aims to invest £50 million in 22 charities over a period of 10 years; support 56,000 young people; and help 35,000 young people achieve sustained employment or secure a place in further education or training.

Inspiring Scotland undertook extensive due diligence when selecting the charities in the 14:19 Fund portfolio, to allow it to manage the portfolio of charities strategically and to ensure maximum social return on investment. Throughout the period of investment, it:

- **defines** clear, measurable social benefits;
- **collaborates** and works with the charities it invests in, but leaves control firmly in their hands;
- **rigorously evaluates** and measures their performance;
- **measures outcomes**, not inputs/outputs;
- **holds charities to account for results**; and
- **shares what it learns** about addressing strategic social issues and the impact this is having on people in communities across Scotland

Inspiring Scotland maximises the social return on philanthropic investment in Scotland.

The Youth Sport Trust (www.youthsporttrust.org)

The Youth Sport Trust is an independent charity, established in 1994 by Sir John Beckwith CBE and Duncan Goodhew MBE, with a mission to build a brighter future for young people through physical education and sport. It is focused on creating a world-leading physical education and sport system that reaches, inspires and engages all young people - whatever their age or ability.

The Youth Sport Trust is working hard to encourage all young people to take part in sport and physical education, both in and out of school time. It encourages children to do more physical education and sport by developing different ways of getting them interested and involved. This can be everything from running training camps for the next generation of Olympic hopefuls, or using sport as a way of helping youngsters who may be struggling at school or introducing new ways for young people to lead and volunteer in sport in their community.

The Youth Sport Trust supports schools to use sport to raise standards, achievement and attainment across all subject areas. There is a growing belief that physical education and school sport can make a major contribution to many agendas - educational achievement, public health, community cohesion and, of course, sporting performance at the highest level.

The Youth Sport Trust wants to help young people to live healthy and active lives and to be the best they can be. Sport can be used as a great way to help them achieve this.

Part 4: Definitions

In this Memorandum, unless the context otherwise requires, the following words and expressions have the meanings shown:

“**Administrator**” means The Share Centre, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8SZ or such administrator as may be appointed from time to time by the Manager;

“**Administrator’s Terms of Business**” means the Administrator’s standard share dealing account terms of business, as amended from time to time;

“**Administrator’s EIS Account Terms of Business**” means the Administrator’s additional terms of business for Enterprise Investment Scheme accounts, as amended from time to time;

“**Advisory Panel**” means the panel of business advisers and mentors assembled and administered by PAL from time to time;

“**AIM**” means the Alternative Investment Market;

“**Angel**” means an individual, typically a high net worth individual, professional investor or sophisticated investor, who engages in making investments, either solely or in conjunction with other Angels, in unlisted companies at an early stage in their development;

“**Applicable Laws**” means all relevant UK laws, regulations and rules, including those of any Government or of the FSA;

“**Applicant**” means a person who has submitted an Application to the Manager;

“**Application**” means a completed Application Form, having been submitted to the Manager together with the Subscription;

“**Application Form**” means the application form set out in this Memorandum, validly completed and executed;

“**Associate**” means, in relation to a Fund Provider, a member of that Fund Provider’s group of companies;

“**Authorised Intermediary**” means a financial adviser, authorised and regulated by the FSA or a recognised professional body, who has provided financial advice to an Investor regarding the Fund and recommended that the Investor enter into the Investment Agreement;

“**Cash Offer**” means in respect of an Investee Company an offer by a third party to buy the entire issued share capital of an Investee Company where the consideration for such offer consists of cash;

“**CIS Exemption Order**” means the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 (as amended);

“**Closing Date**” means the Initial Closing Date, the Interim Closing Date(s) and the Final Closing Date, being *inter alia* a date on which the Investment Agreement may commence;

“**EIS**” means the Enterprise Investment Scheme as constituted under the legislation in force at the date of this document, or as subsequently amended, as the context requires;

“**EIS Qualifying Company**” means a company in respect of which EIS Relief may be available to Investors;

“**EIS Relief**” means the income tax, capital gains tax and inheritance tax reliefs available to subscribers for shares in EIS Qualifying Companies;

“**EIS Share Account**” means a segregated account administered by the Administrator and held in the name of an Investor for the purposes of holding the Investor’s Subscription, Exit Proceeds, dividends and shares in Investee Companies as Client Money and/or Client Assets as defined in the FSA Rules;

“**EIS3 Form**” means the form issued by an Investee Company evidencing an investment by an Investor in that Investee Company and allowing the Investor to claim EIS Relief from HMRC;

“**Exit Event**” means, in respect of an Investee Company, the point at which (a) any of a Cash Offer, a Share Offer or an IPO is completed or (b) insolvency proceedings have commenced;

“**Exit Proceeds**” means, in respect of an Investee Company, the proceeds arising from an Exit Event and attributable to an Investor;

“**Final Closing Date**” means the date on which the Fund is closed to new Investors, following which no new Applications will be accepted;

“**Financial Promotion Order**” means the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended);

“**FSA**” means the Financial Services Authority 25 The North Colonnade, Canary Wharf, London E14 5HS;

“**Fully Invested**” means the point at which an Investor’s Subscription Surplus is less than 10% of his Subscription;

“**Fund**” means a number of individual discretionary investment management agreements between Investors and the Manager in the form of the Investment Agreement set out in the Memorandum, whereby Investors invest collectively in EIS Qualifying Companies;

“**Fund Minimum Threshold**” means aggregate Subscriptions of at least £500,000;

“**Fund Provider**” means the Manager and the Administrator;

“**HMRC**” means Her Majesty’s Revenue & Customs;

“**Initial Closing Date**” means the first date on which the Fund may commence making Investments, subject to the Fund Minimum Threshold having been achieved;

“**Initial Fee**” means the fee payable to the Manager by the Investor pursuant to the Investment Agreement, being 5% unless reduced by the Manager to reflect a reduced commission payable to the Investor’s Authorised Intermediary;

“**Innovation Fund**” means Par Innovation Fund I LP, a venture capital fund managed by the Manager;

“**Interim Closing Date**” means such date or dates as the Manager may determine, being the last business day of the month, falling between the Initial Closing Date and the Final Closing Date;

“**Investee Company**” means a company in which the Manager intends to make an investment, or has made an investment, on behalf of Investors and which has not been the subject of an Exit Event;

“**Investment**” means shares in an Investee Company held by an Investor in his Portfolio;

“**Investment Agreement**” means the agreement between the Manager and each Investor, as set out in this Memorandum;

“**Investment Committee**” means the committee established by the Manager for the purpose of making investment decisions on behalf of the Fund;

“**Investment Objectives**” and “**Investment Restrictions**” means the information set out in Part 1 of this document, describing the principal investment aims of the Fund and the principal restrictions placed on it;

“**Investment Period**” means the period during which the Manager has discretion to invest Subscriptions in EIS Qualifying Companies;

“**Investment Team**” means Paul Atkinson, Robert Higginson, Andrew Castell and Paul Munn;

“**Investor**” means a person whose Application and Subscription have been accepted by the Manager and who has in consequence become an investor in the Fund;

“**IPO**” means the initial public offering of a company’s shares or other securities to investors on a Recognised Investment Exchange or other exchange that in the Manager’s judgment will provide an Investor with sufficient liquidity as to be able freely to sell his shares, in consequence of which the company ceases to be an EIS Qualifying Company;

“**Manager**” means the investment manager of the Fund, Par Fund Management Limited, a company registered in Scotland with registered number SC338649 and whose registered office is at Exchange Tower, 19 Canning Street, Edinburgh EH3 8EH, or its successor for the time being appointed as manager of the Fund in accordance with the Investment Agreement;

“**Minimum Subscription**” means the smallest amount that an Investor may subscribe to the Fund, being £20,000;

“**Monitoring Fee**” means a fee payable by an Investee Company to the Manager or another member of the PEH Group in respect of the ongoing monitoring of that Company on behalf of, *inter alia*, Investors;

“**Net Exit Proceeds**” means Exit Proceeds less any fees or expenses falling to be deducted by Fund Providers, including but not confined to the Performance Fee;

“**Net Subscription**” means the Subscription, less the Initial Fee;

“**Operator**” means the Manager;

“**PAL**” means Par Advisers Limited, a company registered in Scotland with registered number SC338536 and whose registered office is at Exchange Tower, 19 Canning Street, Edinburgh EH3 8EH;

“Par Adviser” means a member of the Advisory Panel;

“Par Equity” means Par Equity and the PEH Group;

“Par Equity LLP” means Par Equity LLP, a limited liability partnership registered in Scotland with registered number SO301563 and whose registered office is at Exchange Tower, 19 Canning Street, Edinburgh EH3 8EH;

“Par Fund” means a fund managed by the Manager;

“Par Partners” means Paul Atkinson, Simon Best, Andrew Castell, Robert Higginson, Andrew Ley, Paul Munn and Malcolm McPherson;

“Par Syndicate” means the Syndicate co-ordinated by Par;

“PEH” means Par Equity Holdings Limited, a company registered in Scotland with registered number SC337533 and whose registered office is at Exchange Tower, 19 Canning Street, Edinburgh EH3 8EH;

“PEH Group” means PEH and its subsidiaries, including PAL and the Manager;

“Performance Fee” means a fee of 20% (plus VAT, if applicable), payable by an Investor on all Exit Proceeds in excess of the Investor’s Subscription;

“Portfolio” means an Investor’s Subscription together with his holding of shares in Investee Companies subject to the Investment Agreement;

“Readily Realisable Investment” [means an investment in shares or other securities that may be traded or otherwise realised for cash on a Recognised Investment Exchange];

“Recognised Investment Exchange” means [an investment exchange recognised by the FSA];

“Rule 3 Adviser” means a financial adviser appointed to report to a company’s shareholders for the purposes of Rule 3 of the Takeover Code;

“Share Offer” means in respect of an Investee Company an offer by a third party to buy the entire issued share capital of an Investee Company where the consideration for such offer consists of shares or other securities;

“Shareholder Agreement” means an agreement entered into by an Investee Company, its directors and external investors at the time an investment is made;

“Subscription” means the money subscribed by an Investor and available to be applied to (a) the Initial Fee and (b) investment in Investee Companies;

“Subscription Surplus” means an Investor’s Subscription less the Initial Fee and any amounts applied to invest in Investee Companies;

“Syndicate” means a group of Angels;

“Takeover Code” means The City Code on Takeovers and Mergers as promulgated by the Takeover Panel;

“Tax Advantages” means the reliefs and other tax benefits that may be available to Investors through the Enterprise Investment Scheme;

“Taxes Act” means the Income Taxes Act 2007;

“VAT” means Value Added Tax.

Part 5: Investment Agreement

This part of the Memorandum contains the Investment Agreement. The Investment Agreement contains the terms and conditions of the contract between an Investor and the Manager. Subject to the Minimum Fund Threshold being achieved, acceptance of an Application by the Manager will constitute a binding contract between the Investor and the Fund Providers.

1. Interpretation

- 1.1 Any reference to a statute or statutory instrument or to rules or regulations shall be reference to such statute, statutory instrument, rule or regulation 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.
- 1.2 References to the singular only shall be taken to mean the plural where context requires and vice versa.
- 1.3 Unless indicated otherwise, references to Clauses shall be references to Clauses in this Investment Agreement.
- 1.4 Clause headings are for convenience only and shall not affect the interpretation of this Investment Agreement.

2. Definition of Terms

- 2.1 Terms used in this Investment Agreement shall have the meaning set out in pages 20 - 22 of the Memorandum. Words and expressions defined in the FSA Rules that are not otherwise defined in the Memorandum shall have, unless the context requires otherwise, the same meaning in this Investment Agreement.

3. Elective Professional Customer

- 3.1 The Manager and the Administrator are regulated by the FSA.
- 3.2 An Applicant must be classified as an elective professional customer to be accepted as an Investor. If the Manager cannot determine that an Applicant is eligible to be treated as an elective professional customer, it will reject his Application and return his Subscription.
- 3.3 The Manager may provide the Services to the Investor on the basis that he is an elective professional customer if:
 - 3.3.1 The Manager undertakes an adequate assessment of the expertise, experience and knowledge of the Investor that gives reasonable assurance, in the light of the nature of the transactions or services envisaged, that the Investor is capable of making his own investment decisions and understanding the risks involved;
 - 3.3.2 The Manager has given the Investor a clear written warning of the protections and investment rights the

Investor may lose. This warning is contained in the Memorandum; and

- 3.3.3 The Investor has stated in writing, in a separate document from this Investment Agreement, that he is aware of the consequences of losing such protections. This statement is contained within the Application Form.
- 3.4 If an Investor has been advised by an Authorised Intermediary who is able to advise on EIS investments and unregulated collective investment schemes and who completes the relevant section of the Application Form, the Investor will be treated as having satisfied the requirement set out in Clause 3.3.1 above.
- 3.5 If the Investor has not been advised by an Authorised Intermediary, or their Authorised Intermediary has not completed the relevant section of the Application Form, the Manager will not accept the Application unless the Investor has completed the investor classification questionnaire set out in page 55 and the Manager has determined, in the light of this information, whether the requirement set out in Clause 3.3.1 above has been satisfied.
- 3.6 The Manager has certain obligations under the FSA Rules with regards to ensuring that customer categorization is up to date. As a result, the Manager may write to the Investor or his Authorised Intermediary from time to time.
- 3.7 As an elective professional customer, the Investor will lose all protections applicable exclusively to retail customers under the FSA Rules.
- 3.8 As an elective professional customer, certain of the FSA Rules will automatically, as a result of the election, be limited or modified in their application to the Investor, as follows:
 - 3.8.1 The Manager will not be obliged to warn the Investor of the nature of any risks involved in any potential investments of the Fund;
 - 3.8.2 The Manager will not be obliged to disclose to the Investor the basis or amount of its charges for any services it provides to the Investor or the amount of any other income that the Manager may receive from third parties in connection with such services;

- 3.8.3 The Manager will not be obliged to set out any of the prescribed contents, risk warnings or disclosures required for retail customers in prospectuses, marketing brochures and other non real-time financial promotion material, nor will the Manager be subject to the restrictions that apply in relation to unsolicited real-time financial communications to retail customers;
- 3.8.4 The Manager will not be required to give the Investor the warnings required in the case of retail customers in relation to material that may lead the Investor to deal with or use overseas firms that are not bound by FSMA nor will the Manager have to satisfy itself that any such overseas firm will deal with the Investor in an honest and reliable way; and
- 3.8.5 The Manager will not be required to comply with the FSA's Rules relating to restrictions on and the content of direct offer advertisements.
- 3.9 Other FSA Rules will be capable of limitation or modification under the terms of the Memorandum and/or the Investment Agreement, as follows:
- 3.9.1 The majority of the FSA Rules in relation to the form or content of financial promotions will not be applicable in respect of any financial promotion communicated or approved by the Manager; and
- 3.9.2 The Manager will not be required to provide the Investor with a periodic statement on the value and composition of his Portfolio where either (a) the Investor has requested the Manager not to do so or (b) the Manager has taken reasonable steps to establish that the Investor does not wish to receive them.
- 3.10 The Manager will take all reasonable steps to obtain, when making investments, the best possible result for the Investor taking into account the execution factors, namely: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to making an investment. In determining the relative importance of the execution factors, the Manager will take into account: the categorization of the Investor as an elective professional customer rather than a retail customer, the characteristics and investment objectives of the Fund as set out in the Memorandum, the characteristics of EIS and of the normal commercial practices of such counterparties with which, and such markets in which, the Investee Companies will conduct their business. In particular, the provision by counterparties of guarantees of minimum levels of return (where consistent with the EIS Rules) may be more important than price in relation to achieving the Investment Objectives.
- 3.11 The Manager may have regard to an Investor's expertise when complying with the requirements of the FSA Rules that communications must be clear, fair and not misleading.
- 4. Obligations of the Investor**
- 4.1 The obligations of the Investor under the terms of this Investment Agreement, including in relation to the payment of fees and expenses pursuant to Clause 20, become effective on commencement of the Investment Agreement.
- 4.2 In particular, the Investor has made statements and representations on which the Manager is entitled to rely. The Investor has a general duty to ensure that such statements and representations have been made truthfully and in good faith. These include statements and representations in respect of the Investor's circumstances for the purposes of classifying them as an elective professional customer, his intention to seek tax relief, his qualification for Tax Advantages and other relevant tax information. In addition, the Investor undertakes to keep the Manager informed if he is or becomes connected with the affairs of any Portfolio Company. Any communication by the Investor in respect of changes to any of the above or any other information provided in the Application should be made promptly and in writing to the Manager.
- 4.3 The Investor agrees to provide such information as the Manager may request as is reasonably required for the purposes of fulfilling its obligations under the terms of this Investment Agreement.
- 5. No Advice**
- 5.1 Nothing in this Investment Agreement or the Memorandum shall constitute, or give rise to any obligation on the part of the Fund Providers to provide, financial or other advice to an Investor.
- 5.2 Investors are required to seek such advice as they consider appropriate from a suitably qualified person in connection with, *inter alia*, EIS and the Fund.
- 6. Investing in the Fund**
- 6.1 This Investment Agreement enables the Investor to invest in the Fund, for which purpose the Investor has submitted a valid Application Form that has been accepted by the Manager, with related Subscription.
- 6.2 The Fund is an unregulated collective investment scheme.

- 6.3 With effect from the commencement of the Investment Agreement, the Investor hereby appoints the Manager as the sole discretionary manager of the Portfolio for the Investor on the terms set out in this Investment Agreement. The Portfolio, together with a number of other similar portfolios, will constitute the Fund. The Manager agrees to accept its appointment and obligations on the terms set out in this Investment Agreement.
- 7. Commencement of the Investment Agreement**
- 7.1 By signing the declaration contained in the Application Form, the Investor agrees to be bound by the terms and conditions of this Investment Agreement and confirms that he elects to be treated as a professional customer.
- 7.2 The Manager will not proceed with the Fund if the Fund Minimum Threshold, being aggregate Subscriptions of less than £500,000, is not achieved, whereupon the Investor's Subscription falls to be repaid in full.
- 7.3 The Investment Agreement will commence with effect from the Closing Date immediately following the date on which the Manager determines that Applications representing aggregate Subscriptions in excess of the Fund Minimum Threshold have been received and accepted.
- 8. Termination of the Investment Agreement**
- 8.1 An Investor may terminate this Investment Agreement at any time on giving not less than one month's written notice.
- 8.2 The Investment Agreement will terminate, unless the Manager elects otherwise, with immediate effect should the Manager be notified or become aware that the Investor has ceased to be able to be classified as an elective professional customer.
- 8.3 If (a) the Manager gives to the Investor not less than three months' written notice of its intention to terminate its role as Manager under this Investment Agreement; or (b) the Manager ceases to be appropriately authorised by the FSA or becomes insolvent, if such an eventuality occurs during the Investment Period, the Manager shall endeavour to make arrangements to transfer the funds to another manager in which case that manager shall assume the role of the Manager under this Investment Agreement, failing which the Investment Agreement shall terminate forthwith. If such an eventuality occurs following the Investment Period, the Investment Agreement shall terminate forthwith.
- 8.4 The Investment Agreement will terminate in any event on the seventh anniversary of the end of the Investment Period.
- 8.5 On termination of this Investment Agreement pursuant to Clause 8, the Manager will use reasonable endeavours to complete any and all transactions relating to an Exit Event in progress at termination expeditiously on the basis set out in this Investment Agreement.
- 8.6 Termination of the Investment Agreement for any reason shall be subject to the following:
- 8.6.1 If termination occurs in consequence of receipt by the Manager of the Investor's notice of termination, the Manager will ensure that the Investor's Subscription is not used for the purposes of making further Investments in Investee Companies;
- 8.6.2 If termination occurs in consequence of receipt by the Manager of the Investor's notice of termination, the Manager shall not be obliged to return the Initial Fee but shall promptly arrange for the return of any Subscription Surplus;
- 8.6.3 Where in the Manager's opinion it is not practicable to realise all of the Investor's investments immediately following termination of the Investment Agreement, all remaining investments will be transferred into the Investor's name or as the Investor may otherwise direct;
- 8.6.4 Where investments are transferred into the Investor's name or proposed to be transferred to the Investor's direction, he may remain bound by the terms of any relevant Shareholder Agreements.
- 8.7 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 Fund Providers reserve the right to charge the Investor such fees, expenses and costs up to and including the date of termination as are payable under the terms of this Investment Agreement.
- 8.8 On termination, the Fund Providers may retain such monies within the Investor's EIS Share Account as may be required to settle transactions already initiated and to pay the Investor's outstanding liabilities, including fees, costs, expenses or performance fees payable under Clause 20 of this Investment Agreement.
- 9. Subscriptions**
- 9.1 The Investor shall make a Subscription of not less than £20,000 at the same time as submitting his Application Form to invest in the Fund. Subject to the Subscription being not less than the Minimum

- Subscription, Subscriptions may be for any amount that is a whole number of thousands of pounds.
- 9.2 The Investor may increase his Subscription at any point up to and including the Final Closing Date for the Fund. The aggregate Subscriptions made to the Fund by an Investor, less the Initial Fee, shall be the initial value of the Investor's Portfolio.
- 9.3 The Investor may not increase his Subscription after the Final Closing Date.
- 9.4 Subject to the Fund Minimum Threshold having been reached, the Manager will apply the Subscription to:
- 9.4.1 Paying the Initial Fee; and
- 9.4.2 Subscribing for shares in EIS Qualifying Companies.
- 9.5 A Subscription Surplus may arise (a) if Applications in respect of aggregate Subscriptions exceeding £10.0 million are received; (b) if the Investment Agreement is terminated pursuant to Clause 8 and the Subscription has not been wholly utilized for the purposes set out in Clause 13; or (c) if at the end of the Investment Agreement the Subscription has not been wholly utilized for the purposes set out in Clause 13.
- 9.6 In the event that Applications are received in respect of aggregate Subscriptions in excess of £10.0 million, the Manager shall either (a) scale back all Subscriptions *pro rata* so as to reduce aggregate Subscriptions to £10.0 million or (b) return Applications, starting with the most recently received, until aggregate Subscriptions are reduced to not more than £10.0 million. In the case of (a), the Subscription Surplus will be paid to the Investor within ten business days of the Final Closing Date.
- 9.7 In the event that the Investor terminates this Investment Agreement thereby creating a Subscription Surplus, the Subscription Surplus will be paid to the Investor within ten business days of receipt of termination of the Investment Agreement.
- 9.8 Any Subscription Surplus remaining at the end of the Investment Period will be paid to the Investor within ten business days of the end of the Investment Period.
- 10. Charitable Giving**
- 10.1 The Investor may instruct the Manager to donate a rebate of the Initial Fee to one or more specified charities.
- 10.2 Where such an instruction has been given, the Manager will, subject to the Fund Minimum Threshold having been reached, pay the rebate to the specified charity/charities (together with a gift aid declaration if applicable) not later than ten days after the Final Closing Date.

11. Closing Dates

- 11.1 The Initial Closing Date will be on 30 September 2011 and the Final Closing Date will be on 30 June 2012, or such other date as the Manager may determine, subject to (a) valid Applications representing aggregate Subscriptions of not less than the Fund Minimum Threshold having been received and (b) the Final Closing Date being not more than eight months after the Initial Closing Date. Interim Closing Dates will take place at the end of each month between the Initial Closing Date and the Final Closing Date. The Fund will be able to make investments from the first Closing Date immediately following the point at which the aggregate value of Subscriptions received exceeds the Fund Minimum Threshold. Investors who invest in the Fund subsequent to the completion of an investment by the Fund will not become shareholders in the company to which that investment relates unless there is a subsequent investment round in which the Fund participates.

12. Investment Period

- 12.1 The Investment Period will end on the Investor's Subscription becoming Fully Invested but in any event will end on the later of (a) 31 December 2012 and (b) the first anniversary of the Final Closing Date.

13. Investment Management Services

- 13.1 The Manager will manage the Portfolio as from the relevant Closing Date on the terms set out in this Investment Agreement. The Manager will exercise all discretionary powers in relation to the selection of, or exercising rights relating to, Investments on the terms set out in this Investment Agreement.
- 13.2 The Manager shall not, however, except as expressly provided in this Investment Agreement or unless otherwise authorised in writing by the Investor, have any authority to act on behalf of, or in respect of, the Investor or to act as the agent of the Investor.
- 13.3 During the Investment Period, but without prejudice to the generality of Clause 15 below, the Manager shall select and conclude Investments, executing such documents as may be necessary to give effect to its investment decisions and using the Investor's Subscription for the purpose of making investments in EIS Qualifying Companies.
- 13.4 During and following the Investment Period, but without prejudice to the generality of Clause 15 below, the Manager shall:

- 13.4.1 Within 10 business days following the end of the Investment Period, instruct the return to the Investor of any Subscription Surplus less deductions in respect of any fees charged by the Administrator.
- 13.4.2 In respect of each Investee Company, until an Exit Event occurs, exercise all rights including but not confined to: attending and voting at shareholder meetings and voting the Fund's shares in respect of any shareholder consent matters not dealt with at a meeting of the shareholders.
- 13.4.3 In respect of each Investee Company, until an Exit Event occurs, carry out such other functions as the Manager may consider to be appropriate to the management of the Fund, including but not confined to: attending board and/or shareholder meetings; monitoring compliance with Shareholder Agreements and Investee Company articles; liaising with Investee Company boards; liaising with other investors or investor groups who are financial stakeholders in Investee Companies; and identifying and, if appropriate, introducing potential acquirers of Investee Companies.
- 14. Custody and Administration**
- 14.1 Pursuant to this Investment Agreement, the Manager will arrange for the provision of safe custody and administration services in relation to the Fund and the Investor by the Administrator. Specifically, the Administrator will arrange for the safekeeping of cash and Investments in the Portfolio from time to time. The Administrator will also arrange for the settlement of transactions, collection of income and any other administrative actions relating to the Portfolio.
- 14.2 The Administrator's Terms of Business and the Administrator's Terms of Business for EIS Accounts shall apply to the EIS Share Account.
- 14.3 Investments will be registered in the name of a nominee company wholly-owned by the Administrator. The nominee will hold such Investments pursuant to a trust under which the interests of all Investors are created or extinguished on the making of acquisitions or disposals in accordance with this Investment Agreement. Accordingly, the nominee will have the legal title to such Investments and will hold any documents evidencing title to them, such as share certificates. The Investor will at all times from the completion of the Investment maintain beneficial ownership of his proportionate share of each Investment.
- 14.4 The entitlement of the Investor to the Investments will not be identifiable by separate certificates or other physical documents of title or external electronic record. Should the nominee default and an irreconcilable shortfall result, all Investors will share in the shortfall in proportion to their Net Subscriptions. Holdings in Investments may on occasion be used to settle other persons' transactions but this will not affect the Administrator's record of the Investor's entitlements. The Administrator may deliver or accept delivery certificates and/or CREST balances on behalf of the nominee. The Administrator accepts responsibility for holdings in the name of the nominee and for the acts and omissions of the nominee.
- 14.5 Cash received from the Investor or on the Investor's behalf will be deposited in the name of the Administrator at an authorized credit institution in the UK and will be designated as having customer trust status. Cash held on the Investor's behalf may be held with cash held by the Administrator on behalf of third parties. Cash held within the Investor's Portfolio will be treated as client money for the purposes of the FSA Rules. Any interest earned on cash standing to the credit of the Investor will be credited to the Investor's Portfolio.
- 14.6 The Administrator will provide administrative services to the Investor on behalf of the Manager, including the distribution of reports, maintaining information regarding the composition of the Portfolio, corresponding with the Investor in respect of the Portfolio and such other services as the Manager may specify.
- 14.7 The Manager is responsible for complying with all requirements under the Takeover Code to notify the FSA and the Takeover Panel of dealings in relevant shares in the event of a takeover or merger.
- 15. Investment Objectives and Restrictions**
- 15.1 In performing the Investment Management Services, the Manager shall have regard to and shall comply with, the Investment Objective and the Investment Restrictions.
- 15.2 In performing the Investment Management Services, the Manager shall at all times have regard to: (a) the need for the Fund to attract the Tax Advantages; and (b) all Applicable Laws. The Manager shall have the right, however, to deploy less than the Investor's whole Subscription in the event that insufficient EIS Qualifying Companies meeting the Investment Objectives are identified during the Investment Period.

- 15.3 Aggregate investments in any one Investee Company may not exceed 20 per cent. of the Investor's Subscriptions, determined by reference to the value of the relevant investment on the date on which the Fund made that investment.
- 16. Responsible Investment Policy**
- 16.1 The Manager believes that a responsible investor should seek to incorporate environmental, social and corporate governance ("ESG") factors into its investment analysis and decision-making processes. These ESG factors can affect the performance of investment portfolios to varying degrees across companies, sectors and through time. The Manager will use reasonable endeavours to avoid investing in businesses which do not respect human rights, do not comply with current environmental, ethical and social legislation and do not seek to comply with their industry standards and best practices.
- 17. Terms Applicable to Dealing**
- 17.1 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.
- 17.2 Where deals are aggregated with those for other Investors in the Fund, the Manager 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 fractional entitlements may be held by the Administrator for the Manager. 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 Portfolio.
- 17.3 The Manager will act in good faith and with due diligence in its choice and use of counterparties but, subject to this obligation, shall have no responsibility for the performance by any counterparty of its obligations in respect of transactions effected under this Investment Agreement.
- 18. Consequences of an Exit Event**
- 18.1 In the event of a gradual realisation of Investments prior to termination of the Fund under Clause 8, or distributions by Investee Companies, the resultant funds may be placed on deposit or invested in government securities or in other investments of a similar risk profile provided that such funds represent in aggregate not more than 5% of the Investor's Subscription, but should in any event be remitted promptly to the Investor once that limit has been reached.
- 18.2 In the event of a Cash Offer, the Manager will exercise its discretion with regard to the price being offered and, subject to determining that the offer terms are satisfactory, will tender shares of all Investors with shares in the relevant Investee Company to the offer even if the consequences of so doing result in the loss of EIS Relief. In the event that the Takeover Code applies, the Manager will not accept an offer that is not recommended by the Rule 3 Adviser. The proceeds of a Cash Offer will be credited to the Investor's Portfolio when received.
- 18.3 In the event of a Share Offer where the acquiring company's shares are not listed, the Manager will exercise its discretion with regard to the terms of the offer and, subject to determining that the offer price and terms are satisfactory, will tender shares of all Investors with shares in the relevant Investee Company to the offer even if the consequences of so doing result in the loss of EIS Relief. In the event that the Takeover Code applies, the Manager will not accept an offer that is not recommended by the Rule 3 Adviser. The Investor's consequent holding of shares in the acquiring company will be added to the Investor's Portfolio when received.
- 19. Reports and Information**
- 19.1 The Manager 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 or around 5 April and 5 October. Reports will include a measure of performance in the later stages of the Fund once valuations are available for the Investments.

- 19.2 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.
- 19.3 Share certificates will be provided for each transaction for the Investor's Portfolio. The Manager will procure that Shareholder Agreements entered into with Investee Companies require those Investee Companies to apply to HMRC for EIS Relief in respect of the Investor's shares and send the appropriate certificates to the Manager promptly.
- 19.4 The Fund Providers shall supply such further information as is in their possession or under their control as the Investor may reasonably request as soon as reasonably practicable after receipt of such request.
- 19.5 Any statements, reports or information so provided by the Manager to the Investor will state the basis of any valuations of Investments provided.
- 20. Fees & Expenses**
- 20.1 The Investor will bear an Initial Fee, deducted from their Subscription on receipt, of 5.0% of the value of his Subscription. This fee will cover all establishment expenses of the Fund, including introductory expenses paid to intermediaries.
- 20.2 There will be no investment management fee charged to the Investor. The Manager will charge Investee Companies an arrangement fee of 2.5% of the amount subscribed to each Investee Company by the Fund and the Manager or an Associate will charge monitoring fees to Investee Companies from the time that the investment is made. The amount of monitoring fees charged to an Investee Company will vary, depending on its circumstances, but will generally fall between 1.5% and 2.5% of the aggregate amount subscribed by the Fund and other co-investors.
- 20.3 The Manager will pay the Administrator's annual administration fee on behalf of the Investor, as well as the Administrator's dealing fees associated with the making of investments. Dealing and transactional fees, currently 0.35% of the value of the trade, will be charged to the Investor by the Administrator, together with certain other charges related to activity in the Investor's EIS Share Account.
- 20.4 Once the Investor has had cash returns to the full value of his Subscription, he will be liable to pay performance fees at a rate of 20% of all cash returns in excess of the full value of the Subscription.
- 21. Management and Administration Obligations**
- 21.1 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.
- 21.2 Except as disclosed in the Memorandum issued in relation to the Fund and as otherwise provided in this Investment Agreement (for example on early termination), the Fund Providers shall not knowingly 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 unreasonably prejudice obtaining the Tax Advantages for the Fund Investments.
- 22. Obligations of the Investor**
- 22.1 The Fund established by this Investment 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:
- 22.1.1 that the Investor wishes to seek EIS Relief for his investments in the Investee Companies;
- 22.1.2 that he agrees to notify the Manager if any investment by the Fund in any company is in a company with which the Investor is connected, in which case, the Fund Providers will make reasonable efforts to procure that 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 Portfolio, subject to the other investors being able to claim EIS Relief in respect of the shares so redistributed;
- 22.1.3 that he agrees to notify the Investment Adviser if, within three years of the date of issue of shares in an Investee Company to the Investor, the Investor becomes connected with the Investee Company or receives value from such Investee Company; and
- 22.1.4 that the information provided in the Application Form in respect of the Investor's tax district, tax reference number and National Insurance number (and all other information provided by the Investor) is true and accurate as at the date of this Investment Agreement.
- 22.2 The Investor agrees immediately to inform the Manager in writing of any change of tax status, other material change in circumstance and any change in the information provided in the

- Application Form to which Clause 6 above refers.
- 22.3 In addition, the Investor agrees to provide the Manager with any information which it reasonably requests for the purposes of managing the Fund pursuant to the terms of this Investment Agreement.
- 22.4 The Manager shall promptly notify the other Fund Providers of information provided under this Clause as appropriate.
- 23. Delegation and Assignment**
- 23.1 A Fund Provider may, where reasonable, employ agents, including associates, to perform any administrative, custodial or ancillary services to assist the Manager in performing the Investment Management 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 Investment Agreement.
- 24. Conflicts of Interest**
- 24.1 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.
- 24.2 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, enter into 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 Manager.

25. Liability

- 25.1 Each of the Fund Providers will at all times act in good faith and with reasonable care and due diligence. Nothing in this Clause 25 shall exclude any duty or liability owed to the Investor by the Administrator and the Manager under the FSA Rules.
- 25.2 None 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 Investment Agreement, except to the extent that such loss is finally and judicially determined to be directly due to the negligence or wilful default or fraud of the Fund Provider or of its Associates or any of their respective employees.
- 25.3 The Administrator accepts responsibility for holdings of shares in the name of the Investor.
- 25.4 Subject to Clause 23, the Manager 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.
- 25.5 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.
- 25.6 None of the Fund Providers gives any representations or warranty as to the performance of the Portfolio. The Investor acknowledges that EIS Investments are not Readily Realisable Investments and therefore carry a high level of investment risk. 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 the Investments carefully and has noted the risk warnings set out in Part 7 of the Memorandum.
- 26. Confidential Information**
- 26.1 None 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, including Investee Companies. None of the Fund Providers shall be required to take into consideration for the purposes of this Investment 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 Investment Agreement to the Investor.
- 26.2 Each of the Fund Providers will at all times keep confidential all information acquired in consequence of the Investment 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) is 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.
- 27. Complaints**
- 27.1 The Manager has established procedures in accordance with the FSA Rules for consideration of complaints. Details of these procedures are available from them on request.
- 27.2 Should an Investor have a complaint, he should contact either his Authorised Intermediary or the Manager. Complaints made to the Manager should be made in writing and sent to: Par Fund Management Limited, 3a Dublin Meuse, Edinburgh EH3 6NW. The Manager will attempt to resolve the complaint speedily and efficiently and will reply to the Investor in writing.
- 27.3 As an elective professional customer, the Investor has waived the right to refer complaints to the Financial Ombudsman Service.
- 28. Notices, Instructions and Communications**
- 28.1 Notices of instructions to the Fund Providers should be in writing and signed by the Investor, except as otherwise specifically indicated.
- 28.2 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.
- 29. Unsolicited Real-Time Financial Promotion**
- 29.1 The Manager 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.

30. Amendments

30.1 The Manager may amend these terms and conditions in this Investment Agreement by giving the Investor not less than ten business days' written notice. The Manager 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.

31. Data Protection

31.1 All data which the Investor provides to the Fund Providers may be held and processed as personal data within the meaning of the Data Protection Act 1998 (the "DPA").

31.2 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 Investment Agreement.

31.3 Personal data allowing Fund Providers to identify potential investors and verify their address for anti-money laundering purposes will be held and used, from time to time, to refresh the verification process as required by law.

31.4 Personal data allowing Fund Providers to classify potential investors as a qualifying investor for the purposes of the financial services legislation will be held and used, from time to time, in assessing whether such potential investors are able to receive from Fund Providers information relating to certain investment opportunities arising from the Fund.

31.5 To the extent that potential investors invest in the Fund, or any other fund managed by the Manager, further personal data may be held by Par Equity for the purpose of administering such investment.

31.6 The fact of a potential investor's involvement as an investor in the Fund or as a member of the Advisory Panel may be disclosed to existing or prospective Investee Companies. Auditors, other professional advisers and sub-contractors may have access to personal data in respect of services carried out for Fund Providers, but in such cases each Fund Provider shall take steps to ensure that no personal data is disclosed inappropriately. No personal data will otherwise be disclosed to third parties other than where required by law or regulatory

provision, unless the potential investor agrees in writing that such disclosure may be made.

31.7 Under the DPA each potential investor has the right to require a Fund Provider to provide him or her with a copy of the information it holds about him or her on computer and in some manual filing systems. This is known as the "right of subject access". If a potential investor files a subject access request, the Fund Provider concerned must deal with it promptly and, in any case, within 40 days of the date of receiving it. The Fund Provider will send the relevant party a copy of the personal information it holds in relation to that party and certain other details of the processing it undertakes. Fund Providers are permitted to charge a fee of up to £10 for responding to a request.

32. Entire Agreement

32.1 This Investment Agreement, together with the Application Form and the Administrator's Terms of Business, comprises the entire agreement of the Fund Providers with the Investor regarding the provision of Investment Management Services and supersedes any/all meetings, correspondence or discussions that may have taken place prior to the signing of the Application Form.

33. Rights of Third Parties

33.1 A person who is not a party to this Investment Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Investment Agreement, but this does not affect any right or remedy of such third party which exists or is available apart from that Act.

34. Severability

34.1 If any term, condition or provision of this Investment 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 Investment Agreement.

35. Governing Law

35.1 This Investment 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.

Part 6: Administrator's Terms of Business

The terms of business and other important information set out below have been provided by the Administrator and have not been amended in any way. As a result, certain terms have been defined and used that are not in the definition of terms used for the rest of this document, whilst other terms, such as "TSC" is used in place of "the Administrator".

Section 1: Terms of business - applicable to all accounts

1. Introduction

1.1 It is important that you read and understand these standard terms of business, which apply when you open an account with The Share Centre (the "Account"), and provide you with information about how it will be operated. Some paragraphs are included to ensure there is no misunderstanding as to who will do what and when, and some are included simply because different pieces of legislation (which include Acts of Parliament) say that we must include them. We have tried to make them as readable as possible. For your own benefit and protection you should read these terms carefully. If you do not understand anything, please contact us on 01296 41 41 41.

1.2 Where you see the words "you" or "your" in these terms of business, it means you as the individual, or if opening a joint Account, all individuals named on the joint Account. If you are applying as an official of a company or a trust, then it is referring to the company or trust, and not you personally.

1.3 The Share Centre Limited ("TSC") is a limited company incorporated in England and Wales and its registered office address is Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8SZ. TSC is authorised and regulated by the UK's financial services 'watchdog', the Financial Services Authority ("FSA") to provide share dealing and administration services. The FSA reference number for TSC is 146768. You can check this on the FSA's website at www.fsa.gov.uk/register. The FSA's address is 25 The North Colonnade, Canary Wharf, London E14 5HS.

1.4 On the application form for your Account, you will be asked to sign and accept these terms of business (or click on an 'I accept' button if TSC has enabled you to open your Account via the Internet), which creates a legal agreement between you and TSC, referred to in these Terms as "the Agreement", provided TSC accepts your application to open an Account. This Agreement includes not only these terms of business, but also:

- the literature that describes your Account in more detail; and
- the Account tariff;

all of which may be amended by TSC from time to time, subject to paragraph 1.7 below, where TSC has a valid reason. A valid reason means in the following circumstances only:

- to give effect to a change in law, regulations, industry guidance or codes of practice;
- as a result of new market practices;
- for economic reasons, including a variation in taxation rates or costs incurred in supplying a product or service (in which case TSC will respond proportionately). No other terms and conditions will apply, unless indicated below or as notified to you.

1.5 Before your application can be considered you must agree to abide by the terms of this Agreement in the manner described above. However, a legally binding agreement will only arise once TSC notifies you that it has accepted your application by sending you a welcome letter. If TSC decides not to accept your application, there will be no Agreement, and if you have provided any documentation in support of your application it will be returned to the address shown on your application form.

- 1.6 Unless TSC otherwise informs you in writing, you will be treated as a 'retail client' under the rules of the FSA, which means that you are entitled to the full extent of applicable regulatory protections. You have the right to request in writing recategorisation as either a 'professional client' or 'eligible counterparty' subject to meeting specific criteria; however, as a consequence, there will be limitations to the level of applicable regulatory protections. Such limitations will include loss of access to the Financial Ombudsman Service and Financial Services Compensation Scheme (which are explained further in paragraph 12). Further details on different client categorisations can be obtained from TSC's Compliance and Legal Services team.
- 1.7 Although TSC may change this Agreement in accordance with paragraph 1.4 above, no change will affect any rights or obligations of yours arising prior to such change becoming effective. TSC will give you at least 30 days advance notice, either by post or email (if applicable to you), of any such changes. Where a change results in an increase in charges to you, you are free to terminate this Agreement within a further 30 days of the change becoming effective without any additional charges over and above those that were applicable prior to the change taking effect.
- 1.8 This Agreement is in English and all future communications with you will also be in English. The Agreement is governed by English law and in the event of a serious dispute, will be subject to the exclusive jurisdiction of the English courts.
- 1.9 Any transactions undertaken for you in stocks and shares will be subject, where applicable, to the rules of the London Stock Exchange ("LSE"), Sharemark, Crest (the system used for transferring shares between sellers and buyers), Cofunds Nominees Limited ("Cofunds", which is used to safeguard holdings in some collective investment funds such as unit trusts), the FSA, PLUS Markets and all other applicable laws, rules and regulations. TSC will act as your agent in any such dealings. Where there is a conflict between this Agreement and any such laws and regulations, the latter will prevail. You must also comply with the City Code on Takeovers and Mergers (and the FSA's Disclosure and Transparency Rules regarding the notification of major shareholdings), which may be relevant if you are dealing in large quantities of shares. Further details can be obtained from TSC's Compliance and Legal Services team.
- 1.10 There may be occasions where a conflict of interest develops between you and TSC or between you and another customer. TSC has taken all reasonable steps to identify such conflicts of interest and has a Conflicts of Interest Policy in place, designed to prevent conflicts of interest from adversely affecting the interests of its customers. A summary version of this Policy is set out within Schedule 1 of these terms of business.
- 1.11 Unless you have sought specific investment advice from TSC's Advice team in accordance with the Advice terms of business set out within Section 5 of these terms of business, all transactions are carried out on your own initiative (i.e. 'execution only'). TSC is, therefore, not responsible for advising you on the suitability of the services or transactions provided or offered by TSC. You will not benefit from the protection of the FSA's rules relating to suitability which would require TSC to ensure that a product or service is suitable for you when taking into account your knowledge and experience in the relevant investment field, your financial situation and your investment objectives.
- 1.12 Where you have received a personalised communication (as defined by FSA) from TSC or wish to deal in a 'complex' investment (e.g. a warrant, covered warrant or 'securitised derivative') on an execution only basis, you may be required to complete an appropriateness test. This requires TSC to ensure that you have sufficient awareness of the risks involved in a product or service when taking into account your knowledge and experience in the relevant investment field before TSC can accept your dealing instruction. TSC reserves the right not to accept an instruction to deal where you fail such a test.
- 1.13 TSC does not provide advice on the legal implications of accepting this Agreement and, unless otherwise specifically indicated to you by the Advice team, does not provide advice on aspects of taxation.
- 2. Cancellation Rights**
- 2.1 You have the right to cancel this Agreement for a period of up to 14 days (or 30 days if this Agreement relates to a pension) from the day on which TSC accepts your application (i.e. the date of the welcome letter that will be sent to you).
- 2.2 However, the right to cancel cannot apply to any transactions undertaken during the cancellation period, where the prices of the investments concerned can fluctuate within the financial marketplace and where those fluctuations are not within

- TSC's control (e.g. TSC is unable to have any control over the movement of share prices).
- 2.3 In order to cancel the Agreement, you must ensure that your written instructions to cancel are sent to TSC (or its nominated agent) before the end of the 14 day (or 30 day, for pensions) cancellation period.
- 2.4 If you do decide to cancel, you must still pay for any services that TSC has actually provided (which may include re-registration and commission charges), based on the published tariff sheet.
- 3. Customer Information**
- 3.1 You will supply TSC with all information reasonably requested as soon as practical. You confirm that all information will be, to the best of your knowledge and belief, correct when supplied and that you will notify TSC of any changes.
- 3.2 TSC will treat all personal information about you and your financial affairs as confidential. TSC may however disclose any such information to its authorised agents or if required to do so by law or regulation, or requested by a financial regulator, or where you have given your consent to the disclosure. The information may also be shared with other financial organisations to protect TSC and its customers, and other financial organisations and their customers, against financial crime. Further information on safeguarding customer data is contained within TSC's Privacy Policy available from TSC's website, www.share.com.
- 3.3 You agree that TSC may hold information about you and your affairs in order to:
- verify your identity and financial standing (among other things TSC is likely to consult a credit or mutual reference agency, which may retain a record of our enquiry);
 - provide you with TSC's services (which may also necessitate TSC liaising with third parties, such as companies and their registrars, and disclosing some aspects of your personal information in order to verify, or otherwise discuss, your investments in the proper provision of TSC's services);
 - keep you up-to-date regarding other services which TSC considers may be of interest to you (if you would prefer not to receive direct marketing information, please advise TSC on 01296 41 41 41).
- 3.4 Due to anti-money laundering regulations (which aim to prevent criminal property being used or disguised as legitimate wealth) you may have to produce satisfactory evidence of your identity, or the identity of any person on whose behalf you are placing the dealing instruction, before TSC can do any business with you, and from time to time thereafter. This identification process is designed to assist in the prevention of crime within the financial services industry and society at large. If you do not provide the information when requested, TSC may be unable to accept any instructions from you or provide you with any other services.
- 3.5 TSC will only accept applications from residents of certain qualifying countries, details of which are available from TSC. Where applications are received from such residents, additional identification requirements may apply.
- 3.6 TSC is registered to use your personal information under the Data Protection Act 1998 (as may be amended). Under the terms of this Act, you are entitled to a copy of any personal information TSC holds on computer and on certain written records, upon payment of the appropriate fee.
- 4. Charges**
- 4.1 You will pay all applicable fees, commissions and other charges in accordance with TSC's published tariff sheet. You must also pay any applicable taxes and levies (e.g. Stamp Duty) that TSC is required to charge you. All such charges may be deducted from your Account or any other account you hold with TSC. Other taxes and costs (e.g. Capital Gains Tax) may also exist that are not collected or deducted by TSC.
- 5. Your Money and Investments**
- 5.1 Your money will be handled in accordance with the client money rules of the FSA and unless otherwise agreed all money received or paid from or to you must be in British Pounds Sterling.
- 5.2 The cash balance held on your behalf, and as shown in your Account, will be deposited with an authorised banking institution in the name of TSC under customer trust status (i.e. separate from TSC's money), together with cash balances belonging to other customers of TSC. TSC may debit or credit your Account for all sums payable by or to you (including dividends you may receive in cash, fees and other amounts payable by you).
- 5.3 All payments to your Account must be drawn on your own bank account.
- 5.4 You may credit money to your Account by using an acceptable form of debit card, providing the sum to be credited does not exceed such limit as TSC may advise. All payments received, either individually or collectively, in excess of £25,000 may be subject to clearance, at TSC's absolute

- discretion, prior to the acceptance of dealing instructions thereon. Money being sent to TSC from overseas will only be accepted from certain qualifying countries, details of which are available from TSC.
- 5.5 TSC has the right to return money, whether received by cheque, bank transfer or debit card, to 'source' (i.e. from where it came). All money returned will be done so at your own risk and will be subject to the normal timings of the banking clearance system. Where requested, money will only be transferred overseas to certain qualifying countries, details of which are available from TSC.
- 5.6 Interest will be payable quarterly on credit balances on money in your Account at the rates published from time to time by TSC. Where you make a payment to TSC to be credited to your Account, no interest will start to be calculated on this sum until the payment has cleared.
- 5.7 In the event that TSC does not hear from you for a period of 6 years, has made reasonable attempts to contact you, and such attempts have been unsuccessful, any money held in your Account may be released to the benefit of TSC. Should you subsequently contact TSC and make a valid claim, TSC will reimburse the money to you. However, interest will not be due to you from the date of release of the money to TSC. TSC has the right to delay the return of any money received from you until 10 business days after the date of clearance for credit control purposes.
- 5.8 All investments held within your Account will be registered either in the name of TSC's 'pooled' nominee company, Share Nominees Limited (the "Nominee"), Cofunds (in the case of certain unit trusts and open-ended investment companies ("OEICs")) and/or Legal & General Assurance Society ("LGAS") (in the case of certain types of pensions) and held for you as the beneficial owner, together with investments belonging to other customers of TSC. This means that there are no separate certificates, documents evidencing legal ownership or external electronic records of your individual investment holdings.
- 5.9 The Nominee, Cofunds and LGAS hold the investments on trust, such that when customers buy or dispose entirely of an investment in accordance with this Agreement, their interest in relation to that investment within the trust is created or extinguished respectively.
- 5.10 On some occasions, because settlement is carried out on a pooled basis, your investments may be used by TSC to settle another customer's transaction (for instance, where another customer wishes to sell a holding they have only just bought and TSC has not yet received that customer's stock). This will not affect the record TSC maintains which shows how much stock is held on your behalf.
- 5.11 TSC may deliver or accept delivery of certificates and/or investments via Crest on behalf of the Nominee.
- 5.12 TSC accepts responsibility for holdings in the name of the Nominee and for acts and omissions of the Nominee, but not in relation to Cofunds or LGAS, nor the acts or omissions of Cofunds or LGAS.
- 5.13 Dividends from investments will usually only be received as cash.
- 5.14 Overseas investments may be held on behalf of TSC by an overseas custodian, its sub-custodian or an investment clearing system. TSC and the Nominee do not accept responsibility for any losses arising from the default of such an appointed custodian or clearing system. It should be noted that there may be different settlement, legal and regulatory requirements in overseas jurisdictions from those applying in the UK and different practices for the separate identification of investments.
- 5.15 Overseas investments held by the Nominee may be in the form of Crest Depository Interests ("CDIs"). CDIs cannot be registered into certificates. CDIs may be liable for withholding tax from the country of origin of the underlying investment. TSC is not obliged to reclaim any foreign withholding tax deducted. If you are unsure about the tax implications of dealing in overseas investments, you should seek independent tax advice.
- 5.16 On some occasions, money relating to overseas investments not held by the Nominee may be deposited in a client bank account outside the United Kingdom ("UK"). Money held in its country of origin will be held with an approved bank or depository unless the money relates to the settlement of a transaction or a series of transactions or the distribution of income which is subject to the law or market practice of a jurisdiction outside the UK and because of the applicable law or market practice, it is not possible to hold your money in a client bank account with an approved bank or depository. In some cases, the bank or depository with which your money may be held outside the UK may not have accepted that it has no right of set off or counterclaim against your money in respect of any sum owed by TSC on any other account held by TSC at the bank. The legal and regulatory regime applying to such bank or depository outside the UK will be different from that of the UK and, in the

- event of a failure of the bank or depositary, your money may be treated in a different manner from that which would apply if the money was held by an approved bank in the UK.
- 5.17 Your money may be passed to another person, such as an exchange, clearing house or an intermediate broker, for the purposes of a transaction on your behalf through or with that person. Where such a person is located outside of the UK, the legal and regulatory regime applying to those persons will be different from that of the UK and in the event of the failure of such a person, your money may be treated in a different manner from that which would apply if the money was held by such a person in the UK.
- 5.18 You shall not charge or pledge the investments held under this Agreement (e.g. use them as security for a loan) or dispose of all or part of them otherwise than in accordance with this Agreement. Your investments and cash held by TSC or under TSC's control shall at all times be subject to a general lien and right of set off against all amounts owing to TSC from time to time. In other words, any sums due to TSC in respect of commissions, costs, fees, expenses or other amounts payable under this Agreement (plus any applicable value added tax) may be deducted or withdrawn (upon 3 business days prior notice) from any of your investments or cash held by TSC and TSC may have recourse against and sell, realise or dispose of any such assets and apply the proceeds in or towards the discharge of such sums. Any such sale, realisation or disposal may be at whatever price and in whatever manner TSC sees fit in its absolute discretion (without being responsible for any loss or reduction in price) and, subject to compliance with the FSA's rules in connection with any such disposal, TSC shall not be liable to you in respect of any loss arising nor in respect of any choice made by TSC in selecting the investments sold or disposed of. The proceeds of any sale or disposal of such assets (net of costs) will be applied in or towards the discharge of your liabilities and TSC will account to you for any balance. In the event that such proceeds of sale are insufficient to cover the whole of your liabilities, you remain liable for the balance. A certificate in writing from TSC that any power of sale or other disposal has arisen and is exercisable shall be conclusive evidence of the fact in favour of a purchaser or transferee of the whole or any part of any such assets.
- 5.19 Subject to paragraph 5.12 above, in the event of there being a shortfall in the total quantity of money or an investment held in a pooled nominee or client money bank account, compared with the quantity or balance which should be held for customers, or in the event of an authorised banking institution, the Nominee, Cofunds, LGAS or any other third party custodian, bank or counterparty used by TSC defaulting (e.g. if they become insolvent), customers may have to bear that shortfall on a pro-rata basis.
- 5.20 Unless you are otherwise informed, TSC will send you a statement either in paper or electronically of your investments at least once in any 6 month period, which will be based on deal date information (i.e. the effect of purchases or sales which are unsettled at the statement date will be reflected).
- 5.21 Unless otherwise indicated, TSC will not accept or make third party payments on your behalf. All receipts and withdrawals of money and investments must be received from, or paid to, an account in your name or, in certain circumstances such as your death or incapacity, your legal representatives.
- 6. Dealing**
- 6.1 TSC may carry out transactions in such investments as are shown on the published tariff sheet, unless you are a permanent resident of a country outside the UK, in which case restrictions may apply. TSC will not deal in investments which have been suspended from dealing. TSC may also decide not to accept your dealing instructions or other instructions relating to your Account in certain circumstances (for example, where TSC is concerned about the lawfulness of the transaction or instruction). TSC may refuse to accept any dealing instructions from individuals who are resident or domiciled in any overseas country, if acceptance of a dealing instruction would require TSC to comply with any governmental or regulatory procedures or other formalities of such country.
- 6.2 All instructions to TSC to deal in investments must be on either a 'limit price' basis (where you set the maximum or minimum price at which you are prepared to deal) or 'best price' basis (where TSC will take all reasonable steps to obtain the best possible result for you). For both types of order, TSC will seek to obtain the best possible result, subject to any limit price specified in the case of a limit price order, in accordance with its Order Execution Policy, which is detailed within Schedule 2 of these terms of business. By placing an order to deal, you acknowledge that you have read,

- understood and accepted the Order Execution Policy.
- 6.3 Where you instruct TSC on a best price basis and the number of shares or units to be dealt is larger than the investment's normal market dealing size, the price obtained may differ from the price indicated to you at the time your instruction to deal was placed.
- 6.4 TSC may aggregate (i.e. combine) your orders with those of other customers, which may operate on some occasions to your disadvantage. Further information is contained within TSC's Order Allocation Policy, which is detailed within Schedule 3 of these terms of business.
- 6.5 Where you submit a dealing instruction to TSC orders are dealt as soon as reasonably practicable in the circumstances. For many investments (predominantly equities), if submitting a best price order via TSC's Internet dealing facilities, if the market is open and a price is available, a price quotation will be displayed on your Internet screen, and will be valid for a period of 10 seconds, during which time you must confirm your dealing instruction in order to obtain that price (subject always to that price quotation not being withdrawn by the relevant Retail Service Provider). If you fail to do so, you can obtain a revised price quotation later. Please note that although the price quotation is held for 10 seconds, the prevailing price within the marketplace could have risen or fallen during this 10 second period. If you specify a limit price on your dealing instruction, and that limit price can be achieved within the market, your dealing instruction will be dealt immediately without the display of any price quotation.
- 6.6 Where you have submitted a dealing instruction via TSC's Internet dealing facility for outside the usual business hours of the LSE or relevant market, the dealing instruction will be executed as soon as reasonably practicable after 8.00am on the next day that the LSE or relevant market re-opens. You acknowledge that TSC may not necessarily obtain the official opening market price and that price movements may be more volatile when the market first opens. The difference between the buying and selling prices on some securities may also be greater at, or around, this time. It may be advisable for you to enter a limit price, as opposed to a best price, dealing instruction, outside the normal hours of the LSE or relevant market, or when submitting dealing instructions.
- 6.7 If a dealing instruction cannot be executed automatically for whatever reason, it will, if possible, be manually executed as soon as reasonably practicable.
- 6.8 Limit prices may be placed on dealing instructions for up to 365 calendar days. Limit prices may be cancelled and re-submitted at your discretion, provided the dealing instruction has not been executed. Where any limit order cannot be immediately executed, you agree that TSC need not disclose or publish details of your unexecuted limit orders. Please note that TSC does not accept limit orders in non-UK securities.
- 6.9 Dealing instructions may not be altered once they have been accepted and executed by TSC. Where the dealing instruction submitted was incorrect, you agree to be responsible for any costs or losses incurred by TSC, which a reasonable person would consider to be the probable result of correcting the previous transaction, should TSC decide to accept an instruction to effect such a correction.
- 6.10 TSC cannot guarantee that limit price dealing instructions will be executed even if the limit price is reached. This could be due to prevailing market conditions (such as a 'fast market', where the market is so volatile that prices quoted in the stock market are only indicative rather than guaranteed), other customers having placed similar dealing instructions but then having an earlier time priority than your dealing instruction and their dealing instruction being executed in priority to your dealing instruction, or other factors beyond TSC's control.
- 6.11 All dealing instructions are only dealt automatically if they can be completely satisfied; if not, they will be passed to the Dealing team for manual action. Dealing instructions, other than dealing instructions in Sharemark investments (see paragraph 7 below), will not be partially filled.
- 6.12 Dealing instructions to purchase investments will only be executed if there is sufficient money in your Account to meet the potential cost of execution (including all applicable charges) or, where you are due to receive proceeds from a sale, sufficient sale proceeds to cover the intended purchase. Subject to this, TSC has the discretion to reduce the size of a purchase dealing instruction in the event of adverse price fluctuations, if there are insufficient funds in your Account when submitting a dealing instruction. Dealing instructions to sell investments will only be executed if there are sufficient investments recorded within your Account that can be transferred to the purchaser, which shall not be

- adversely affected by paragraph 5.10 above.
- 6.13 In the event of a change in the share capital of an investment, or other corporate action, which could significantly impact on any current limit price dealing instruction, TSC will endeavour to delete such pending dealing instruction. However, TSC is under no obligation to do so, and it remains your responsibility to ensure limit price dealing instructions remain valid and to make any adjustments you consider necessary or desirable to reflect any changes to prevailing market conditions.
- 6.14 You recognise and accept that certain features (where available) and risks apply to the use of different types of limit price dealing instructions:
- stop-loss dealing instructions should initiate when the price falls to or below the specified level;
 - tracking stop-loss dealing instructions should initiate when the price falls by the specified amount from the monitored peak price;
 - sale price limit dealing instructions should initiate when the price rises to or above the specified price level;
 - purchase price limit dealing instructions should initiate when the price falls to or below the specified price level;
 - certain factors may cause the bid-offer spread of an investment to increase, even momentarily, to a wide level, thereby causing a stop-loss dealing instruction to be initiated. These wide bid-offer spreads may nevertheless be the most favourable prices quoted for the investment at that time.
- 6.15 Limit price dealing instructions and automated price alerts (only available to Internet users) that reach the end of their expiry date are deleted after close of business on the expiry date: it is your responsibility to renew them if you require this.
- 6.16 Limit price dealing instructions and price alerts are monitored each working day from 8.00am until 4.30pm.
- 6.17 TSC may retain any commissions received from a third party arising from transactions carried out for you and the amount of such commission and the identity of the third party will be available upon request. Such instances can include payments of 'trail' commission to TSC from fund managers when you purchase their funds through TSC; this amounts to approximately 0.5% per annum on the value of the fund investment. In addition, TSC may pay a share of the fees or commissions charged to you with third parties and the amount paid to the third party and its identity will be available upon request. Such instances
- can include where a third party has introduced you to TSC.
- 6.18 You accept that the prices and values of stock market investments, and products related to them, together with the income that they produce, can go down as well as up and you may get back less than your initial investment. In addition, the levels and bases of taxation may also change, both generally and in relation to specific products and investments. Consequently, TSC cannot accept responsibility for any movements in the value of your investments or for monitoring whether they continue to be suitable for you, even where TSC initially provided you with investment advice. Past performance is no indication of future performance. Where you are dealing in more complex investments, there may be a greater risk that you could lose your initial investment.
- 6.19 You will be sent a contract note, either in paper or electronic format, following a transaction, except where otherwise permitted by the FSA's rules. Any query in relation to the contract note should be raised by you within 5 business days of receipt so that any matters arising can be promptly resolved, otherwise TSC will assume that you have accepted the contents of the contract note. Prior to receiving the contract note, for information about the status of your order, you can contact a member of TSC's Dealing team or view the status online at www.share.com.
- 6.20 Where you instruct TSC to deal or otherwise act in relation to your money or investments by tone-phone, internet or other automated access route, provision of your customer reference number, personal identification number/ password ("PIN") and part of your own chosen memorable word shall be sufficient authority for TSC to act upon such instructions. The PIN and memorable word must remain your personal secret. You must change the PIN and memorable word if you believe anybody else knows them and notify TSC immediately if you discover that they have been lost or compromised. TSC will not be liable for any unauthorised use of a PIN or memorable word resulting from negligence on your part or loss arising therefrom. TSC may withdraw the PIN where the wrong number is entered more than once or in other circumstances.
- 6.21 If you intend to purchase a unit trust or OEIC, you may request a copy of the relevant simplified prospectus, where applicable, from TSC's Dealing team. When dealing in unit trusts or OEICs administered by Sharefunds Limited,

TSC's sister company, dealing instructions must normally be received and validated by midday for dealing that day. All other unit trust and OEIC dealing instructions must be received and validated by 10.00am if they are to be dealt that day.

6.22 If you intend to purchase an exchange traded fund ("ETF"), you should read the additional risk warnings, including details of the limited protection available from the UK regulatory system, which are available on TSC's website. You may also request a copy of the relevant simplified prospectus either from the product provider or TSC's Dealing Team.

6.23 HM Revenue and Customs ("HMRC") may challenge any purchase or sale prices in less liquid investments for open market valuation purposes (for instance, for assessing capital gains tax liability). When assessing tax liabilities arising from a transaction in less liquid investments, you should seek independent tax advice, and should not necessarily rely upon any transaction price or contract note as evidence of an open market value.

7. Sharemark

7.1 Dealings in Sharemark investments are subject to the terms and conditions set out in Schedule 4 of these terms of business.

8. Settlement

8.1 Once TSC has executed your dealing instruction, sale proceeds (if a sale) or investments (if a purchase) will only become available to you once those sale proceeds or investments have been received in full by TSC.

8.2 Where the anticipated sale proceeds or investments are not received in full, you will, along with all other applicable customers of TSC:

- if purchasing investments: be entitled, in the chronological order in which instructions were received by TSC, to the relevant investments actually delivered to TSC and, in the event of any delivery shortfall, to the repayment of a cash sum from TSC's client settlement bank account equal to the whole or relevant part of the sum debited from your Account in respect of the relevant investments;
- if selling investments: be entitled, in the chronological order in which instructions were received by TSC, to cash actually received by TSC and in the event of any payment shortfall, to the return of the relevant investments held by the Nominee, Cofunds or LGAS, as appropriate, equal to the whole or relevant part of the number of shares, bonds, warrants or units originally sold.

9. Investment Communications

9.1 In the case of changes in the share capital of your investments, receipt of a notice of conversion or proposal to wind-up, amalgamate or take-over a company or other corporate action where the investments are held for you by TSC:

- a bonus or capitalisation issue will be automatically credited to your Account and details will be sent out to you after the event;
- otherwise (where appropriate and subject to paragraph 9.2 below) you will be sent a summary of the proposal prior to the event and the required action to be taken (if any);
- if, on a rights issue, open offer or exercise of warrants, no instruction is received from you, the Nominee will allow the rights, entitlements or warrants (as applicable) to lapse. Lapsed proceeds received by the Nominee in excess of £1 will be returned to you. Sums less than this may be retained for the benefit of TSC;
- all offers will be accepted upon them being declared as going 'compulsory' whether or not any instructions have been received from you;
- your entitlement to shares will be to the nearest whole share, rounded down, and the aggregate of fractional entitlements may be held by the Nominee for TSC. Cash received by the Nominee representing fractional entitlements in excess of £1 will be returned to you. Sums less than this may be retained for the benefit of TSC.

9.2 Whilst TSC undertakes to notify you of all corporate actions relating to your investments, there may be instances where TSC is not advised of a corporate action by the company or its registrar, either at all or in sufficient time, and consequently cannot notify you of the terms of the corporate action. In such event, TSC will accept the default option of the corporate action on your behalf and cannot be held responsible for any loss that you may incur or any other outcome imposed by the company or its registrar.

9.3 Sometimes the terms of a corporate action will require an election to be made on behalf of the Nominee's entire holding in a company on an 'all or nothing' basis. In these circumstances, TSC may be unable to obtain appropriate instructions from all customers holding that investment within the Nominee. In such event, TSC reserves the right not to offer this entitlement to you, but will use its reasonable efforts to offer you an alternative entitlement, which may not match the entitlement offered by the company.

- 9.4 If partly paid shares held for you are the subject of a claim for any due balance and no valid instruction is received from you, TSC may sell sufficient of your investments to meet the claim.
- 9.5 Where instructions are sought from you, TSC and the Nominee will (other than as referred to elsewhere within this Agreement or in accordance with any other notified procedure) only act if instructions are received from you (or are reasonably believed to have been received from you or from your authorised agent). Where TSC has not received your instructions by the date specified by TSC within the summary of the corporate action, TSC will accept the default option of the corporate action on your behalf and cannot be held responsible for any loss that you may incur. For the avoidance of doubt, even where you have sufficient funds within your Account, TSC will not exercise any rights, entitlements or warrants (as applicable) on your behalf without your specific instructions.
- 9.6 As your investments are pooled with other customers, there may be occasions when your entitlement to such corporate actions referred to in paragraph 9.1 above may have been different had you held the shares in your own name. In such a situation TSC shall take such steps as it considers to be fair in the circumstances, which may include dividing the whole entitlement received from the corporate action between you and other customers or treating any fractional entitlements in the same way as the company concerned, acting through its registrars.
- 9.7 If TSC receives notice of a class action or group litigation order that is being proposed or taken concerning your investments, TSC will not be obliged to inform you or act upon that notification.
- 9.8 An investment will be removed from your Account either upon confirmation from HMRC that the investment is of 'negligible value' for the purposes of a claim for Capital Gains Tax purposes under section 24(2) Taxation of Chargeable Gains Act 1992 or if it is declared as dissolved at Companies House.
- 9.9 You may apply to TSC for a 'proxy' directing how voting rights are to be exercised by the Nominee in respect of each of your investments.
- 9.10 If you wish to receive communications direct from listed companies in which you are a shareholder (such as an annual report and accounts and any other information issued to shareholders), you may opt-in for these Shareholder Rights (as defined in Part 9, Companies Act 2006) either via TSC's website or by telephoning TSC's Customer Service team.
- While it is compulsory for listed companies to provide this information to those that opt-in, unlisted companies (such as those on AIM) are not obliged to respond to such opt-in instructions. You may also apply for a proxy certificate to attend meetings of shareholders in companies in which you have invested. TSC may inform the relevant company in which you hold such an investment, or its agent, of your name, address and any other necessary details.
- 9.11 Shareholder benefits will only be available to you if the relevant company has agreed with TSC to provide them.
- 10. Liability**
- 10.1 You agree to be responsible for any costs or losses incurred by TSC and/or the Nominee, which a reasonable person would consider to have been incurred by them and be reimbursable to them:
- as a result of your specific request, fault, omission or dishonesty; and
 - arising from the proper performance of their functions or exercise of their rights under or otherwise in connection with this Agreement, except where such costs or losses are due to their fraud, wilful default or negligence. TSC and/or the Nominee shall not be responsible for any costs or losses incurred by you, except where this is due to TSC's and/or the Nominee's fraud, wilful default or negligence. Neither this paragraph nor anything else within this Agreement will restrict or exclude any duty or liability owed to you under the rules of the FSA, the Financial Services and Markets Act 2000 ("FSMA") or under common law.
- 10.2 If TSC fails, interrupts or delays performing its obligations under this Agreement because of a breakdown, failure or malfunction of any telecommunications or computer services or systems (internally or externally) or any other event not reasonably within its control, then TSC will not be liable to you. TSC will not be responsible for any loss or damage caused by such an event or suffered by you as a result of such events. This includes, but is not restricted to, any delay, breakdown or failure of any transmission or telecommunication or computer systems or facilities, strikes or other industrial action or dispute, or the failure of any relevant exchange, clearing house, broker, independent software vendor, settlement agent or bank to perform its obligations or to operate efficiently and correctly or any other event which is reasonably outside TSC's control.
- 10.3 TSC may, at any time where it reasonably considers it necessary or desirable to do so, suspend all or any of its services

- including, without limitation, to carry out repairs, or to upgrade hardware or software or to correct any hardware or software error and it shall not be liable for losses arising from the suspension.
- 10.4 Whilst TSC will use its reasonable endeavours to ensure that its Internet websites are available at all times, it will not be liable for any loss or damages resulting from the websites being inaccessible. Access to the websites may be suspended temporarily or permanently and without notice.
- 10.5 Where TSC provides certain calculator tools on its websites, TSC does not accept responsibility for the validity or results produced by these tools. It is your responsibility to verify the accuracy of their output.
- 10.6 TSC is not responsible for the security or transmission of electronic instructions either from TSC or from you.
- 10.7 Where information, or links to other information, on TSC's websites consists of pricing or performance data, or other information which has been obtained from third parties, TSC will not normally have carried out any independent verification of such data and does not accept liability for any reliance placed upon such data, where that data is proven to be inaccurate or incomplete. Furthermore, you undertake not to distribute, sell or license any content contained on TSC's websites. You agree that TSC or its authorised agents may at all reasonable times and on reasonable notice have access to and inspect your computer systems, accounts, records and other documents (in both hard copy and machine readable form) in relation to any suspected re-distribution, re-sale or sub-licensing of the content.
- 10.8 The information contained within TSC's websites originated by TSC is believed to be correct, but cannot be guaranteed.
- 11. Termination**
- 11.1 This Agreement may be terminated immediately on written notice being given by you or TSC to the other. Termination is without prejudice to the performance by both parties of any transactions already initiated, and to your paying any outstanding charges or other amounts due to TSC, whether incurred before or after the effective notice of termination.
- 11.2 In the event of your death, upon receipt of a sealed copy of the UK grant of representation of your estate, TSC will instruct the Nominee to deliver your investments to your personal representatives. Anti-money laundering regulations may apply.
- 11.3 If you have a joint Account, in the event of your death, the Account will continue in the name(s) of the surviving Account holder(s). TSC will require proof of death (e.g. an original or office copy of a death certificate) prior to the Account converting to the surviving Account holder's(/holders') name(s).
- 12. Complaints and Compensation**
- 12.1 If you have a complaint, please contact TSC on 01296 41 41 41 or write to the Compliance manager, Compliance and Legal Services team, The Share Centre, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8SZ. If TSC cannot resolve the complaint to your satisfaction, you may be entitled to refer it to the Financial Ombudsman Service, the independent complaints handling body for the financial services industry. A copy of TSC's complaints handling procedure is available upon request.
- 12.2 TSC participates in the Financial Services Compensation Scheme, established under the FSMA, which provides compensation to eligible investors in the event of the firm being unable to meet its customer liabilities. Payments under the protected investment business scheme are limited to a maximum of the first £50,000 of the claim. Further information is available from TSC's Compliance and Legal Services team.
- 13. General**
- 13.1 All written or electronic communications TSC sends you will be to the latest address notified by you to TSC and shall be assumed received by you on the second day after posting or on the day after despatch in the case of electronic communication. Communications sent by you shall be deemed received only if actually received by TSC.
- 13.2 Telephone calls may be recorded for the purpose of training, monitoring quality and regulatory compliance.
- 13.3 Should you cease to live in a qualifying country (details of which are available from TSC), your Account will be terminated and all investments held can either be transferred to you, or sold; any money or sale proceeds will be returned to you.
- 13.4 You agree that TSC may from time to time telephone or otherwise contact you to discuss potential or existing investments or investment services, subject to compliance with the rules of the FSA, and you are willing to accept such calls, unless you advise otherwise.
- 13.5 TSC and the Nominee may employ agents on such terms as they think fit. TSC will

satisfy itself that any person to whom it delegates any of its functions or responsibilities under the terms agreed with you is competent to carry out those functions and responsibilities. TSC will take reasonable care in the selection and supervision of such agents but shall not otherwise have any liability for the performance of such functions or responsibilities.

- 13.6 Should any clause within this Agreement or part thereof become or be declared illegal, invalid or unenforceable for any reason, the remainder of the clause and Agreement shall be unaffected and shall remain in full force and effect.
- 13.7 The Contracts (Rights of Third Parties) Act 1999 will not apply to this Agreement, which means that only you and TSC have the right to enforce any of the terms and conditions mentioned.

Section 2: Additional Terms of Business for Enterprise Investment Scheme Accounts

The terms of business in this section are only relevant to you if you are opening an Enterprise Investment Scheme (“EIS”) Account, in which case, the terms of business in paragraphs 1 to 13 shall also apply, where relevant. Should any terms within paragraphs 1 to 13 conflict with these Additional Terms of Business, the Additional Terms of Business will prevail.

EIS Accounts

14. **You acknowledge that TSC:**
- is the administrator and custodian of your EIS Account;
 - is not the fund manager of the EIS Account and is not responsible for the suitability or appropriateness of the EIS Account, either at the point of sale or thereafter;
 - may only act upon the instructions of the fund manager in relation to your EIS account;
 - is not responsible for the contents of any documentation relating to the EIS Account, other than these terms of business or other documentation required to be sent to you by TSC in discharge of TSC’s regulatory obligations. In particular, TSC is not responsible for the contents of the EIS Account brochure or prospectus, and has not issued or approved the contents these documents in accordance with section 21 FSMA.

Section 3

Schedule 1: Conflicts of Interest Policy - Summary Version

TSC aims to identify and prevent conflicts of interest which may arise between itself and its customers, and between one customer and another, in order to avoid any adverse effect on its customers. This Policy sets out procedures, practices and controls in place to achieve this.

The avoidance of potential conflicts of interest is a key consideration, so operational structures and procedures, password-controlled systems, data hierarchy, and the clear segregation of roles and responsibilities are all designed to work preventing any conflicts arising in the first place. This Policy applies to all officers (whether Executive or Non-Executive), employees and any persons directly or indirectly linked to the Share plc group of companies (“the Group”) and refers to all interactions with all customers of the Group.

Scope

Types of conflict which may carry a material risk of damage to the interests of a customer include, but are not limited to, the following.

Where the Group or any person directly or indirectly linked to the Group:

- Is likely to make a financial gain or avoid a financial loss at the expense of the customer;
- Has an interest in the outcome of a service provided to, or of a transaction carried out on behalf of, the customer which is distinct from that customer’s interest in that outcome;
- Has a financial or other incentive to favour the interest of another customer or group of customers over the interests of the customer;
- Carries on the same business as the customer;
- Receives, or will receive, from a person other than the customer an inducement in relation to the service provided to the customer in the form of monies, goods or services, other than the standard commission or fee for that service;
- Designs, markets or recommends a product or service without properly considering all the Group’s other products and services and the interest of their customers.

Guarding against conflicts of interest

A number of different safeguard systems and processes are in place in order that the potential for conflicts of interest is minimised:

- Personal account dealing requirements upon all officers, employees and certain associates of TSC in relation to their own investments;
- An Investment Research Policy covering the production and dissemination of investment research by TSC;
- A Register of Information logging receipt and use of any ‘inside information’ by TSC;
- Chinese Walls restricting the flow of price sensitive information within TSC;

- A Gifts and Inducements Log registering the solicitation, offer or receipt of certain benefits;
- External business interests conflicting with TSC’s interests are prohibited for TSC’s officers and employees, unless Board approval is provided;
- Job roles and system access is subject to appropriate segregation of duties considerations, detailed within a separate Policy;
- Remuneration packages within TSC are structured to minimise any link with levels of business generated with retail customers;
- Corporate governance requirements are followed as appropriate to the size and nature of Share plc;
- Legal and regulatory record keeping requirements are followed, including the maintenance of a Privacy Policy for Internet users;
- A Public Interest Disclosure Policy (“whistleblowing”) is in place for TSC employees;
- Where a conflict of interest arises, TSC will, if known, disclose it to a customer prior to undertaking investment business for that customer.

A full version of the Conflicts of Interest Policy is available on request from TSC’s Compliance and Legal Services team.

Schedule 2: Order Execution Policy

Part One: The Quality of Execution

When executing orders on behalf of customers in relation to financial instruments, TSC will take all reasonable steps to achieve what is called “best execution” of customer orders. This means that TSC will have in place a policy and procedures which are designed to obtain the best possible execution result, subject to and taking into account, the nature of customer orders, the priorities the customer places upon TSC in filling those orders and the market in question, and which provides, in TSC’s view, the best balance across a range of sometimes conflicting factors.

TSC will take into consideration a range of different factors which include not just price, but which may also include such other factors as the cost of the transaction, the need for timely execution, the liquidity of the market (which may make it difficult to execute an order), the size of the order and the nature of the financial transaction.

TSC’s commitment to provide its customers with “best execution” does not mean that TSC owes customers any fiduciary responsibilities over and above the specific regulatory obligations placed upon TSC or as may be otherwise contracted. While TSC will take all reasonable steps based on those resources available to it to satisfy itself that it will have processes in place that can reasonably be expected to lead to the delivery of best execution of customer orders, TSC cannot guarantee that it will always be able to provide

best execution of every order executed on each customer’s behalf.

Part Two: Order Execution Policy

1. Customer orders must be received on either a ‘best price’ or ‘limit price’ basis and are subject to the requirements of this execution policy.
2. Where a customer order is received with specific instructions relating to how the order should be executed, the order will be executed in line with those instructions; any such specific instructions from a customer may prevent TSC from taking the steps that it has designed and implemented in its execution policy to obtain the best possible result for the execution of customer orders covered by those instructions.
3. Customer orders received for transferable securities, i.e. shares, exchange traded funds/commodities, warrants, covered warrants and investment trusts will be executed on one of the following markets:
 - a. London Stock Exchange (“LSE”); the LSE is a regulated market and one of the larger better known European markets for dealing in both UK and international shares;
 - b. Alternative Investment Market (“AIM”); a market for smaller-capitalisation growth companies. AIM is a not a regulated market, but is an exchange-regulated market owned by the LSE;
 - c. PLUS Markets (“PLUS”); PLUS is a regulated market. PLUS is an independent provider of equity market services. Formally known as OFEX, PLUS specialises in primary markets for both domestic and international companies and also operates a secondary market quote driven trading platform for small and mid-capitalisation companies;
 - d. Sharemark; Sharemark is an MTF and not a regulated market. Sharemark is a share trading facility, owned by TSC, specifically designed for emerging or smaller companies whose shares are infrequently traded. Customer orders for companies traded on Sharemark must be submitted to TSC, or their chosen broker, on a limit price basis with shares being traded at a single price;
 - e. and such other markets as TSC considers appropriate in the circumstances.
4. The choice of market depends on which market or MTF a particular security is traded on, for example, where a security is only traded via the LSE, the customer order can only be executed via the LSE; however, where the same customer order can be executed on either of two separate markets, e.g. LSE or PLUS, the market that will result in the best possible result for that customer order will be chosen.
5. For venues other than Sharemark, customer orders are executed via specialist market makers known as Retail Service Providers (“RSPs”). TSC deals with a number of RSPs, all of whom are members of the LSE and are authorised and regulated by the FSA. The RSPs quote a price and size in securities in which they are registered and make this

information available via various information vendors.

6. TSC's process for achieving the best possible result for a customer order is initiated by the receipt of the order from the customer. The order is then passed, via an information vendor, to an automated polling system, which connects directly to the RSPs registered with that information vendor and in the security concerned. The automated polling system will then identify the RSP offering the best price for the customer order; this information is then sent back to TSC for acceptance. The range of RSPs available to TSC will be dependent on which RSPs are accessible through the information vendor used; currently TSC is linked to a single information vendor, Proquote, which provides access to a wide range of RSPs.
7. On some occasions, where the RSP is unwilling or unable to execute the customer order electronically, the order will have to be executed manually with the RSP over the telephone.
8. There may be occasions where, as a result of either specific customer instructions, the nature of the security being traded, or the services being provided, that customer orders will not be executed on either a regulated market or MTF. Where such instances arise, TSC will obtain the customer's prior express consent before proceeding to execute such orders. The customer's prior express consent may either be in the form of a general agreement or in respect of individual transactions.
9. Any customer orders received for collective investment schemes (e.g. unit trusts and/or OEICs) are executed either directly via the relevant fund manager, or via Cofunds or LGAS.
10. Where a customer order is received for a bond or gilt-edged security, it will be either:
 - electronically executed via Bondscape, an automated service designed primarily for brokers and other professional investment advisers trading small sizes of fixed interest securities. Two-way prices are provided by participating market makers. The service automatically selects the best price for execution from the competing market makers; or
 - executed with an RSP.
11. Generally, there are a number of different execution factors which can affect the outcome of customer orders e.g. price, cost, speed, the likelihood of execution and settlement, the size and nature of the order. However, as TSC does not differentiate charging structures or settlement processes between execution venues, the most significant factor is considered to be the price at which the order can be executed. By achieving the best price possible given the execution venues available, TSC delivers the best possible result for customer orders received.

Part Three: Client Acknowledgement

By placing an order with TSC, a customer acknowledges that they have been made aware of and accept the nature, policy and processes which TSC has in place for providing best execution as defined in this Order Execution Policy and that, in the absence of any express instructions from a customer, TSC shall have full discretion to choose a relevant venue from its current list of venues for executing any order or orders, but in doing so shall assess and balance a range of all relevant factors, including those set out in this policy disclosure statement which, in its reasonable determination, TSC considers relevant to achieving the best result for a customer order.

Schedule 3: Order Allocation Policy

Where TSC considers it necessary and in the best interests of the customer, a customer order may be aggregated (i.e. combined) with orders received from other customers.

Customers should be aware that aggregating orders in this way may work to their disadvantage. Because their shares will be bought or sold alongside those of other customers, the price a customer pays or receives may not be the same as when buying or selling the shares immediately. The market may also quote a different price because of the larger number of shares being bought or sold together. The price the customer pays or receives could, therefore, be higher or lower than if their shares had been bought or sold on their own.

With the exception of orders executed on Sharemark, customer orders will only be carried out where the total, aggregated order can be dealt; in other words, customer orders will not be partially filled. Partially filled orders are allowable on Sharemark, such that a single order within any Sharemark auction may be partially filled, to the extent of the maximum executable volume of securities within that auction and at the prevailing Sharemark auction price.

Where a customer applies for a new issue of securities (e.g. within an initial public offer or a placing) and that offer is oversubscribed, the customer may receive a partial allocation of securities or none at all. The allocation guidelines of the offer will be followed wherever practicable by TSC when deciding how to allocate securities where more than one customer has applied within the same offer. In the absence of any guidelines, TSC will allocate the securities pro rata to each customer's application within the offer.

Schedule 4: Sharemark

1. Sharemark, a Multilateral Trading Facility and a trading division of TSC, is a trading system especially developed for buying and selling infrequently traded shares. The Sharemark facilities are designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. Further details on how Sharemark operates

- are contained on the Sharemark website (www.sharemark.com).
2. Dealing instructions in Sharemark investments must be submitted to TSC on a limit price basis. Where the investment is traded only on Sharemark, the dealing instruction will be included within the next scheduled Sharemark dealing session. Where the investment is also traded on another market, the dealing instruction will be tested regularly against the prevailing price on the other market and dealt earlier than the next scheduled Sharemark dealing session wherever possible.
 3. Other users of Sharemark may be retail clients, professional clients (e.g. large corporate customers or other stockbrokers) or eligible counterparties (e.g. large institutional investors), based within or outside the UK.
 4. TSC will act as the settlement and clearing agent for Sharemark. TSC will be the counterparty to all transactions with you or, where you are a retail client and have not placed a deal via TSC, your Sharemark Authorised Broker will take on this counterparty role. All transactions will be settled in accordance with this Agreement.
 5. Unlisted investments are traded on Sharemark. Sharemark will on request advise you how to obtain any publicly available information about such investments of which it is aware.
 6. All transactions in Sharemark securities are subject to the FSA's transaction reporting requirements. Transactions in Sharemark securities also dealt on other markets may be subject to that market's trade reporting requirements. Where you are a retail client dealing through TSC, TSC will ensure compliance with the relevant requirements.
 7. In the event of system or operational malfunction, Sharemark has the right to postpone or cancel any auction and to refuse to accept or to subsequently delete your orders.
 8. Sharemark has the right in its reasonable absolute discretion to cancel or suspend your access to Sharemark.
 9. Trading errors and dealing disputes should be referred initially to the Dealing manager at TSC. Should the matter not be satisfactorily resolved, it should be escalated to the Compliance and Legal Services team at TSC.
 10. With the exception of investments which are also dealt on the LSE, Alternative Investment Market or PLUS Markets, none of the investments traded on Sharemark are qualifying investments for the purposes of the FSA's markets abuse regime.
 11. The investments traded on Sharemark may not be listed on the LSE or any other Recognised Investment Exchange ("RIE"). It may be difficult for you to sell the shares and obtain reliable information about their value or the extent of the risks to which the share

price is exposed. The share price and dividend yield of shares in Sharemark investments may fluctuate and fall. You may get back less than your initial investment. The share price may be subject to sudden and large falls in value, given the restricted marketability of the shares. Sharemark is not an RIE, Recognised Clearing House or regulated market within the meaning of the Markets in Financial Instruments Directive (which is a piece of European legislation that among other things identifies formally operated exchanges in the European Union).

12. Sharemark and TSC have not conducted due diligence to ensure the truth or accuracy of the statements contained in any information originating from the Sharemark company and provided by Sharemark or TSC to you.
13. You acknowledge that Sharemark and TSC may share your personal details with any company with securities traded on Sharemark where this is necessary to allow that company to act in accordance with its Articles of Association (for instance, where it may refuse to register the transfer of shares to a particular person).

The Share Centre

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Part 7: Risk Factors and Potential Conflicts of Interest

A Subscription to the Fund may involve substantial risk. A non-exhaustive description of certain key risk factors is set out below.

Risk Factors Relating to Investee Companies

Nature of Investment

Investment results may vary substantially over time, and there can be no assurance that the Fund will achieve any particular rate of return. When reviewing the track records and other historical performance data in this Memorandum, prospective investors should bear in mind that past performance is not indicative of future performance.

Through the Fund, Investors are likely to commit funds to Investments of a long-term and illiquid nature in Investee Companies whose shares are not quoted or dealt in on any stock exchange. Shares in unquoted companies can be difficult or impossible to realise. As there is no available market for them, it may not be possible to establish their current value at any particular time, and the timing of any cash distributions to investors is uncertain and unpredictable. Investments in unlisted companies involve a high degree of risk and Investors may not receive back the amount they invest. Consequently, Subscriptions to the Fund should be made only by those who can bear such risks.

Sourcing of Investments

The success of the Fund depends on the ability of the Investment Team to locate, select, develop and realise appropriate Investments. There is no guarantee that suitable Investments can or will be acquired nor that Investments will be successfully realised. In the event of the failure of an Investee Company, part or all of the value of an Investment may be lost. There can be no assurance that the individuals who comprise the Investment Team will continue to be employed by the Manager or to act on behalf of the Fund, nor that suitable replacements can be found should they become incapacitated. The performance of the Fund could be adversely affected should one or more of the members of the Investment Team cease to participate in the activities of the Fund.

The Investment Team may be unable to find a sufficient number of EIS Qualifying Companies to meet the Fund's investment objectives. There is no guarantee that the Fund will be able to achieve full investment during the Investment Period and, accordingly, the Fund may ultimately make a more limited number of Investments than it currently envisages. The poor performance of a small number of Investments could significantly affect returns to investors.

Owners may have many alternative sources of capital and the competition for attractive investment opportunities may be intense, especially during periods of buoyant market conditions. There can be no assurance that the Manager will be able to locate and complete sufficient investment transactions meeting the Fund's investment criteria or that it will be able to invest the assets of the Fund in full.

The companies in which the Fund invests may be adversely affected by global or local economic, political, environmental, health and safety or other factors beyond the control of those entities, the Manager or the Fund.

Lack of Investor Control

Investors will have no opportunity to control the day-to-day operations, including investment and disposal decisions, of the Fund or of individual Investee Companies. Whilst the Manager will consult with outside experts about certain aspects of the Fund's business, the Fund will be managed exclusively by the Manager. Investors will not be able to make investment decisions or any other decisions on behalf of the Fund.

The Manager

In certain circumstances, more particularly referred to in the Investment Agreement, the Manager and others may be entitled to be indemnified out of the assets of the Fund for liabilities, costs and expenses arising in connection with services in relation to the Fund.

Concentration on Innovative Companies and Technologies

Investments will be concentrated on companies operating with innovative technologies or business models. Such companies are likely to operate in fast-moving environments where the risk of

technologies becoming redundant as a result of advances made is high, with a consequent risk to companies reliant on such technologies. Conversely, companies seeking to develop innovative technologies, to service developing technologies or to make use of such technologies may find that such technologies fail to reach their potential. For these and other reasons, valuations of innovative companies can be volatile.

No Assurance that Return Objectives will be Achieved

While the Investment Team has experience in investment and finance, there can be no assurance the Fund's investment objectives will be achieved or that Investors will receive any return on their Subscriptions. The investment performance of the Fund will depend in part upon general economic conditions and the condition of the technology sector in particular which are beyond the control of the Manager.

Dividends and Other Income

Investee Companies will not be certain to generate dividend income on a regular basis. Indeed, there can be no certainty that Investee Companies will generate any dividend income at all.

Restrictions on Transfer and Lack of Liquidity of Investments by the Fund

Investments will be in the form of shares and other securities in unlisted companies. Shareholder Agreements entered into at the time Investments are made will typically place restrictions on shareholders' ability to transfer shares in Investee Companies which may significantly hamper Investors' ability to sell their shares or other securities in isolation, such that Investors should not rely on being able to sell shares or securities other than on a trade sale or following an initial public offering. Investors' ability to secure exits at an attractive valuation will be dependent upon such factors as, in the case of a trade sale, the number of interested potential purchasers and the willingness of such potential purchasers to pay an appropriate price, or, in the case of an initial public offering, market conditions and appetite.

Risk Factors Relating to Taxation

General Tax Regime

The Fund will only invest in EIS Qualifying Companies. If EIS is withdrawn or substantially changed, the tax effects described in this Memorandum may be wholly or partially varied or removed. Investors should familiarise themselves with the rules of EIS and take professional advice where appropriate.

Sourcing of Investments

In the event that the Investment Team is unable to identify sufficient EIS Qualifying Companies meeting its requirements, Investors' Subscriptions may not be wholly or substantially utilised. Investors cannot therefore rely on being able to utilise all of their Subscription for tax planning purposes.

Investors Qualifying for EIS Reliefs

Investors may cease to qualify for EIS relief or to be able to qualify for the tax advantages that EIS offers under certain circumstances. In addition, EIS imposes certain restrictions on investors, such as the three year holding period during which they must retain their shares and the prohibition on receiving value from Investee Companies. In the event that Investors fall foul of such restrictions, they can lose the benefit of EIS relief and/or the tax advantages it offers.

EIS Qualifying Companies

The nature of EIS is that, at the point of investment in a company, an Investor cannot rely on that investment qualifying for EIS Relief until after it has been made. Before completing an investment, the Investment Team will seek appropriate assurance that there is a high degree of likelihood that the proposed investment will be approved by HMRC and so qualify under EIS.

An Investee Company having been confirmed as an EIS Qualifying Company may cease to qualify under certain circumstances, such as ceasing to carry on an eligible trade. Whilst such circumstances may be outwith the control of the Manager, it will through its ongoing monitoring of Investee Companies seek to ensure that Investee Companies' boards have due regard to the interests of their shareholders.

European Home Retail Group PLC

The Insolvency Service, on behalf of the Secretary of State for Business, has applied to the High Court of Justice for disqualification orders to be made against the directors of European Home Retail Group PLC ("EHR") in relation to their conduct as directors of that company. Paul Munn served as a non-executive director of EHR and is one of a number of former directors of EHR against whom this step has been taken, each of whom intends to defend the Secretary of State's action vigorously. If a disqualification order is made by the court under the Company Directors Disqualification Act 1986, the person disqualified may, *inter alia*, not serve as a director of a company or be concerned or take part in the promotion, formation or management of a company without leave of the court. Such an order, if made, would effectively prevent Paul Munn from participating as a member of the Investment Team.

Potential Conflicts of Interest

Partners' Other Interests

Malcolm McPherson and Andrew Ley are partners in HBJ Gateley Wareing as well as being partners in Par Equity LLP, for their own account and on behalf of the partners of HBJ Gateley Wareing as a whole. The Manager, which is wholly-owned by Par Equity LLP, may retain HBJ Gateley Wareing in connection with the Fund's business, for example to undertake due diligence reviews of potential Investee Companies, or to give legal advice on investment or other transactions. The Manager is, however, under no obligation to use HBJ Gateley Wareing for such purposes, nor is it precluded from using competing law firms, being free to retain such legal advisers as it considers to be most suitable.

Advisory Panel Members' Interests

Members of the Advisory Panel will be required to provide details of their interests in companies or other entities for conflict monitoring purposes. Where members of the Advisory Panel have, through the Par Syndicate or through converting fees into equity, acquired interests in Investee Companies, investors in the Fund will be informed through the periodic reports.

The Innovation Fund

Certain investment opportunities that come to the attention of the Manager will be referred to the Innovation Fund and will not be pursued by the Par Syndicate or on behalf of the Fund. Prospective Investors should note, however, that since the Innovation Fund typically invests at a later stage than the Par Syndicate or the Fund, its investments are more likely to be realised within a three year horizon than may be the case for the EIS Qualifying Companies in which the Fund will invest, where the holding period will be expected to be longer than three years.

Follow-on Investments

The Fund may make investments in companies in which Par Partners or the Par Syndicate have previously invested. Such situations could arise, for example, where such companies require further capital beyond the initial investment(s) made. The Fund may also invest in companies where subsequent investments are required and which the Fund is unable to participate in (because, for example, the follow-on investment round takes place subsequent to the end of the Investment Period). Where companies require multiple rounds of financing, the pricing and terms of successive funding rounds could give rise to potential conflicts of interest where Par Equity is involved in more than one round and the investor groups managed or co-ordinated by Par Equity are different. Accordingly, Par Equity adopts a policy of clear and detailed disclosure to all stakeholders.

Part 8: Authorised Intermediaries

Resources for Authorised Intermediaries

Authorised Intermediaries may wish to consult the website of the Enterprise Investment Scheme Association (www.eisa.org.uk/professional_advisors) for information prepared specifically for professional advisors. In particular, there is a table contrasting the tax advantages of EIS funds when compared with other similar products. Please note that Authorised Intermediaries are solely responsible for the advice they give to their clients and for ensuring that any products they recommend are suitable for those clients. None of the Fund Providers will be liable in any way for advice given by Authorised Intermediaries to their clients.

In determining whether a client may be provided with information relating to unregulated collective investment schemes, Authorised Intermediaries may wish to refer to the FSA's website (<http://fsahandbook.info/FSA/html/handbook/COBS/4/12>) for a summary of what category of person a firm may communicate a promotion of an unregulated collective investment scheme to. Such categories include persons who are, or who have been in the 30 months preceding the communication, a participant in a similar unregulated collective investment scheme, as well as persons in respect of whom the firm has taken certain specified steps to satisfy itself that they are able to receive the promotion.

Payments to Authorised Intermediaries

Authorised Intermediaries who introduce Investors to the Fund may elect to receive commission payments, to be met by the Manager.

Initial commissions are calculated as a percentage of the Investor's Subscription and will be paid to the Authorised Intermediary within [two weeks] of the Investor's Subscription being received, provided that the Fund Minimum Threshold has been reached. The Authorised Intermediary may elect to receive either:

- an initial commission of 3.0% and no trail commission; or
- an initial commission of 2.25% and trail commission to be paid annually by the Manager for three years, commencing on the first anniversary of the Final Closing Date, at a rate of 0.5% of the Investor's Subscription

If an Investor terminates the Investment Agreement during the three years following the first anniversary of the Final Closing Date, the Manager will nevertheless pay the trail commission in full. If, however, an Investor chooses to terminate the Investment Agreement prior to his becoming Fully Invested, any trail commission due to the Authorised Intermediary will be reduced by an amount proportionate to the amount of the Investor's Subscription remaining at the point of Termination. For example, if an Investor terminates the Investment Agreement with 25% of his Subscription yet to be invested, the Authorised Intermediary's annual trail commission would be reduced to 0.375% of the Investor's Subscription.

Intermediaries may choose to waive commission, or to elect for reduced commission, in which case the amount of any waived commission will be treated as an additional Subscription by the relevant Investor, or if specifically directed by the Investor, donated to a registered charity nominated by the Investor.

Part 9: Frequently Asked Questions

Investor Protections

Q. Do Investors have limited liability?

A. Yes. An Investor's liability to investment losses is limited to the amount of the Subscription.

Q. Are the Fund Providers authorised by the FSA?

A. Yes. Both the Manager and the Administrator are authorised and regulated by the FSA.

Q. The Fund is an unapproved EIS fund. What does this mean?

A. If an EIS fund is approved by HMRC, EIS Relief may be claimed by an investor immediately following, but not before, the final closing date of that fund. In the case of the Fund, that could be as late as 31 March 2012. HMRC requires that at least 90% of aggregate subscription monies be invested within 12 months, which can put fund managers under pressure to invest even if there aren't sufficient numbers of good quality opportunities. Unapproved EIS funds allow greater flexibility as to the timing of investments. The Manager will endeavour to utilise Subscriptions fully during the Investment Period, but would prefer to return a Subscription Surplus at the end, rather than compromise on quality.

Q. The Fund is an unregulated collective investment scheme. What does this mean?

A. The Fund does not appear on the FSA's list of regulated collective investment schemes. It may only be promoted to specific kinds of individuals, who are deemed to be sufficiently expert and experienced to understand the risks involved. Specifically, only investors who are elective professional customers under the FSA Rules may invest in the Fund.

Tax

Q. Can Investors claim EIS Relief immediately after the Fund's final closing date?

A. No. As an unapproved EIS fund, EIS Relief becomes available as investments are made. This could mean that EIS Relief starts to become available earlier than would be the case with an approved EIS fund, as the Manager expects to make investments before the Fund's final closing date.

Q. When can Investors claim EIS Relief?

A. The Fund Providers will arrange for EIS3 forms to be sent to Investors promptly following completion of each investment, with the objective of utilising the Investor's Subscription during the course of the Investment Period. Investors may claim EIS Relief on the portion of their Subscription invested once they have the EIS3 form relating to that investment.

Q. How much tax relief will Investors get?

A. This will depend on individual circumstances, so Investors should seek the advice of an appropriately qualified professional in relation to their tax planning.

Amount and Timing of Investment

Q. When can Investors invest in the Fund?

A. The Fund is accepting Applications now. Applications will become effective once the Fund Minimum Threshold of £500,000 has been reached.

Q. How much can be invested?

A. The minimum investment is £20,000. There is no maximum, but the annual limit for claiming EIS Relief is currently £500,000 (with a proposal to increase this limit to £1,000,000).

Q. What happens to Investors who come into the Fund after one or more investments have been made by the Manager? Will their Subscriptions be backdated?

A. Investors' Subscriptions will only be invested in transactions completing after they join the Fund and will not be backdated to give such Investors an interest in earlier transactions.

Investment Horizon

Q. What is the life of the Fund?

A. Investors may terminate the Investment Agreement at any time, subject to a requirement to give not less than three months' written notice. Otherwise, unless it is extended by the Manager the Investment Agreement will terminate on the seventh anniversary of the end of the Investment Period. Once some or all of the Subscription has been invested, however, the Investor is unlikely to be able to liquidate his investments until Exit Events occur.

Q. Is the Fund liquid?

A. Although Investors will, in principle, be free to sell their shares in Investee Companies at any time, such shares are unlikely to be readily marketable, other than through an Exit Event. The terms on which the Fund will invest may in addition require shares to be offered to other shareholders (at the same price as has been offered by a third party) before a sale can be concluded. EIS Reliefs claimed may be lost if an Investor sells shares before the expiry of the three year minimum holding period.

Q. Can Investors withdraw money from the Fund?

A. Once the Investment Period has ended, the Manager will return any Subscription Surpluses to Investors, less estimated future dealing commissions. Net Exit Proceeds will automatically be remitted to Investors following completion of the relevant Exit Event and will not be reinvested by the Manager.

Other Questions

Q. How will the Manager report to Investors?

A. The Manager will report to Investors every six months with a commentary on the Fund's portfolio of holdings in Investee Companies and provide each Investor with a statement including a valuation of their Portfolio.

Q. What if an Investor should die while holding shares in Investee Companies?

A. If an Investor dies while there is still uninvested cash, this will be frozen and returned to the executors, less estimated future dealing commissions, as soon as possible once the Manager or Administrator has been informed. Any holdings in Investee Companies will be transferred into the names of the executors or beneficiaries, as appropriate. Currently, any shares in EIS Qualifying Companies that have been held for at least two years will be exempt from inheritance tax.

Application Form Part A: Investor Details

Title and full name of applicant:

Permanent residential address:

Post code:

Time at current address (YY/MM):

Previous address (if less than 3 years at current address):

Post code:

Contact telephone (1):

Contact telephone (2):

E-mail address:

Tax district:

Unique Tax Reference:

National Insurance number:

Date of birth:

Town & Country of Birth:

I wish to invest £ (minimum: £20,000) in the Par Syndicate EIS Fund I on the terms set out in the Information Memorandum attached to this Application Form.

I confirm that:

1. I wish to seek EIS Relief in respect of my shares in Investee Companies;
2. The information relating to me, including the investor details set out above, given to Par Fund Management Limited are true and accurate and I will notify Par Fund Management Limited promptly in writing should any of these details change;
3. I have read and understand the terms and conditions set out in the Par Syndicate EIS Fund I Information Memorandum, Investment Agreement and the Administrator's terms of business and agree to be bound by them;
4. I understand that it is open to me to seek advice from a suitably qualified person in respect of the Fund, my proposed investment in it and any matter relating thereto;
5. I will notify Par Fund Management Limited promptly in writing in the event that the Fund makes any investment in a company with which I am connected within the meaning of sections 291 - 291B of the Income and Corporation Taxes Act 1988; and
6. I will notify Par Fund Management Limited promptly in writing in the event that within three years of the date of issue of shares to me by an EIS Qualifying Company within my Portfolio I become connected with the EIS Qualifying Company or receive value from it.

In respect of my Par Syndicate EIS Fund I account, I authorise the intermediary named in Part D of this application form (if applicable) to receive information on my account and to receive copies of contract notes confirming the investments made, if requested.

Signed: _____

Date: _____

Application Form Part B: Investor Classification

The Fund is only available to persons who may be regarded as having significant experience in matters relating to investments of this type, so that they can be treated as an elective professional customer. Prospective Investors are therefore asked to provide the information requested, sign and date the declaration set out below and complete one of the certificates on pages 57 to 60. **If none of the certificates applies to you please do not submit an Application.**

Investment Experience

Please tell us about your experience of the following types of investment (tick where applicable):

Investment Type	Current Investor	Prior Investment
Quoted companies: FTSE or equivalent	<input type="checkbox"/>	<input type="checkbox"/>
Unit trusts/exchange-traded funds	<input type="checkbox"/>	<input type="checkbox"/>
Quoted companies: AIM or PLUS	<input type="checkbox"/>	<input type="checkbox"/>
Unquoted/private companies	<input type="checkbox"/>	<input type="checkbox"/>
Unregulated collective investment schemes: hedge funds	<input type="checkbox"/>	<input type="checkbox"/>
Unregulated collective investment schemes: private equity funds	<input type="checkbox"/>	<input type="checkbox"/>
Other EIS funds	<input type="checkbox"/>	<input type="checkbox"/>

Financial Circumstances

Please tell us about your income and net investable assets (your assets other than your principal home):

Income	Net Investable Assets
£100,000 or more <input type="checkbox"/>	£1,000,000 or more <input type="checkbox"/>
£50,000 - £99,999 <input type="checkbox"/>	£250,000 - £999,999 <input type="checkbox"/>
Less than £50,000 <input type="checkbox"/>	Less than £250,000 <input type="checkbox"/>

Your Professional Experience

Please tell us a little about your professional background:

I am:	Working	<input type="checkbox"/>	Retired	<input type="checkbox"/>
My working experience is/has been in:				
• Entrepreneurship		<input type="checkbox"/>		<input type="checkbox"/>
• Financial services (including investment)		<input type="checkbox"/>		<input type="checkbox"/>
• Professional (e.g. law or accountancy)		<input type="checkbox"/>		<input type="checkbox"/>
• Industry/trade		<input type="checkbox"/>		<input type="checkbox"/>
• Other (please state):	<input type="text"/>			
I am or have been a company director or partner in a firm:	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

Declaration

I declare that, for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, I am a(n):

- self-certified sophisticated investor (and have completed the certificate on page 57) **OR**
- certified high net worth individual (and have completed the certificate on page 58) **OR**
- investment professional (and have completed the certificate on page 59) **OR**
- certified sophisticated investor (and have completed the certificate on page 60)

(please tick one box only, provided that it is applicable to you)

I understand that this means that:

- (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 complain to either of the following: (i) the Financial Services Authority; or (ii) the Financial Ombudsman Scheme; and
- (e) I may have no right to seek compensation from the Financial Services Compensation Scheme.

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 is authorised under the Financial Services and Markets Act 2000 and who specialises in advising on investments of this kind.

Signed by the Applicant:

Signature:

Full name:

Place of signing:

Date of signing:

In the presence of the following independent witness:

Signature:

Name:

Address:

Occupation:

Self-Certified Sophisticated Investors

I, the undersigned, declare that I am a self-certified sophisticated investor for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. 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 angels⁷ and have been so for at least the last six months prior to the date below;
- (b) I have made more than one investment in an unlisted company in the two years prior to the date below;
- (c) I am working, or have worked in the two years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises; or
- (d) I am currently, or have been in the two years prior to the date below, a director of a company with an annual turnover of at least £1 million.

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).

Signature

Date

Print full name

Print address

⁷ For the purposes of the Regulations an association of High Net Worth or Sophisticated Investors is an association, the membership of which the person making the communications believes on reasonable grounds comprises wholly or predominantly persons who are Certified Sophisticated Investors, High Net Worth Companies, unincorporated associations of Certified High Net Worth Individuals or Sophisticated Investors or partnerships all with net assets of not less than £5 million or High Value Trusts all within the meaning of the Regulations and relate only to an investment under the terms of which a person cannot incur a liability or obligation to pay or contribute more than he commits by way of investment.

Certified High Net Worth Individuals

I, the undersigned, declare that I am a certified high net worth individual for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. 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 date below, an annual income to the value of £100,000 or more;
- (b) I held, throughout the financial year immediately preceding the date below, 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 or 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).

Signature

Date

Print full name

Print address

Investment Professionals

I, the undersigned, declare that I am an investment professional for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. I am an investment professional because **at least one of the following applies:**

- (a) I am an 'authorised person' for the purposes of FSMA;
- (b) I am a person who is 'exempt', as a result of an exemption order made under section 38(1) of FSMA, in relation to one or more relevant scheme activities;
- (c) I am a person:
 - (i) whose ordinary activities involve him in participating in unregulated schemes for the purposes of a business carried on by him; or
 - (ii) who it is reasonable to expect will so participate for the purposes of a business carried on by him;
- (d) the individual is a government, local authority (whether in the United Kingdom or elsewhere) or an international organisation;
- (e) the individual is a person ("A") who is a director, officer or employee of a person ("B") falling within any of sub-paragraphs (a) to (d) above, when the communication is made to A in that capacity and where A's responsibilities when acting in that capacity involve him in B's participation in unregulated schemes.

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).

Signature

Date

Print full name

Print address

Certified Sophisticated Investors

Statement by Sophisticated Investor:

I, the undersigned, make this statement so that I am able to receive promotions in relation to the Fund which are exempt from the restrictions on financial promotion in the Financial Services and Markets Act 2000. The exemption relates to certified sophisticated investors and I declare that I qualify as such in relation to investments of the following kind: **investments in unregulated collective investment schemes which intend to invest in shares and other unlisted securities**. I accept that the contents of promotions and other material that I receive may not have been approved by an authorised person and that their content may not therefore be subject to controls which would apply if the promotion were made or approved by an authorised person. I am aware that it is open to me to seek advice from someone who specialises in advising on this kind of investment.

Signature	<input type="text"/>	Date	<input type="text"/>
Print full name	<input type="text"/>		
Print address	<input type="text"/>		

Statement by Authorised Person:

I, the undersigned, am an “authorised person” in terms of the Financial Services and Markets Act 2000 and hereby certify that the person identified below is a “sophisticated investor” in terms of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes)(Exemptions) Order 2001. Should you have any queries please do not hesitate to contact me.

Investor's name:	<input type="text"/>		
Investor's address	<input type="text"/>		
Signature	<input type="text"/>	Date	<input type="text"/>
Print full name	<input type="text"/>		
Company name (if applicable) & address	<input type="text"/>		
Contact number or e-mail address	<input type="text"/>		

Application Form Part C: Anti-money laundering

If the Applicant is being advised by an Authorised Intermediary, the Manager will accept a certificate from that Authorised Intermediary to the effect that they have identified the Applicant as required by UK anti-money laundering legislation. Template certificates are available from the Manager if required.

If your Authorised Intermediary is unable to provide the Manager with the appropriate certificate, to comply with UK anti-money laundering legislation, the completed Application Form must be accompanied by the following documentation:

For All Applications:

(Each applicant or Trustee should provide one item from List A AND one item from List B)

List A	List B
Bank statement	Utility bill
OR	OR
Building Society statement	Council Tax bill (for the current year)
	OR
	Benefits notification letter from the Benefits Agency confirming the right to benefits (e.g. child benefit, working families tax credit)
<i>The statement you provide must show transactions and relate to the bank/building society account from which your payment is drawn.</i>	
<i>Please note that statements printed via the internet cannot be accepted.</i>	

The Administrator reserves the right to request any other documentation required in order to satisfy any person's obligations under the anti-money laundering legislation.

The Manager is entitled to reject an Application Form in the event that it does not receive satisfactory evidence of an Applicant's identity. In such an event, cheques received by the Manager will be returned to the Applicant.

Application Form Part D: Authorised Intermediary Details

Company, partnership or sole trader's name:

FSA registered number:

Registered address:

Correspondence address (if different):

Contact name(s):

Contact telephone number(s):

Contact e-mail address(es):

Commission basis (*please choose one option only*):

(a) Initial commission only (3.0%)

OR

(b) Initial commission plus trail (2.25% + 0.5% + 0.5% + 0.5%)

OR

(c) Commission waived & treated as additional Subscription/donated to charity

OR

(d) Commission reduced to:

Bank account to which commission payments should be sent:

Account name:

Account number:

Sort code:

Bank:

Authorised signatory:

Signed:

Position:

Date:

Application Form Part E: Charitable Giving

How It Works

The Initial Fee includes an element of commission for Authorised Intermediaries. If you do not have an Authorised Intermediary, or if your financial adviser does not choose to receive commission in this way, you may either:

- instruct the Manager to treat the commission as an additional Subscription (see Part D); or
- instruct the Manager to make a donation to charity on your behalf.

If you, or a group of investors with whom you have joined forces, have subscribed £100,000 or more, you are welcome to suggest a charity of your choice, provided that it is a UK registered charity. Otherwise, all charitable donations will be made to the Manager's chosen charities.

By filling out this form, you will be instructing the Manager to rebate 3% of the 5% Initial Fee and pay it to charity. This instruction will only be valid if Part D of the Application Form is either left blank or the box (c) is ticked and the relevant words deleted as appropriate indicating that commission is to be donated to charity.

Donation to Charity by Gift Aid

I hereby request that the Manager of the Par Syndicate EIS Fund applies such monies as are due to me in respect of a partial refund of the Initial Fee to making a charitable donation to the charity or charities indicated below, in the proportions indicated:

Nominated Charity	Proportion of Rebate (%)
Help for Heroes	<input type="text"/>
Inspiring Scotland	<input type="text"/>
Youth Sport Trust	<input type="text"/>
Other (only available where £100,000 or more is being invested):	<input type="text"/>
Charity name:	<div style="border: 1px solid black; height: 150px; width: 100%;"></div>
Charity registration number:	
Investor Group Name ⁸	
Charity address:	
100%	

A Gift Aid declaration is set out overleaf.

⁸ A group of Investors investing at least £100,000 in aggregate may also choose their own charity – for administrative convenience, please choose a name for your group and insert it here.

Gift Aid Declaration

Please treat the enclosed gift of

£

as a Gift Aid donation

Name of Charity

Donor's details

Title

Initial(s)

Surname

Home address

Post code

Signature

Date

Please copy this declaration if you wish to donate to more than one charity and complete one copy of the declaration for each charity that you wish to support. Please note that you must pay an amount of Income Tax and/or Capital Gains Tax for each tax year (6 April one year to 5 April the next) that is at least equal to the amount of tax that the charity will reclaim on your gifts for that tax year. If you pay Income Tax at the higher rate, you must include all your Gift Aid donations on your Self Assessment tax return if you want to receive the additional tax relief due to you.

The charity will reclaim 25p of tax on every £1 you give. Please notify the charity if you want to cancel this declaration, change your name or home address, or no longer pay sufficient tax on your income and/or capital gains.

Application Process and Checklist

To apply for an investment in the [Par Syndicate EIS Fund I], you should complete the Application Form that is contained within the Memorandum. The Memorandum, including but not limited to the Risk Warnings and the Investment Agreement, contains terms and conditions relating to your Application. Please note that your Application cannot be accepted unless it has been completed in full and all information requested has been provided.

Application Form Part A: Investor Details

Tick when complete:

Please provide the details requested on pages 53 and 54. These include your Unique Tax Reference (the ten digit number that appears on most of your correspondence from HM Revenue & Customs). This number, together with your National Insurance number, is required in order for your claims for EIS Relief to be processed efficiently.

Please ensure that you have filled in the amount of your Subscription and signed the form.

Application Form Part B: Investor Classification

Tick when complete:

Please sign, date and have witnessed the declaration on page 56.

Please sign and date **ONE** of the investor classification certificates on pages 57 to 59 or sign and date and ensure that an Authorised Person signs and dates the certificate on page 60.

Application Form Part C: Anti-Money Laundering

Tick when complete:

Please provide the identification evidence requested on page 61.

Application Form Part D: Intermediary Details

Tick when complete:

The financial adviser or other Authorised Intermediary should complete page 62.

Application Form Part E: Charitable Donation

Tick when complete:

If you wish to donate a fee rebate to charity, you should complete pages 63 and 64.

And Finally: Payment

Tick when complete:

Please make payment of the full amount of your Subscription.

EITHER by remitting funds directly to the following account:

The Share Centre Client Transfers Account

Bank of Scotland

Account number: 00100130

Sort code: 12-21-37

Reference: [Your Customer Reference]

Please do not arrange a bank transfer payment until the Administrator has received and accepted your application and has written to you with your Customer Reference.

OR by cheque, made payable to: The Share Centre - Par EIS

If you are enclosing a cheque, please would you ensure that it is drawn on an account held in your name and that the account on which it is drawn is held with a UK bank. Third party cheques cannot be accepted. If sending a banker's draft or Building Society cheque, please ask them to print your name on the reverse as confirmation that the funds came from your own account.

Please see further important information overleaf.

The Final Closing Date by which Applications must be received if they are to be accepted is 30 June 2012. If the Fund Minimum Threshold has not been reached by that date, your Application will lapse. In the event that an Application lapses or is withdrawn, uncashed cheques will be returned to Applicants and cheques will be sent in respect of any monies held in The Share Centre Client Transfers Account in respect of Applicants' Subscriptions and any interest accrued. Applicants should note, however, that they do not have a right to receive interest. Interest earned on Applicants' funds may be apportioned and included with refunds of their Subscriptions, but the Manager shall have unfettered discretion as to the apportionment of any such interest and may, in the event that the amount of interest that falls to be apportioned is insufficient to justify the administrative effort required to apportion it, be donated to a UK registered charity of the Manager's choice.

www.parequity.com

Par Fund Management Limited is authorised and regulated by the Financial Services Authority. It is a member of the British Venture Capital Association and of the EIS Association.

This document is intended only for those persons eligible to be treated as elective professional investors under the terms of the FSA Rules. Please see the Important Notices on pages i and ii and consult your financial adviser if in any doubt as to whether you are suitable to receive this document.