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Par Syndicate EIS Fund  
Information Memorandum  
2015/16



# Important Notice: the Par Syndicate EIS Fund

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This document (the “Memorandum”) is a financial promotion and has been issued by Par Fund Management Limited (“Par Equity” or the “Manager”), which is authorised and regulated by the Financial Conduct Authority (“FCA”) with registered number 485668.

The Memorandum relates to the Par Syndicate EIS Fund (the “Fund”) managed by the Manager. The Fund is an Alternative Investment Fund (“AIF”) and not a non-mainstream pooled investment, each as defined in the FCA’s handbook (the “FCA Rules”), and invests in non-readily realisable investments. Accordingly, the Memorandum constitutes a direct offer promotion of non-readily realisable securities and its distribution is restricted to certain classes of investor only, as described below.

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## Authorised Recipients and Scope of the Memorandum

This Memorandum must only be distributed to the categories of investor listed below:

- a) Certified High Net Worth Individuals as defined in COBS 4.7.9(1);
- b) Certified Sophisticated Investors as defined in COBS 4.7.9(2);
- c) Self-Certified Sophisticated Investors as defined in COBS 4.7.9(3);
- d) Restricted Investor as defined in Sophisticated Investors as defined in COBS 4.7.10;
- e) Advised Investors who declare they are already an existing clients of an advisor who will confirm the suitability of the Fund for their needs, as per COBS 4.7.8(2); or
- f) Investors and intermediaries who could be classified as professional clients as per COBS 3.5

If you are in any doubt about whether you meet one of the categories above or if you are unsure about the contents of the Memorandum, you should consult an appropriate professional adviser who specialises in advising on the acquisition of interests in non-readily realisable securities.

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## Suitability and Advice

The Fund will not be suitable for all investors. Investment in unlisted companies involves a high degree of risk and tends to be illiquid. An investment in this fund should therefore be viewed as long term, and investors may not get back the full value of the capital they invest.

Prospective investors should not invest 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 interests they may acquire as a result. It is the responsibility of investors and/ or their advisors to seek any legal, tax or investment advice required. Nothing in this Memorandum is or should be treated as advice.

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Companies showcased in this Memorandum are existing portfolio companies of the Par Syndicate EIS Fund and are featured for illustrative purposes only. By investing in the Fund, new Investors will not gain exposure to these companies.

## Risk Warnings

The Fund is 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 15 to 16 for further information. 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 in particular to pages 17, 37 and 51 for further information.

Any reference to track records and other historical performance data, should not be relied upon as an indicator of future performance. Reference to forward-looking statements are based upon estimates and assumptions the Fund Manager believes to be reasonable. However, such predictions are inherently uncertain and as actual events or results may differ from those projected, no reliance should be placed on them.

Taxation levels, bases and applicable reliefs may change over time. These are dependent on each investor's personal circumstances and are also contingent on investee companies maintaining their qualifying status.

Par Equity has endeavoured to ensure that the information in this Memorandum is correct at the date printed on the back cover of the Memorandum.

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# Key Parties and Advisers

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## The Manager

Par Fund Management Limited  
3a Dublin Meuse  
Edinburgh, EH3 6NW

Par Fund Management Limited is a member of the British Venture Capital Association and the EIS Association. It is authorised and regulated by the FCA and is entered in the register under reference 485668.

## The Administrator

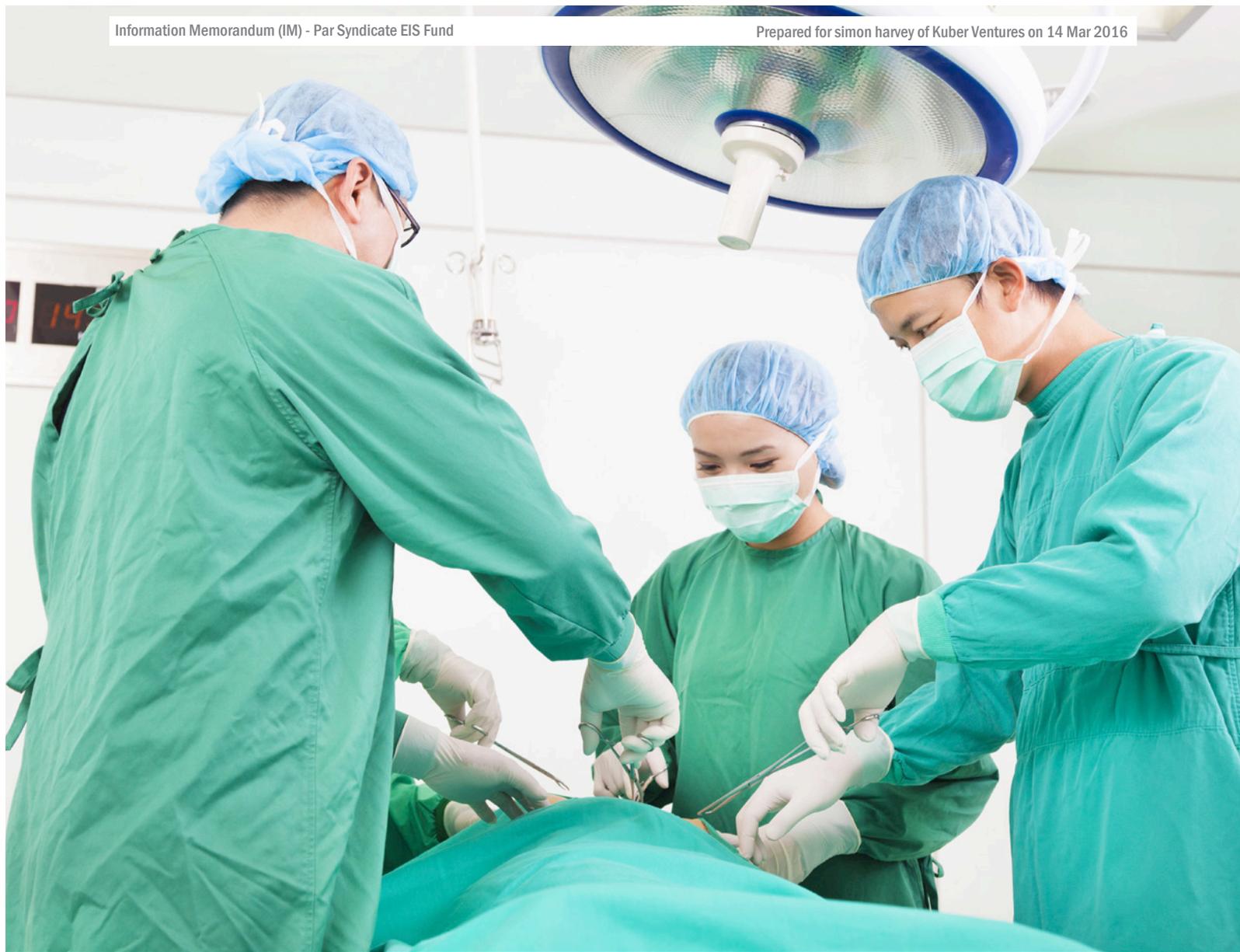
The Share Centre Limited  
Oxford House,  
Oxford Road,  
Aylesbury,  
Bucks, HP21 8SZ

The Share Centre Limited is a member of the London Stock Exchange. It is authorised and regulated by the FCA and is entered in the register under reference 146768.

## Regulatory Consultant

Bovill Limited  
82 Blackfriars Road  
London SE1 8HA





“QSpine designs, manufactures and distributes medical devices in the surgical spine market segment. By working closely with surgeons we continually look for innovative solutions to the challenges presented by modern day spinal surgery.”

Portfolio Company: QSpine  
[www.qspine.co.uk](http://www.qspine.co.uk)

# Overview

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“In addition to funds, they bring experience, advice, pragmatism, and a dogged determination to succeed.”

## The Fund

The Fund, which is managed by Par Equity, began investing in late 2012. As an evergreen EIS Fund it is always open to new Investors.

The Fund invests in unlisted shares in EIS Qualifying Companies whose business is the development, commercialisation and sale of innovative technologies, or whose business model and strategy involve the use of innovative technologies as a way of securing a competitive advantage. The Fund is intended for investors who want to build a diversified portfolio of holdings in such companies.

## Intellectual and Financial Capital

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, but can generate attractive returns if these risks are managed.

Par Equity's investment model is to manage these risks through a combination of intellectual and financial capital, investing in businesses it understands well and funding them to succeed. This blend of intellectual and financial capital flows from Par Equity's engaged investor base, which comprises business angels, fund investors and institutional co-investors.

## Investing in Innovation

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 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-today 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 invests UK-wide. We are particularly interested in companies with the potential to access a global market, so that they are not reliant on domestic economic factors.

## Enterprise Investment Scheme

The Fund only invests in EIS Qualifying Companies, allowing Investors the opportunity to benefit from the tax advantages of EIS and, occasionally, SEIS. In managing the Fund, however, Par Equity will make investment decisions without taking into account the possible beneficial effects of EIS Relief, focusing instead on pre-tax returns – this is a more demanding standard than would be the case if post-tax returns were used. Although the availability of EIS Relief allows higher-rate tax payers the opportunity to reduce their overall risk significantly, the availability of EIS Relief may be restricted as a result of changes to an Investor's circumstances or to an Investee Company's circumstances, and so should not be relied upon. EIS Relief becomes available as capital is invested in individual Investee Companies.

## Par Syndicate EIS Fund Term Sheet

### Investment Objective

The Fund invests in innovative small and medium-sized EIS-qualifying companies with high growth potential that are assessed by Par Equity as offering a good prospect of delivering returns through Exit Events.

### Enterprise Investment Scheme

The Manager seeks 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 the Fund is not approved by HMRC, EIS Relief will accrue as and when investments are made. By exception, the Fund may invest in circumstances allowing Investors to take advantage of the tax advantages offered by SEIS, which are substantially similar to those available under EIS, but potentially more generous for individuals able to take full advantage of them.

### Collaborative Investment Approach

The Fund co-invests with Business Angels. Usually this is through the Par Syndicate but occasionally the Fund co-invests with other angel groups. Par Equity believes that this collaborative approach benefits Investors, as investment decisions are informed by the views of experienced Business Angels with domain knowledge.

“We contacted Par Equity to establish if they had an interest in investing in the company. Par Equity added considerably to the diligence and understanding of the company and we concluded our first co-investment deal [with them].”

### Investment Stage and Size

The Fund invests in early stage companies, sometimes pre-revenue, providing growth capital. Par Equity generally participates in investment rounds of at least £0.5 million per Investee Company

### Fund Size and Subscription Size

The Fund has no maximum or minimum size. Investors may subscribe in multiples of £1,000, subject to a Minimum Subscription of £20,000. There is no maximum Subscription, but individuals are currently restricted to £1 million of EIS investment for each tax year.

### Investor Intakes

As the Fund is evergreen, new Investors are grouped in Investor Intakes. Each Investor Intake will participate in at least five Investee Companies. Investor Intakes may overlap, but Investors participate in Investee Companies pro-rata to their Subscriptions.

### Concentration Limit

No Investee Company will account for more than 25% of an Investor's Subscription.

### Legal Form and Investment Mechanics

The Fund is an unapproved EIS fund which will comprise of shares in a selection of EIS companies and uninvested cash. Each Investor, for legal and tax purposes, is the beneficial owner of a specific number of shares in each Investee Company. Each Investor has an EIS Share Account maintained by the Administrator and segregated from the EIS Share Accounts of other Investors. All shares and cash will be managed on a collective basis.

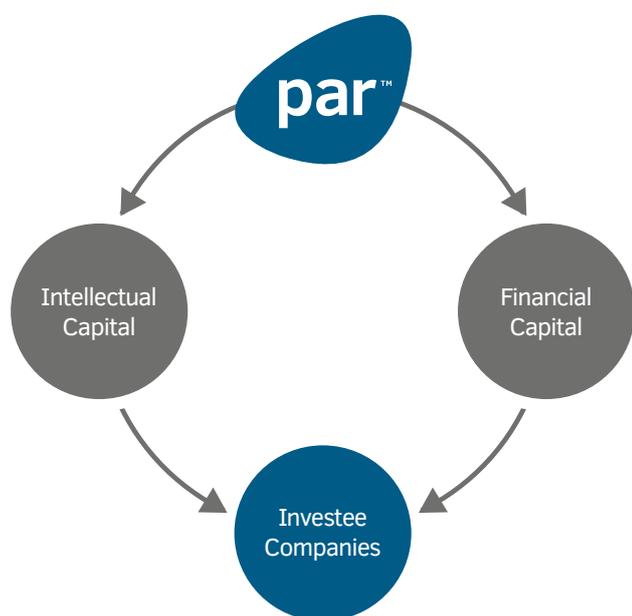
### Fees

Par Equity receives Investment Management Fees and a Performance Fee. The Investment Management Fees are not usually deducted from Investors' Subscriptions, as Par Equity instead offsets the Investment Management Fees against arrangement and monitoring fees charged to Investee Companies – the maximum that can be deducted from an Investor's Subscription in respect of Investment Management Fees is 6% (including VAT). Investors are liable to pay the Performance Fee only after they have received returns at least equal to the amount they originally subscribed. The Performance Fee is 20% of any returns in excess of the Subscription. The Administrator charges a dealing charge (currently 0.35%) and an annual administration fee (currently 0.6% including VAT). For more details on fees and charges, please see Part 6: Fees and Charges on page 29.

## What’s Different About Par Equity?

### Par Equity – Investors in Innovation

Par Equity is an Edinburgh-based venture capital firm, formed 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 Par Equity’s model to add value and partly because Par Equity operates in the equity gap, where young companies struggle to find finance.

### 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.

“In my view, a key strength of Par Equity is the depth & breadth of experience in the investment team, and the benefit this brings to investee companies.”

### The Par Syndicate

The Fund was formed primarily to 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.

### 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, Par Equity expects the Advisory Panel to help mitigate the increased levels of enterprise risk typically attributed to smaller companies.

“The Advisory Panel is the engine of Par Equity’s uniqueness.”

### Investment Pipeline

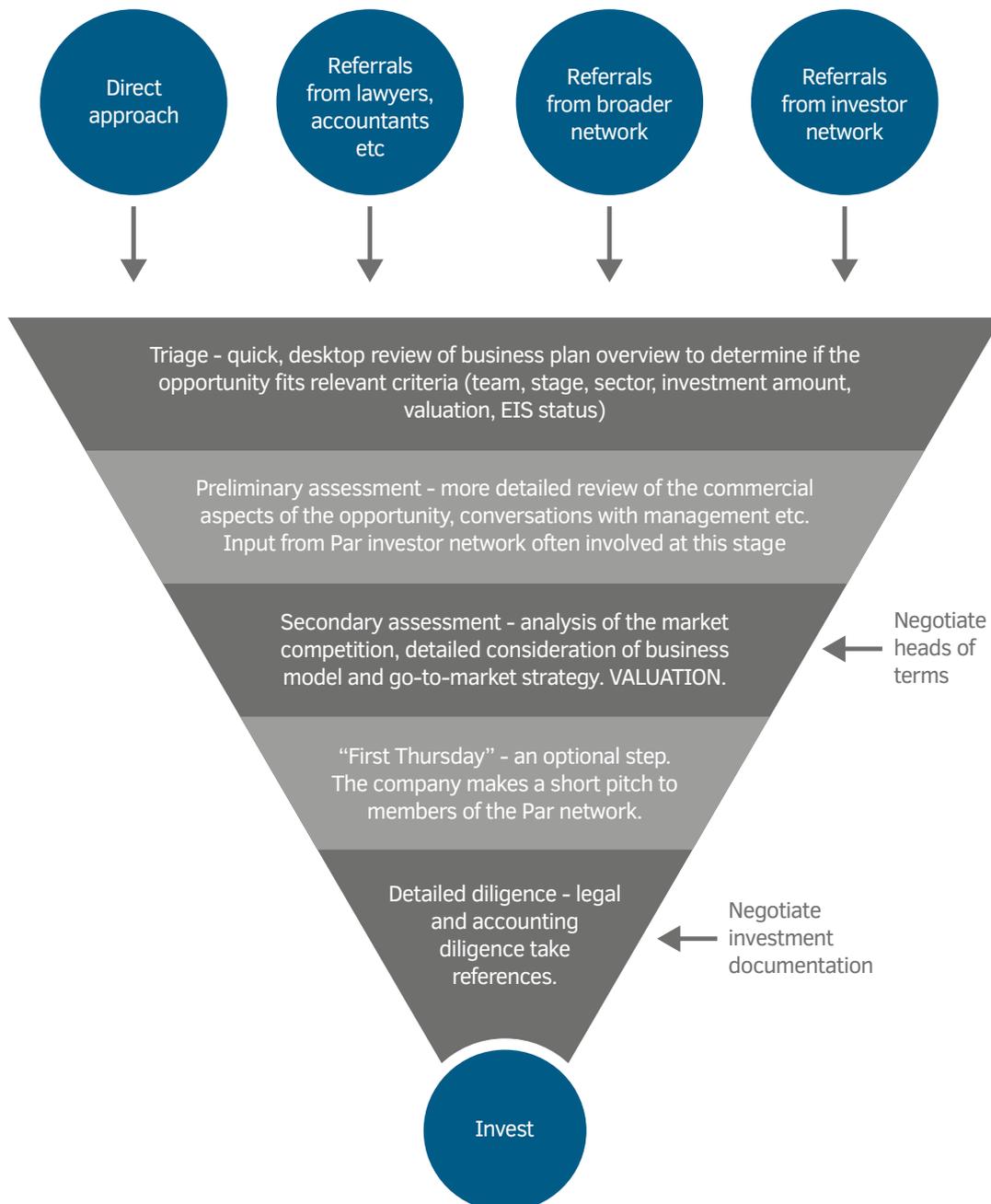
Par Equity’s first investment was made in March 2009. Since its formation, Par Equity has focused on building a strong pipeline of good quality investment opportunities. It has cultivated links with co-investment partners, professional firms and other third parties and has benefited from introductions 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.

**Par Equity’s Investment Process**

Par Equity’s investment process is collaborative and in particular benefits from the strength of its investor network, specifically the Par Syndicate and the Advisory Panel.

The pipeline of investment opportunities flowing into Par Equity is derived from a range of sources, including direct approaches from companies, together with referrals from intermediaries, Par Equity’s broader network and, most importantly, the investor network. This last category is the one to which most attention is paid.

Par Equity’s key strength in sourcing and identifying investment opportunities is its investor network, as this provides a reservoir of individuals with valuable experience of the sectors in which the Fund invests. Members of the investor network are often closely involved in the preliminary and secondary assessment stages, as well as at “First Thursday” events (investor networking evenings attended by members of the Par Syndicate as well as various other members of Par Equity’s broader network), which provide an interesting variety of perspectives on potential Investee Companies.



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“I have found Par Equity to be an excellent organization to work with and indeed have recommended them to a number of start-ups and early stage technology companies... I must commend Par Equity for both their professional and commercial approach which I believe is mainly attributable to their blend of legal, corporate finance and industry experience.”

## How Does the Fund Work?

### Investor Intakes

The Fund is evergreen, with Investors being grouped into Investor Intakes. Par Equity manages the Fund so that an Investor's Subscription will be invested along with Subscriptions of other members of their Investor Intake, and with other Investor Intakes. Generally, the intention will be to diversify an Investor's Subscription across five or more Investee Companies in approximately equal monetary amounts, with a maximum concentration limit of 25% of a Subscription in any one Investee Company.

### Finding Investments

As investment manager of the Fund, Par Equity is responsible for identifying and evaluating potential investments. As an organisation that combines the co-ordination of an active Syndicate and the management of venture capital funds, Par Equity has access to a significant pipeline of opportunities. Execution-only Clients are often involved in sourcing or reviewing potential investments in conjunction with the Manager, bringing valuable commercial insights and sector knowledge to the process.

### Deciding What to Invest In

Par Equity 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 considers 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. As the Fund's model is to co-invest with the Par Syndicate or another Syndicate, it co-invests with experienced business people whose views will further inform the appraisal process. In addition to forming a view on the commercial rationale for investing, Par Equity also undertakes or commissions confirmatory due diligence in areas such as the company's legal and financial position.

### Concluding Investments

The Investment Team includes experienced deal-makers, 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.

Investors' Subscriptions are 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 are credited to the Investors' EIS Share Accounts. Any Subscription Surplus at the end of the Investment Period is returned to the Investors, after providing for estimated future dealing commissions.

### After Completion of the Investment

Par Equity is responsible for managing the Fund's 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.

### 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.



“QikServe’s self service Waiter in your Pocket app lets diners order and pay for food and drinks straight from their smartphone. Customer data is captured automatically and, used with QikServe’s Engage marketing and loyalty product, gives you a powerful marketing asset for targeted campaigning.”

Portfolio Company: QikServe  
[www.qikserve.com](http://www.qikserve.com)

# Part 1: Investment Objectives and Restrictions

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“I find Par to be proactive and constructive, rather than passive bystanders.”

## Overview

Par Equity's objective on behalf of the Fund is to put both financial and intellectual capital to work. We 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, helping them fulfil their potential. The Fund's Investment Objectives and Investment Restrictions are described below.

## Investment Objectives

### Realising Value

The Fund's principal Investment Objective is to generate capital gains for Investors through increases in value of Investee Companies, realised through Exit Events. The Fund's Benchmark Return Objective is a realised pre-tax internal rate of return on Subscriptions of 15%. The Benchmark Return Objective has been provided in accordance with the FCA Rules to allow Investors to assess the Manager's performance, but there can, however, be no certainty that this benchmark will be achieved.

### 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 is placed on the management team's uncompromising commitment to achieving success. Previous entrepreneurial or management experience and track record is desirable and previous success is an advantage.

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

### Risk and Return

The Fund's Investment Objective of generating capital gains from high growth potential companies involves substantial investment risk. Par Equity seeks to manage this risk at a Fund level through portfolio diversification, but Investors should note that a single Subscription to the Fund will not achieve the full benefits of diversification.

### Niche Sector 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. Par Equity has invested in companies operating in software, public health, e-commerce, social media, consumer electronics, technical textiles and medical devices.

### Information and Communications Technology

This is an extremely broad area. Information and Communications Technology permeates our lives in increasingly complex and pervasive ways. Companies using technology innovatively to disrupt their markets are of interest as well as those actually developing new technology.

### 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. The UK is at the forefront of efforts to develop and commercialise such technologies.

### Medical Technology

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

## Investment Restrictions

### Investing Alongside Business Angels

The Fund has been formed specifically to invest only alongside Business Angels, a feature that distinguishes it from the majority of other EIS funds. We believe that the deep sector knowledge and experience brought by Business Angels to companies they invest in will benefit the Fund.

### EIS Qualifying Companies

The Fund's principal Investment Restriction is that it only invests in EIS Qualifying Companies. Specifically, the Fund only invests 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.

### Sectors

The Fund will not invest in companies operating in:

- > Armaments or weapons technology;
- > Biotechnology (for example, drug discovery, genetic modification or related fields).

### 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.

### Revenue

Par Equity does not invest in technology for technology's sake. The Fund will only invest in companies with a clear model for generating revenues and accessing their target markets. The Fund will only invest in pre-revenue companies in a minority of cases.

### Geography

Par Equity has a hands-on, operational bias. This means that we like to be geographically close to management teams. This, and the geographic limitation of EIS, means that 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'.

### Future Funding Requirements and Follow-on Rounds

The Fund is restricted from investing more than once in an Investee Company (other than where an investment is made in tranches). Most Investee Companies will seek to raise further investment after the Fund has invested, but the Fund's Investment Restriction as to follow-on rounds doesn't mean that individual Investors are prevented from following their money if they wish to. Investors who are not classified as Elective Professional Clients will still have pre-emption rights, which means that where there is a follow-on round, Investee Companies will be obliged to give existing investors, including those who have invested via the Fund, the opportunity to follow their money should they wish to do so.

Investors who are eligible to be classified as Elective Professional Clients can choose to join the Par Syndicate and become clients of Par Equity in their own right. Par Equity provides an execution-only service to such clients in respect of follow-on rounds. The Par Syndicate will not invest in follow-on situations where an Investee Company seeks to deprive Investors of pre-emption rights.

Par Equity works hard to find co-investment partners that we can work with to ensure that Investee Companies are funded to succeed. We also help Investee Companies access the banking market, when the time is right, to reduce their reliance on equity investment.

## Part 2: More About Taxation and EIS

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### 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 appropriately qualified independent professional adviser on the taxation implications of their investment.

### Taxation of the Fund and of Investors

All income, expenses, gains and losses associated with investments made by the Fund are attributable to the individual Investors. Investors who are UK tax resident and/or domiciled in the UK 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. To obtain the benefit of these reliefs, the taxpayer must first invest in the EIS Qualifying Company and then make the necessary claim to HMRC, 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 HMRC-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 (in certain circumstances, the three year rule can be extended, depending on the date on which an EIS Qualifying Company commences its qualifying trade). Connected investors include employees, directors receiving remuneration and investors with shareholdings of 30% or more. Individual investors may claim relief against income tax at a rate of 30% on a maximum of £1,000,000 of investment in EIS Qualifying Companies in each 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 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 (“CGT”) 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. Deferred gains can be further deferred through investment in other EIS Qualifying Companies and, should the taxpayer die, deferred gains at the time of death will not come back into charge.

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 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 Tax 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 CGT.

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 and is available at an Investor’s marginal (highest) rate of income tax. It may also be offset against capital gains of the same year or carried forward to offset against future gains.

### Inheritance Tax (“IHT”) 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 30% 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 and that the company continues to be qualifying for the IHT relief up to the date of transfer of the shares.

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### EIS Requirements

Currently, 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 outside the UK, designated by HMRC – this does not include AIM or PLUS;
- > The company must have fewer than 250 full-time or full-time equivalent employees on the date that the shares are issued. This limit is proposed to be extended to 500 in the case of knowledge-intensive companies;
- > The company must have gross assets of not more than £15 million prior to the fund-raising and not more than £16 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 and other activities do not represent a substantial (generally c. 20%) element of the company's activities.

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 is 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 (certain exceptions apply), or own more than 30% of the ordinary shares, 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 individual who currently has a marginal rate of income tax of 45%, the following table sets out a hypothetical portfolio purely for the purposes of illustrating

Company	A	B	C	D	E	Total
Investment in the Fund						£(100,000)
Fees and charges	£(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
Non-fund 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
Non-fund CGT now due <sup>2</sup>	£(5,320)	£(5,320)	£(5,320)	£(5,320)	£(5,320)	£(26,600)
Capital loss	-	£13,300	£3,300	-	-	£16,600
Maximum value of loss relief <sup>3</sup>	-	£5,985	£1,485	-	-	£7,470
CGT on fund investments <sup>4</sup>	NIL	NIL	NIL	NIL	NIL	-
Net post-tax cash inflows	£24,680	£665	£6,165	£14,680	£39,680	£85,870
Net return to investor <sup>5</sup>	£15,700	£(8,315)	£(2,815)	£5,700	£30,700	£40,970
Performance fee <sup>6</sup>						£(1,000)
Return post performance fee						£39,970

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 who is able to take full advantage of EIS Relief would stand to recover up to 58.4% of his Subscription (assuming loss relief at 45% and non-offset fees of 5%), or, looked at from another perspective, can cap his maximum post-tax loss at 41.6% 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.

<sup>1</sup> 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 15 - 16.

<sup>2</sup> Assuming capital gains tax remains payable at 28%

<sup>3</sup> Assumes 45% marginal income tax rate

<sup>4</sup> Losses not relieved against income tax may be relieved against capital gains, in which case the value of capital losses would be 28p in the £ at current tax rates

<sup>5</sup> The net return to this illustrative investor provides an example in respect of a taxpayer with a significant CGT liability and a 45% 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

<sup>6</sup> On this portfolio, the illustrative 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 55.9% (ignoring any CGT deferral).

## Part 3: More About Par Equity

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“The fact that [they] have their own business experience, outside of the venture capital world, means that they can relate to, and knowingly advise upon, the challenges faced by a growing business.”

### 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, 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.

Prior to co-founding Par Equity, Paul has started three previous businesses: Head Resourcing, which was founded in 2001 (2014 turnover - £45 million); Direct Resources, which was acquired by NASDAQ listed iGate Corporation in 1999; and RecruitmentScotland.com, which was acquired by another NASDAQ listed business, TMP Worldwide, in 2000. As a business angel, he has also invested in a number of other fast-growing technology companies, including Rocela Group, which was recently acquired by Version 1 of Ireland, and Mobiqu, which was acquired by NYSE listed NCR Corporation. 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 and is also non-executive Chairman. Paul also serves on various boards and industry bodies.

#### 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, an innovative and successful fund product providing direct exposure to property & casualty insurance underwriting returns. Andrew serves on various boards and industry bodies.

### Continued overleaf

## The Investment team (Continued)

### 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 real-time 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.

### 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 Chairman of ProMetic Life Sciences Inc., a Canadian biopharmaceutical company with globally recognized expertise in bioseparations, plasma-derived therapeutics and small-molecule drug development. He has founded, as well as served in executive and non-executive roles various life sciences companies, major industry bodies and public sector institutions in the UK, USA, Europe, Asia and Latin America. He is also an experienced business angel, venture capital and private equity investor. Through the 1990s, Simon became a leading international figure - initially as a champion of GM food technology and then as the CEO of the company formed at the Roslin Institute in 1998 to exploit medical applications of the technology that produced Dolly The Sheep. He is a past Vice-Chairman of the US Biotechnology Industry Organisation and Chairman of the UK BioIndustry Association. He built 3 substantial life sciences ventures between 1991 and 2005 - Zeneca Plant Science (Delaware, USA), Roslin BioMed and Ardana (Edinburgh, UK), and between 2010 and 2012 refocused and rationalised a 4th - Aquapharm (Oban, UK), a pioneering marine biotechnology company. Between 2005 and 2010, he was an advisor to TVM Capital in Munich and an Investment Partner and Entrepreneur-in-Residence for the TVM MENA Fund in UAE and India. He was awarded the London Business School Alumni Achievement Prize in 2007. He holds an MBA from London Business School and an Honorary Doctorate and B.Mus from York University. In 2007, he was elected a Fellow of the Royal Society of Edinburgh. In 2008, he was awarded an OBE and appointed a Visiting Professor of Medicine by the University of Edinburgh, which in 2009, appointed him as Chairman of the BioQuarter, responsible for company formation and business development for the College of Medicine and Veterinary Medicine.

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“The aspect of the Par Equity model which first attracted me was their Advisory Panel. This body is made up of people from a wide range of industry sectors and with a diverse variety of roles and experiences. This is the engine of Par Equity’s uniqueness. Prior to any investment, Par Equity trawls its advisor base to find someone who has experience of the target company’s business and asks them to help with a company and sector review. This leads to better-informed decision making by Par Equity. There are other organizations which support angel investments but none in my opinion which can offer the breadth and depth of expertise in such a span of industries.”

## 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.

It is important to stress that Investee Companies cannot be compelled to use the Advisory Panel. Par Equity is an investment firm, not a consultancy or provider of interim resources. Accordingly, other than occasionally taking a margin on the cost of providing Advisory Panel members to Investee Companies, this is not a source of income for Par Equity.

The Advisory Panel is a fundamental part of Par Equity’s investment model. Par Equity’s investment philosophy is predicated on a belief that the involvement of experienced business people in this way is a powerful means of mitigating the enterprise risks typically attributed to smaller companies and so to adding 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 candidates 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 offers a more flexible means of delivering senior-level expertise and experience to Investee Company boards than the traditional model of appointing non-executives. In contrast to the position of non-executive directors, where an appointment is expected to last for some time, the Advisory Panel concept can deliver 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. 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.

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.

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## The Par Syndicate

The Par Syndicate is a Business Angel network, many of whose members are also members of the Advisory Panel. The Par Syndicate has invested across the UK and has shown itself willing to support Investee Companies both with investment and with practical assistance.

## Par Innovation Fund I LP

Par Innovation Fund I LP is a venture capital fund, which is closed to new investors and is fully-invested. 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 fund is tax-transparent and its limited partners are not able to secure EIS Relief in respect of the investments it makes.

## Par Innovation EIS Funds

The Par Innovation EIS Funds are a planned suite of annual HMRC-approved EIS Funds that will, when established, invest alongside the Fund. HMRC-approved EIS funds allow EIS relief to be claimed on inception of the fund. These funds will be aimed at investors being advised by Authorised Intermediaries and will have a different charging structure to the Fund.

## Investment Portfolio

Par Equity's portfolio is dynamic – for an up-to-date summary, please see [www.parequity.com](http://www.parequity.com).

# Part 4: Risk Factors and Potential Conflicts of Interest

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Subscriptions to the Fund will be used to make venture capital investments, which can involve substantial risk. A non-exhaustive description of certain key risk factors is set out below.

## Risk Factors Relating to Investment

### 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.

The Fund will hold investments of a long-term and illiquid nature in Investee Companies whose shares are not quoted or dealt in on any stock exchange and so cannot easily be sold. As there is no available market for such shares, 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 Investee companies may be adversely affected by global or local economic, political, environmental, health & safety or other factors beyond their control or the control of the Investor or the Manager. Accordingly, Investors may not receive back the amount they invest and Subscriptions to the Fund should be made only by those who can bear such risks.

### Sourcing of Investments and Portfolio Diversification

The success of the Fund depends on the ability of the Manager 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, which may comprise a material part of the value of the Investors' Portfolio.

A single Subscription is expected to provide an Investor with interests in at least five Investee Companies, but not many more. In order to achieve a high degree of portfolio diversification, an Investor may need either to make further Subscriptions over time, or undertake comparable investment activity on his own initiative.

### Lack of Investor Control

As the Fund itself is the Manager's client, 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 may 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 Investor's assets held within the Portfolio for liabilities, costs and expenses arising in connection with services in relation to the Fund.

There can be no assurance that key individuals employed by the Manager will continue to be employed by the Manager for the duration of the Investment Agreement, nor that suitable replacements can be found. The performance of the Fund could be adversely affected should the Manager fail to maintain a suitably qualified and experienced team.

### 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 and the risk of such companies failing can be higher than for companies with more established business models, or products or services.

### The Benchmark Return Objective

While the Manager 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. Accordingly the Benchmark Return Objective should not be seen as a guide to performance, as it is intended only to be a means of assessing performance.

### Investment in Small Companies

Investee Companies may often be relatively small and highly dependent on the skills of a small group of key executives. Such companies may, in addition, often be especially vulnerable to changes in technology, government actions, changes in statute and competitive pressures.

### Dividends and Other Income

Investee Companies will not be certain to pay dividends to Investors on a regular basis. Indeed, there can be no certainty that Investee Companies will pay any dividends at all. The Manager's strategy is to generate returns for the Fund through capital gains arising when shares in Investee Companies are sold, rather than through receipt of dividend income.

### Restrictions on Transfer and Lack of Liquidity

Investments will be in the form of unlisted shares and other securities issued by Investee Companies. Shareholder Agreements entered into at the time Investments are made will typically place restrictions on shareholders' ability to transfer shares in Investee Companies. This may restrict Investors' ability to sell their shares or other securities in isolation. 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 Advantages 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. The content of this document is based on our understanding of current taxation law and HMRC practice.

### Sourcing of Investments

In the event that the Manager 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

EIS Relief is dependent on each Investor's circumstances. Some Investors may not be eligible for EIS Relief and some Investors may cease to qualify for EIS Relief during the life of the Fund. If in doubt, Investors should seek advice from a suitably qualified professional. In addition, EIS imposes certain restrictions on Investors, such as the three year holding period during which they must retain their shares in 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.

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### 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 beyond 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.

### Potential Conflicts of Interest

#### Equity between the Fund and Business Angels

Investee Companies frequently require more than one round of investment, whereas the Fund will only invest once in any given company. In the ordinary course, the Fund will invest on the first occasion that the Par Syndicate (or another group of Business Angels)

is investing in a company, although exceptionally it may invest at a later stage. An example of this would be where there is a limited early round intended to allow the company to prove the feasibility of its technology, or demonstrate the potential, to be followed by

a larger round once the investment risk has been judged to have been mitigated.

Once the Fund has invested, there is a potential for conflicts of interest in relation to the terms on which subsequent investment rounds are completed. These terms, particularly share price, may vary, reflecting the progress made by the Investee Company since the preceding round or rounds, demand from investors and so on. Investors' decisions regarding participation in follow-on rounds are likely to result in a range of individual investment performance experiences in respect of any given Investee Company. The Manager has a responsibility to Investors and also to its Execution-only Clients in the Par Syndicate. The Manager will decline to be involved with any follow-on rounds where the pre-emption rights of existing shareholders, including the Fund are not respected.

Investors who qualify may choose to become Execution-only Clients of the Manager for the purpose of participating in subsequent investment rounds. In any event, the Manager will endeavour to ensure that Investors are informed of, and able to participate in, subsequent investment rounds, but will not be able to arrange such investments for them unless they become Execution-only Clients.

## Part 5: Frequently Asked Questions

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### Investor Protections

**Q. Do Investors have limited liability?**

**A.** Yes. An Investor's liability for investment losses is limited to the amount of the Subscription. Although contracts with Fund Providers may provide for further fees to be charged to Investors, these contracts may be terminated by the Investor.

**Q. Are the Fund Providers authorised by the FCA?**

**A.** Yes. Both Par Equity and the Administrator are authorised and regulated by the FCA.

**Q. Is the Fund an unregulated collective investment scheme?**

**A.** No. The Fund is managed on a collective basis as an AIF, but Subscriptions are not pooled and the Fund is not treated as an unregulated collective investment scheme by virtue of an exemption within the Financial Services and Markets Act (Collective Investment Schemes) Order 2001.

**Q. Can I be compensated if I suffer losses on my investment?**

**A.** The Manager participates in the FSCS and, if the Manager defaults, Investors may have a claim against the FSCS if they are classified under the FSCS's rules as "eligible claimants". The maximum amount of such a claim is currently £50,000. Further details on how the FSCS operates and how claims are made and processed can be found at [www.fscs.org.uk](http://www.fscs.org.uk).

**Q. Can I complain to the Financial Ombudsman if I am unhappy with the services of the Fund Providers?**

**A.** All Investors who meet the eligibility criteria (see [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk)) should be able to bring complaints to the Financial Ombudsman. The Fund Providers will take all complaints seriously and have procedures in place to ensure that complaints are properly dealt with on their merits and, if possible, resolved to the parties' mutual satisfaction.

**Q. Do I need to seek financial or other professional advice in relation to the Fund?**

**A.** If you are in any way unsure about the nature of the Fund, EIS or the risks associated with the Fund or EIS, or whether the Fund might be suitable for you in the context of your financial circumstances and risk appetite, it would be prudent to consider seeking appropriate advice. Some types of investor may, however, invest in the Fund without the benefit of such advice, providing that they meet certain criteria, detailed in Part B of the Application Form.

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## Tax

**Q. The Fund has not been approved by HMRC. 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. HMRC then requires that at least 90% of aggregate subscription monies be invested within 12 months. HMRC approval, in relation to an EIS fund, has no regulatory significance, nor does it imply that HMRC has in any way approved matters such as the fund's investment objectives or the investment manager's track record.

**Q. When can Investors claim EIS Relief?**

**A.** EIS Relief is only available to individuals who are UK taxpayers and becomes available as investments are made. The Fund Providers will arrange for EIS3 forms to be sent to Investors promptly following completion of each investment. 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. Excluding the effects of rounding investments in Investee Companies to the nearest whole number of shares, the minimum percentage of a Subscription available in respect of EIS Relief is expected to be 90.65% and the maximum percentage is expected to be 96.65%.

**Q. Will Investors be able to claim SEIS relief?**

**A.** Although the tax advantages offered by the SEIS regime are more generous than under EIS, SEIS relief tends to be available only in respect of investments in very early stage companies. This, combined with the fact that only £150,000 of investment in a company can be eligible for SEIS relief, means that the Fund will invest in situations where SEIS relief is available only in exceptional circumstances. Should it do so, however, a similar procedure to that followed to allow Investors to claim EIS Relief will be followed.

## Amount and Timing of Investment

**Q. When can Investors invest in the Fund?**

**A.** The Fund is evergreen, so Applications may be accepted at any time. Applications will, however, be grouped within Investor Intakes, so if an Application is received just after an Investor Intake has closed, there may be a wait of some weeks, or possibly even months, before the Subscription begins to be invested. The Manager will be able to provide further context on this if required.

**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 £1,000,000.

**Q. I've looked at some of the existing Investee Companies, which seem interesting. Can a Subscription be backdated?**

**A.** Because the Fund only invests once in any given Investee Company and Subscriptions are not pooled, an Investor's Subscription cannot be backdated to include transactions completed prior to their Subscription being received, nor can an Investor's shareholding in Investee Companies be diluted by other Investors joining the Fund at a later date.

## How the Fund Works

### Q. What is the life of the Fund?

- A. The Fund itself has no specific life, but the individual Investment Agreements that comprise the Fund have a lifespan of seven years. An Investor may terminate his 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, an Investment Agreement will terminate after seven years.

### Q. Is the Fund liquid?

- A. An investment in the Fund involves significant liquidity risk, as it will result in the Investor holding a portfolio of non-readily realisable securities. Although individual 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, which can complicate the process further. 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. If an Investment Agreement is terminated by an Investor before all of a Subscription has been fully invested, the Manager will return any Subscription Surplus to the Investor, less estimated future dealing commissions. Net Exit Proceeds will automatically be paid to Investors following completion of the relevant Exit Event and will not be reinvested by the Manager.

### Q. What fees and charges will be deducted from my Subscription?

- A. The maximum level of deductions from a Subscription is 9.35%, while the minimum is 3.35% (assuming that the Investment Agreement is not terminated early). The reason for the range of possible deductions is that the Manager will offset fees paid to it by Investee Companies against fees payable to it from Investors' Subscriptions. The offset is calculated at the point an investment is made in an Investee Company and, once this offset has been calculated, the Manager is on risk in respect of the recovery of fees from the relevant Investee Companies. Investment Management Fees deducted from an Investor's Subscription can be reduced to nil in this way, while the maximum that can be

deducted in respect of Investment Management Fees is 6% (inclusive of VAT). The remaining 3.35% is a retention in respect of the Administrator's fees and charges.

The Performance Fee is only payable from Exit Proceeds, as are the Administrator's dealing fees in reflect of share sales and account administration charges after year five.

## 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. How can I assess the Manager's performance?

- A. The FCA Rules require that the Manager establish an appropriate method of evaluation and comparison such as a meaningful benchmark so as to enable an Investor to assess the Manager's performance in relation to the management of the Fund. A realised pre-tax internal rate of return of 15% has been selected as the Benchmark Return Objective for this purpose. As an illustration, an investment of £100 today that was sold for £200 after five years would yield a realised pre-tax internal rate of return of fractionally over 15%. The post-tax internal rate of return for an Investor able to benefit from EIS Reliefs would be somewhat higher. It should be noted, however, that it may take a number of years to achieve exits and so the realised return on an Investor's Subscription will only be determined after some time. Portfolio valuations will be undertaken periodically, but unrealised profits or losses may not be a good indication of ultimate realised performance.

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

- A. If an Investor dies while there is still a Subscription Surplus, 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.

## Part 6: Fees and Charges

### Overview

Fees and charges are payable to the Manager and the Administrator in respect of the Fund. It is the Manager's practice to offset, in whole or in part, its fees against arrangement and monitoring fees paid to it by Investee Companies. The Manager has also capped the aggregate deduction that may be made from an Investor's Subscription in respect of its fees – this cap is set at 6% (including VAT) of the Subscription. The Administrator's fees and charges form additional deductions from the Subscription.

Taking into account the cap on the Manager's fees, the minimum percentage of a Subscription (before any small differences arising from rounding investments to the nearest whole number of shares) that is available for investment is 90.65% and the maximum is 96.65%. Based on investments made to date, Investors should expect at least 95% of their Subscription to be available for investment.

### The Manager's Fees

Under the terms of the Investment Agreement, the Manager is entitled to receive Investment Management Fees and Performance Fees. These are calculated by reference to individual Subscriptions.

#### Investment Management Fees

Investment Management Fees comprise:

- > An Initial Charge of 2.5% (plus VAT)
- > Management Charges comprising:
  - > 2.5% (plus VAT) in respect of the first year;
  - > 1.25% (plus VAT) annually thereafter; and
  - > An exit fee of 1.25% (plus VAT), calculated on the relevant part of a Subscription applied to the Investee Company concerned, on the occurrence of an Exit Event

Investment Management Fees deductible from an Investor's Subscription are capped at a maximum of 5% (plus VAT) in aggregate, split as to 2.5% (plus VAT) in respect of the Initial Charge and 2.5% (plus VAT) in respect of Management Charges.

In practice, however, the Manager recovers arrangement fees and monitoring fees from Investee Companies and uses

actual and expected receipts from these sources to offset the Investment Management Fees payable by Investors from their Subscriptions. Since the inception of the Fund, the Manager has only waived arrangement fees on one occasion, although monitoring fees are more prone to reductions, for various reasons. The Manager is on risk in respect of lower than expected monitoring fee receipts.

An illustration of the effect of the offset on the proportion of Subscriptions that are available for investment is provided on the next page.

#### Performance Fee

The Performance Fee is set at 20% of all Net Proceeds received by an Investor. An Equalisation Adjustment may operate to increase the threshold for payment of the Performance Fee by 40% of that part of a Subscription invested in an Investee Company ceasing to be an EIS Qualifying Company within the three year EIS holding period. For example, where £6,000 of your Subscription is invested in an Investee Company that is subject to an Exit Event two years after the investment is made, resulting in EIS Relief falling to be withdrawn, and Exit Proceeds of £15,000 are generated, the Equalisation Adjustment would be £4,000 and, subject to the performance of the remainder of the Subscription, the maximum Performance Fee in respect of this Exit Event would be £1,000, rather than £1,800.

### The Administrator's Fees and Charges

Under the Administrator's Terms of Business, dealing fees and annual administration charges are payable. The current rate is 0.35% in respect of dealings in the account and 0.5% (plus VAT) as an annual administration charge. The initial dealing fee and a retention of five years' annual administration charges are retained within each Investor's EIS Share Account and paid from that retention as and when they fall due. Further administration charges and dealing fees arising from the sale of shares in the EIS Share Account are expected to be met from funds held within the account, including Net Exit Proceeds.

## Fee Illustration

### Purpose

The table set out below is intended for purely illustrative purposes and shows how the offset of arrangement and monitoring fees chargeable to Investee Companies can mitigate the burden of fees on Investors, increasing the proportion of their Subscriptions that are available in respect of EIS Relief.

Company	A	B	C	D	E	Total	Fee Rate
<b>Investment</b>							
> Investor's base allocation	£4,500.00	£4,500.00	£4,500.00	£4,500.00	£4,500.00	£22,500.00	
> Investor's additional allocation	£332.50	£32.50	£272.50	£227.50	£92.50	£957.50	
<b>Total</b>	<b>£4,832.50</b>	<b>£4,532.50</b>	<b>£4,272.50</b>	<b>£4,727.50</b>	<b>£4,592.50</b>	<b>£23,457.50</b>	
<b>Fees negotiated with company</b>							
> Arrangement fee	5.00%	0.00%	3.00%	2.00%	1.00%		
> Annual monitoring fees	1.25%	0.00%	1.00%	1.25%	0.50%		
<b>Offset available</b>							
Administrator's dealing fee	n/a	n/a	n/a	n/a	n/a		
Administrator's account administration fee	n/a	n/a	n/a	n/a	n/a		
Initial charge	2.50%	0.00%	2.50%	2.00%	1.00%		
<b>Management charge</b>							
> First year	2.50%	0.00%	0.50%	0.00%	0.00%		
> Thereafter	6.25%	0.00%	5.00%	6.25%	2.50%		
<b>Fees due from Investor</b>							
Administrator's dealing fee	0.35%	0.35%	0.35%	0.35%	0.35%		0.35%
Administrator's account administration fee (5 years)	3.00%	3.00%	3.00%	3.00%	3.00%		0.60%
Initial charge	0.00%	3.00%	0.00%	0.60%	1.80%		3.00%
<b>Management charge</b>							
> First year	0.00%	3.00%	1.20%	1.50%	2.40%		3.00%
> Thereafter	0.00%	0.00%	0.00%	0.00%	0.05%		1.25%
<b>Total charge to Investor</b>	<b>3.35%</b>	<b>9.35%</b>	<b>4.55%</b>	<b>5.45%</b>	<b>8.15%</b>		
Gross utilisation of Subscription	£4,994.39	£4,956.29	£4,989.65	£4,985.15	£4,966.79	£24,892.26	
Available for EIS Relief	£4,832.50	£4,532.50	£4,272.50	£4,727.50	£4,592.50	£23,457.50	
Percentage of Subscription	96.65%	90.65%	95.45%	94.55%	91.85%	93.83%	

### Notes on Offset Calculations

Any arrangement fee is first used to offset the Initial Charge, to a maximum of 2.5%. The Initial Charge payable from an Investor's Subscription is capped at 2.5% (plus VAT).

Any surplus arrangement fee is then used to offset the first year's Management Charge, to a maximum of 2.5%.

Any annual monitoring fee agreed with the Investee Company is multiplied by five and offset against an assumed four years' Management Charges.

The aggregate Management Charges payable from an Investor's Subscription is capped at 2.5% (plus VAT).

The Administrator's initial dealing fee (currently 0.35%) and its annual administration charge (0.5% plus VAT) are paid from the Subscription. The dealing fee is payable on completion of an investment in an Investee Company, while the administration fee is paid over time – five years' worth of fees are retained in the EIS Share Account to cover this charge.

For simplicity, the fees due from Investors, which are calculated as a percentage of Subscriptions, are reduced by offsetting arrangement fees and monitoring fees, which are calculated on the gross amount invested in an Investee Company, as if the relevant percentage had been applied to Subscriptions as well. This simplification operates to produce a modest benefit to Investors.

## Part 7: 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](http://www.eisa.org.uk/professional_advisors)) for information prepared specifically for professional advisors. In addition, detailed guidance for Authorised Intermediaries regarding the promotion of EIS Funds is available from the Manager on request.

Please note that the Fund Providers will not be liable in any way for advice given by Authorised Intermediaries to their clients and accordingly Authorised Intermediaries are solely responsible for the advice they give to their clients and in particular for any suitability recommendation concerning the Fund.

Details of independent research reports on the Fund are available on request from the Manager.

### Authorised Intermediaries and Advised Investors

Authorised Intermediaries may choose to give suitability advice to a client in respect of the Fund, such that COBS 4.7.8 applies. Such clients would be treated as Advised Investors and Par Equity will rely on the Authorised Investor in terms of their client having met the requirements of COBS 4.7 and been given advice regarding the Fund that gives due consideration to factors such as that client's financial circumstances, risk appetite and investment objectives.

Par Equity will facilitate the payment of fees by the Investor to the Authorised Intermediary should the Advised Investor choose to make a single payment in respect of the Subscription, rather than pay fees to the Authorised Intermediary directly.

Parts A and C of the Advised Investor Application Form should be used to capture the necessary information, but please note that Par Equity will only facilitate a fee payment on an Advised Investor's behalf if the following requirements are satisfied:

- > The Authorised Intermediary will need to have confirmed that they are authorised and regulated by the FCA or a recognised professional body and provided their Financial Services Register reference number (or equivalent);
- > The Authorised Intermediary will also need to have confirmed that they have advised that the proposed investment in the Fund is suitable for their client;

- > The Authorised Intermediary will also need to have confirmed that identity of the client has been verified for the purposes of anti-money laundering regulations, using the form of certificate specified by the JMLSG – but please note that copies of the documentation specified in Part C of the Application Form should be provided as well as the certificate;
- > The Advised Investor will need to have confirmed that he wishes Par Equity to make the specified payment to the Authorised Intermediary;

**The payment will also be conditional on the following:**

- > The Application having been accepted by both Par Equity and the Administrator and copies of the specified anti-money laundering identity verification materials have been supplied;
- > An amount representing the Subscription and the Authorised Intermediary's fee having been received by the Administrator; and
- > The Authorised Intermediary having sent an invoice to the Manager.

### Authorised Intermediaries and Other Investors

In essence, individuals who are not Advised Investors may invest in the Fund if they fall within the classes of Retail Clients set out in COBS 4.7, which deals with direct offer promotions of non-readily realisable securities, or if they are Elective Professional Clients. Authorised Intermediaries may also assist their clients on an execution-only basis without providing suitability advice.

If an Applicant is a client of an Authorised Intermediary but is not an Advised Investor, such that COBS 4.7.7 applies, Par Equity is responsible for satisfying itself that the Applicant falls within one of these classes of investor and also that it is appropriate for them to invest in the Fund.

## Part 8: Definitions

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

“Adjusted Subscription” means, in relation to each Investor, the Subscription, less any Subscription Surplus returned to the Investor, together with any Equalisation Adjustment falling to be added to the Subscription for the purpose of calculating Performance Fees due;

“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;

“Advised Investor” means a person who has received financial advice regarding the Fund from an Authorised Intermediary;

“Advised Investor Application Form” means the version of the Application Form used in respect of Advised Investors;

“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;

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

“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 made available by the Manager in relation to a prospective investment in the Fund, 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 FCA 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;

“Benchmark Return Objective” means the benchmark rate selected by the Manager to provide Investors with a means of judging the Manager’s performance in respect of the Fund. The Benchmark Return Objective has been set at a realised pre-tax internal rate of return of 15%;

“Business 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 Business Angels, in unlisted companies at an early stage in their development;

“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;

“Certified High Net Worth Investor” has the meaning given in COBS 4.7.9 in the FCA Handbook;

“Certified Sophisticated Investor” has the meaning given in COBS 4.7.9 in the FCA Handbook;

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

“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 SEIS Relief or EIS Relief may be available to Investors, as the context requires;

“EIS Relief” means the income tax, capital gains tax and inheritance tax reliefs available to be claimed by 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 FCA 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;

“Elective Professional Client” has the meaning given in COBS 3.5.3 of the FCA Handbook;

“Equalisation Adjustment” means an amount added to a Subscription for the purposes of calculating the Performance Fee;

“Execution-only Client” means a member of the Par Syndicate who is responsible for his own investment decisions in respect of individual Investee Companies;

“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;

“FATCA” means the Foreign Account Tax Compliance Act, legislation enacted by the US and intended to counter suspected tax avoidance by US citizens and others liable to pay US taxes through holding financial assets outside the US in accounts maintained with non-US financial institutions;

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

“FCA” means the Financial Conduct Authority 25 The North Colonnade, Canary Wharf, London E14 5HS;

“FCA Handbook” means the instrument setting out the FCA Rules as amended from time to time;

“FCA Rules” means the rules governing, inter alia, the conduct and regulation of firms regulated by the FCA, which may be found at <https://www.handbook.fca.org.uk/handbook>;

“FSCS” means the Financial Services Compensation Scheme;

“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 Provider” means the Manager and the Administrator;

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

“Initial Charge” means a fee of 2.5% plus VAT payable to the Manager by the Investor on commencement of the

Investment Agreement;

“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 Management Fees” means the Initial Charge and the Management Charge payable to the Manager by Investors, which is ordinarily expected to be recovered from arrangement and monitoring fees paid to the Manager by Investee Companies;

“Investment Objectives” and “Investment Restrictions” means the information set out in Part 1 of this Memorandum, 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, which shall end on the earliest of: the Subscription becoming Fully Invested; the Investment Agreement being terminated; and the second anniversary of the inception of the Investment Agreement;

“Investment Team” means the individuals employed by the Manager from time to time to manage the Fund, including, but not restricted to, the individuals whose names and biographies are contained in Part 3 of this Memorandum;

“Investor” means a person who is either an Advised Investor or a Non-advised Investor, whose Application and Subscription have been accepted by the Fund Providers and who has in consequence become an investor in the Fund;

“Investor Intake” means the group of Investors whose Applications become effective on a given Investor Intake Inception Date;

“Investor Intake Inception Date” means the earliest date on which the Subscriptions within an Investor Intake are available to be invested in Investee Companies, such date to be determined by the Manager in its sole discretion;

“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;

“JMLSG” means the Joint Money Laundering Steering Group, which is made up of the leading UK Trade Associations in the financial services industry. Its aim is to formulate and promote good practice in countering money laundering and to give practical assistance in interpreting the UK Money Laundering Regulations;

“Management Charges” means the fees payable to the Manager by Investors during the term of the Investment Agreement. Management charges comprise a fee of 2.5% (plus VAT) in respect of the first year, 1.25% (plus VAT) per annum thereafter and an exit fee of 1.25% (plus VAT) on the occurrence of an Exit Event;

“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 3a Dublin Meuse, Edinburgh EH3 6NW, or its successor for the time being appointed as manager of the Fund in accordance with the Investment Agreement;

“Memorandum” means this document, being an Information Memorandum relating to the Fund;

“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 that part of a Subscription applied to making investments in Investee Companies;

“Non-advised Investor” means a person who has not received financial advice regarding the Fund from an Authorised Intermediary and has submitted an Application directly to the Manager;

“Non-advised Investor Application Form” means the version of the Application Form used in respect of Non-Advised Investors;

“Non-readily Realisable Security” means an investment which is not listed or regularly traded on a or under the rules of a securities exchange;

“PAL” means Par Advisers Limited, a company registered in Scotland with registered number SC338536 and whose registered office is at 3a Dublin Meuse, Edinburgh EH3 6NW;

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

“Par Equity” is the trading name of Par Equity LLP and its various trading companies, in particular the Manager;

“Par Equity LLP” means Par Equity LLP, a limited liability partnership registered in Scotland with registered number SO301563 and whose registered office is at 3a Dublin Meuse, Edinburgh EH3 6NW;

“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;

“Par Syndicate EIS Fund Services” means the services provided by the Manager pursuant to the Investment Agreement;

“Par Syndicate Execution-only Services” means the services provided by the Manager to Syndicate Members;

“PEH” means Par Equity Holdings Limited, a company registered in Scotland with registered number SC337533 and whose registered office is at 3a Dublin Meuse, Edinburgh EH3 6NW;

“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;

“Professional Investor” has the meaning given in COBS 3.5 in the FCA Handbook;

“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 FCA;

“Relevant Financial Services Experience” means, in relation to COBS 3.5.3(2)(c) of the FCA Handbook that the person concerned has worked in a professional capacity for twelve months or more in the financial services sector during which time his role involved investment management, corporate finance or similar activities;

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“Restricted Investor” has the meaning given in COBS 4.7.10 in the FCA Handbook;

“Retail Client” has the meaning given in COBS 3.4 in the FCA Handbook;

“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;

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

“Self-Certified Sophisticated Investor” has the meaning given in COBS 4.7.9 in the FCA Handbook;

“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 investment in Investee Companies;

“Subscription Surplus” means an Investor’s Subscription less any amounts applied to invest in Investee Companies and less any fees, costs or expenses properly deducted in accordance with this document;

“Suitability Advice” means a written recommendation provided to an Applicant by an Authorised Intermediary in compliance with COBS 9 to the effect that the Applicant’s proposed Subscription to the Fund is suitable for that Applicant;

“Syndicate” means a group of Business 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;

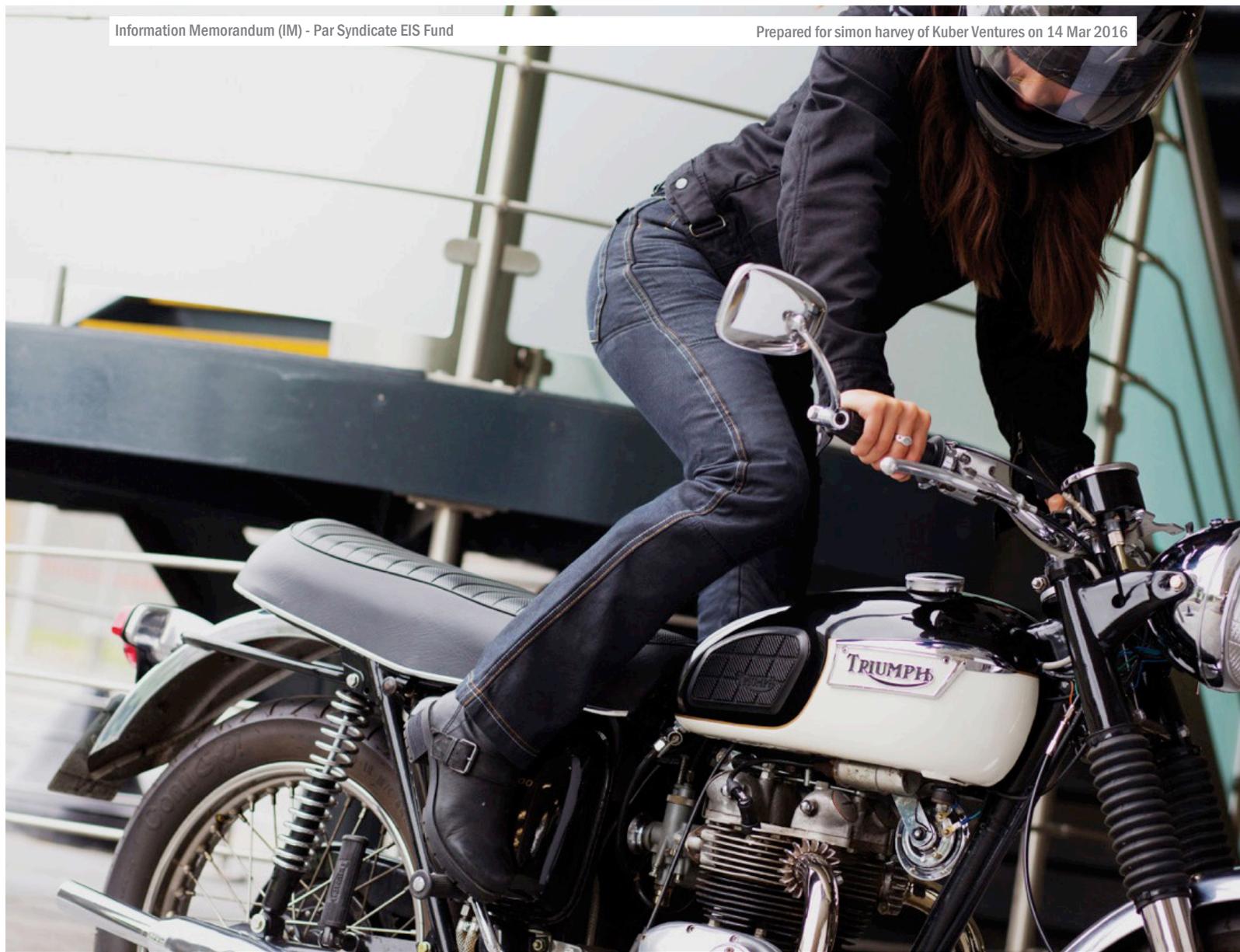
“Taxes Act” means the Income Taxes Act 2007;

“UK” means the United Kingdom;

“US” means the United States of America;

“VAT” means Value Added Tax;

Testimonials, which appear in this format at various points in the Memorandum, are extracted from references provided by Par Equity investors, portfolio company directors and others.



“COVEC® Fabrics are engineered to meet and exceed the needs of the finished product and its most rigorous end use, whether in apparel, footwear, backpacks, tents or marine sails. COVEC® Fabrics combine varying reinforcement and outer finish fibre types to deliver unparalleled levels of tear strength, cut, slash and burst resistance depending on the specific end us.”

Portfolio Company: COVEC®  
[www.covec.co.uk](http://www.covec.co.uk)

## Part 9: 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. The acceptance of an Application by the Manager will constitute a binding contract between the Investor and the Fund Providers.

### Preamble

#### 1. Interpretation

- 1.1 Any reference to a statute, statutory instrument, rules or regulations is reference to that 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 Part 8: Definitions in the Memorandum. Words and expressions defined in the FCA Rules that are not otherwise defined in the Memorandum shall have, unless the context requires otherwise, the same meaning in this Investment Agreement.

#### 3. Parties to this Investment Agreement

- 3.1 This Investment Agreement is between the Investor ("you") and the Manager ("we" or "us").

### Regulatory Matters

#### 4. Regulatory Status of the Manager, the Fund and the Investors

- 4.1 The Manager:
- 4.1.1 We are authorised and regulated by the Financial Conduct Authority. Our firm reference number is 485668 and we hold the permission of managing an

unauthorised AIF (the Fund is an unauthorised AIF). Further details may be obtained by consulting the Financial Services Register, which is accessed via the FCA website ([www.fca.org.uk](http://www.fca.org.uk));

- 4.1.2 Our role is to be the investment manager of the Fund and the Fund is our client;

- 4.1.3 We are a limited company, registered in Scotland and our registered office is at 3a Dublin Meuse, Edinburgh EH3 6NW.

- 4.2 The Fund is an AIF. Under the FCA Rules, there is no direct client relationship between us as the Manager and you as an Investor. You are, however, afforded various protections under the FCA Rules and further details are provided in this Investment Agreement, as well as on our website ([www.parequity.com](http://www.parequity.com)) and on request from us.

- 4.3 The Fund constitutes a complying fund for the purposes of article 2 of the schedule to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001 because of the withdrawal rights provided for in this Investment Agreement. The Fund is therefore not classified as a collective investment scheme for the purposes of section 235 of the Financial Services and Markets Act 2000 and is not a Non-Mainstream Pooled Investment for the purposes of the FCA Rules.

- 4.4 Clauses 5, 6 and 7 deal with the regulatory status of Investors generally.

#### 5. Investor Classification

- 5.1 The FCA Rules restrict the promotion of the Fund to certain types of person.

- 5.2 The Fund may only be promoted to a person who is classified as one of the following:

- 5.2.1 A Retail Client who is a Certified High Net Worth Investor;

- 5.2.2 A Retail Client who is a Certified Sophisticated Investor;

- 5.2.3 A Retail Client who is a Self-Certified Sophisticated Investor;
- 5.2.4 A Retail Client who is a Restricted Investor; or
- 5.2.5 A Professional Client;
- 5.3. Applications will only be accepted by persons falling within the Retail Client classifications above where (a) the person has received advice from someone qualified to give such advice that the Fund is a suitable investment for them or (b) where we have determined that it is appropriate, in the context of that person's circumstances, for them to invest in the Fund. If we cannot determine that person's classification or circumstances, we will reject the Application. These requirements, which are set out in the FCA Rules, are intended for the protection of Investors.
- 6. Retail Client Criteria**
- 6.1 We will treat you as an Advised Investor if:
- 6.1.1 an Authorised Intermediary who is able to advise you on Non-readily Realisable Securities is acting on your behalf and has advised you as to the suitability of an investment in the Fund for you, taking into account factors such as your knowledge and experience of investments, financial circumstances and investment objectives;
- 6.1.2 the Authorised Intermediary has certified to us that you, having signed the relevant statement, have been assessed as falling within any of the classes of investor set out in Clauses 5.2.1 to 5.2.4 and, if you are a Certified Sophisticated Investor, that the Authorised Intermediary has, within the thirty-six months preceding provision of the Memorandum to you, signed a certificate confirming that you have been assessed by the Authorised Intermediary as sufficiently knowledgeable to understand the risks associated with engaging in investment activity in Non-readily Realisable Securities.
- 6.2 As an Advised Investor, you may also provide directly to us the appropriate statement as detailed in the FCA Handbook (in COBS 4.7.9) provided you have signed it within the period of twelve months ending on the day that you were first provided with the Memorandum (and, if you are a Certified Sophisticated Investor, that the statement is accompanied by the certification referred to in Clause 6.1.2 above.
- 6.3 If you are a Non-advised Investor and the Retail Client criteria apply because you fall within any of the classes of investor set out in Clauses 5.2.1 to 5.2.4 then the relevant statement and (if applicable) certificate must be provided to us. We will also require further background information from you as a Non-advised Investor so that we can make an assessment of whether it is appropriate, in the context of your knowledge and understanding of the risks associated with engaging in investment activity in Non-readily Realisable Securities, for us to accept your Application.
- 6.4 We may at our sole discretion decline an Application where you have provided insufficient information to us for the purposes of determining appropriateness,
- or where, having received sufficient information, we determine that it is not appropriate for you to invest in the Fund. When this happens, the FCA Rules place us under no obligation to disclose the reason for our decision.
- 6.5** The FCA Rules require us to ensure that customer categorisation is up to date. As a result, we may write to you or your Authorised Intermediary from time to time to request information for this purpose and you agree that you shall respond promptly, or instruct your Authorised Intermediary to respond promptly, to such requests.
- 7. Professional Client Criteria**
- 7.1 We may accept an Application received directly from an Investor on the basis that the Elective Professional Client criteria apply if:
- 7.1.1 We undertake 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;
- 7.1.2 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
- 7.1.3 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.
- 7.2 The Fund will be managed as a whole and investments will be made on a common basis and as such the Fund constitutes a collective investment undertaking for the purposes of the Markets in Financial Instruments Directive ("MiFID"). As a collective investment undertaking within the meaning of article 2.1(h) of MiFID, the Fund therefore falls outwith the scope of MiFID. The Fund is therefore not subject to the additional MiFID restrictions on professional investors as eligible investors.
- 7.3 If an Authorised Intermediary who is able to advise on Non-readily Realisable Securities is acting on your behalf and certifies to us that you have been assessed as a Professional Client in respect of the Fund, you will be treated as having satisfied the requirement set out in Clause 7.1 above.
- 7.4 An Investor who is an Elective Professional Client would in making this election lose all protections available exclusively to retail customers under the FCA Rules.
- 7.5 If you choose to opt up to Elective Professional Client status, certain of the FCA Rules would automatically, as a result of the election, be limited or modified in their application to you, as follows:
- 7.5.1 We would not be obliged to warn the Investor of the nature of any risks involved in any potential investments of the Fund;
- 7.5.2 We would not be obliged to disclose to you the basis or amount of our charges for any services we provide

to you or the amount of any other income that we may receive from third parties in connection with such services;

- 7.5.3** We would 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 would we be subject to the restrictions that apply in relation to unsolicited real-time financial communications to retail customers;
- 7.5.4** We would not be required to give you the warnings required in the case of retail customers in relation to material that may lead you to deal with or use overseas firms that are not bound by FSMA nor would we have to satisfy ourselves that any such overseas firm would deal with you in an honest and reliable way; and
- 7.5.5** We would not be required to comply with the FCA's Rules relating to restrictions on and the content of direct offer advertisements.
- 7.6** Other FCA Rules would be capable of limitation or modification under the terms of the Memorandum and/ or the Investment Agreement, as follows:
- 7.6.1** The majority of the FCA Rules in relation to the form or content of financial promotions would not be applicable in respect of any financial promotion communicated or approved by the Manager in respect of Investors who are Elective Professional Clients; and
- 7.6.2** We would not be required to provide the Investor with a periodic statement on the value and composition of his holding in the Fund 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.

## Services

### 8. Investment Management Services

- 8.1** We will manage your Subscription as part of the Fund from the relevant Investor Intake Inception Date on the terms set out in this Investment Agreement. We 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.
- 8.2** We shall not, however, except as expressly provided in this Investment Agreement or unless otherwise authorised in writing by you, have any authority to act on your behalf or as your agent.
- 8.3** During the Investment Period, but without prejudice to the generality of Clause 8.1, we shall select and conclude Investments, executing such documents as may be necessary to give effect to our investment decisions and using your Subscription, together with the Subscriptions of other Investors, for the purpose of making investments in EIS Qualifying Companies.
- 8.4** During and following the Investment Period, we shall:

- 8.4.1** In respect of each Investee Company, until an Exit Event occurs, at our sole discretion exercise all rights including but not confined to: the right to attend and vote at shareholder meetings and to vote the Fund's shares in respect of any shareholder consent matters not dealt with at a meeting of the shareholders.
- 8.4.2** In respect of each Investee Company, until an Exit Event occurs, carry out such other functions as we 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.
- 9. No Advice**
- 9.1** Nothing in this Investment Agreement or the Memorandum shall constitute financial or other advice to you, or give rise to any obligation on our part to provide such advice.
- 9.2** You are required to seek such advice as you may consider appropriate from a suitably qualified person in connection with, inter alia, EIS and the Fund.

## Payment for Services

### 10. Fees & Expenses Payable by You

- 10.1** Our objective, as far as possible, is to recover the costs of managing the Fund from Investee Companies by charging them Arrangement Fees and Monitoring Fees.
- 10.2** The following fees are payable to us from your Subscription, but these deductions are capable of being reduced or eliminated through the offset of Arrangement Fees and Monitoring Fees:
- 10.2.1** Initial Charge;
- 10.2.2** Management Charge;
- 10.3** The Initial Charge and the Management Charge are calculated as a percentage of Subscriptions and allocated to Investors pro rata to their Subscriptions as set out in this Clause 10.
- 10.4** In addition, a Performance Fee is payable in the event that cumulative Exit Proceeds credited to your EIS Share Account exceed your Adjusted Subscription. The Performance Fee is deducted from Exit Proceeds.
- 10.5** We shall retain in your EIS Share Account a retention of 3.35% in respect of the Administrator's fees and charges. Dealing commissions will be charged directly to your EIS Share Account by the Administrator and deducted from your Subscription (in the case of share purchases) or Exit Proceeds (in the case of share sales). The Administrator also charges an annual account administration fee. The Administrator's fees and charges are detailed more fully in the Administrator's Terms of Business.

- 10.6** We aim to recover fees from Investee Companies for the benefit of the Fund with the intention of reducing or eliminating deductions in respect of the Initial Charge and the Management Charge from your Subscription. Accordingly, we charge to Investee Companies:
- 10.6.1** Arrangement Fees of up to 5% (plus VAT) of the Fund's investment in an Investee Company, payable at the point of investment into the Investee Company; and
- 10.6.2** Monitoring Fees at an annual rate of up to 1.25% (plus VAT) of the Fund's investment in an Investee Company, payable periodically from the point of investment in the Investee Company.
- 10.7** Where the Fund invests in an Investee Company alongside our other clients (for example, the Par Syndicate), Arrangement Fees and Monitoring Fees will be allocated pro rata to investment amounts in determining the recovery of fees for the benefit of the Fund.
- 10.8** The use of Arrangement Fees and Monitoring Fees to reduce or eliminate the Initial Charge and Management Charge is not a right of the Investor's and shall be at our discretion. Where this Investment Agreement is terminated early by either you or us, you shall have no right to receive the benefit of any Arrangement Fees and/or Monitoring Fees received from relevant Investee Companies/
- 10.9** Payment and collection of the Initial Charge:
- 10.9.1** The maximum amount payable to us from your Subscription in respect of the Initial Charge is capped at 2.5% of that Subscription.
- 10.9.2** The Initial Charge becomes due on commencement of the Investment Agreement, but payment is deferred until your Subscription is invested in Investee Companies.
- 10.9.3** In the ordinary course, we will levy an arrangement fee on each Investee Company, payable on completion of that investment.
- 10.9.4** Any attributable Arrangement Fee will be applied first to reducing or eliminating the burden of the Initial Charge by reducing the amount due £ for £ and second to reducing the Management Charge.
- 10.10** Payment and collection of the Management Charge:
- 10.10.1** The maximum aggregate amount payable to us from your Subscription in respect of the Management Charge is capped at 2.5% of your Subscription.
- 10.10.2** The Management Charge becomes due annually on advance on commencement of the Investment Agreement, and accrues at an annual rate of 2.5% of your Subscription in the first year and 1.25% of your Subscription thereafter, but payment is deferred until the Subscription is invested in Investee Companies.
- 10.10.3** Any surplus attributable Arrangement Fees arising after reducing the Initial Charge will be applied to reducing the burden of the Management Charge for the first year.
- 10.10.4** In the ordinary course, we will levy periodic monitoring fees on each Investee Company. Monitoring fees received by the Manager will also be applied to reducing or eliminating the burden of the Management Charge by crediting five years of monitoring fees at the rate agreed with the relevant Investee Company against four years of Management Charges (i.e. the four years following the initial year). To the extent that the cap has not been reached, any assumed shortfall between the monitoring fees receivable and the Management Charge payable will be payable from your Subscription on completion of the investment.
- 10.10.5** Each time an Exit Event occurs, an amount equal to one year's Management Charge will become due in respect of the relevant Investee Company, calculated as 1.25% of that part of the Subscription applied to investing in the relevant Investee Company.
- 10.10.6** For the purposes of calculating the ongoing Management Charge, the Subscription will be adjusted down by the amount invested in each Investee Company subject to an Exit Event.
- 10.11** You will be liable to pay the Performance Fees at a rate of 20% of Net Exit Proceeds only to the extent that your EIS Share Account has been credited with Exit Proceeds to the full value of your Subscription plus (if applicable) one or more Equalisation Adjustments. From this point, we will deduct Performance Fees at the point where your EIS Share Account is credited with newly-realised Exit Proceeds as successive Investee Companies experience Exit Events.
- 10.12** When we calculate Performance Fees, an Equalisation Adjustment will be made in respect of any Investee Company where (1) EIS Relief falls to be withdrawn on grounds of the Exit Event having completed within three years of the investment in the relevant Investee Company or the Investee Company having commenced its qualifying trade, whichever is later and (2) the Exit Event results in Exit Proceeds in excess of the amount subscribed in the relevant Investee Company credited to your EIS Share Account. In such cases, an Equalisation Adjustment will be calculated as follows:
- 10.12.1** The cost (A) of your holding in the relevant Investee Company will be grossed up by 40%, achieved by dividing A by 0.6 to produce an adjusted holding cost (B)
- 10.12.2** The Equalisation Adjustment is (B – A)
- 10.12.3** For example, where £6,000 of your Subscription is invested in an Investee Company that is subject to an Exit Event two years after the investment is made, resulting in EIS Relief falling to be withdrawn, and Exit Proceeds of £15,000 are generated, the Equalisation Adjustment would be £4,000 and, subject to the performance of the remainder of the Subscription, the maximum Performance Fee in respect of this Exit Event would be £1,000, rather than £1,800.
- 10.13** The purpose of the Equalisation Adjustment is to provide a simple method of aligning our interests with yours, in terms of generating investment returns, where EIS Relief available on your Subscription is curtailed by virtue of an Investee Company ceasing to be an EIS Qualifying Company during the relevant three year holding period.

- 11. Other Fees or Payments Received by Us in Respect of the Fund**
- 11.1** We may from time to time receive additional fees or payments in respect of the Fund, generally in connection with Investee Companies. Our policy on conflicts of interests will apply at all times and will inform our decisions as to whether it is appropriate to seek to recover such fees or payments.
- 11.2** The Fund may invest in Investee Companies alongside other clients of ours, who will generally invest on the same terms as the Fund. In such circumstances, we shall ensure that the benefits of any Arrangement Fees and Monitoring Fees recovered from the Investee Company are allocated equitably between our various clients. This will generally be done by allocating the benefit of fees received in proportion to amounts invested.
- 11.3** Where a director or employee of ours serves as a director of an Investee Company (as opposed to acting as an observer at board meetings) we may charge an additional fee to that Investee Company over and above our usual Monitoring Fee. We shall disclose such fees, but shall be entitled to retain this additional fee income and not use it to reduce or eliminate Management Charges payable by you.
- 11.4** In certain circumstances, we may seek to recover additional fees from Investee Companies where we are especially closely involved in, for example, restructuring management teams, or assisting the Investee Company with a corporate action such as an Exit. We shall disclose such fees, but shall be entitled to retain this additional fee income and not use it to reduce or eliminate Management Charges payable by you.
- 13.3** You may terminate this Investment Agreement at any time on giving us not less than one month's notice, in writing.
- 13.4** The Investment Agreement will terminate, unless we elect otherwise, with immediate effect should we be notified or become aware that you have ceased to be able to be classified as falling within any of the classes of investor set out in Clauses 5.2.1 to 5.2.5. Should you become a resident of or domiciled in for tax purposes the US or any other jurisdiction other than the UK, this Investment Agreement may be terminated with immediate effect. Following termination, all Investments held would either be transferred into your name or as you may otherwise direct or sold, whereupon any money or sale proceeds would be returned to you.
- 13.5** If (a) we give you not less than three months' written notice of our intention to terminate our role as Manager under this Investment Agreement; or (b) we cease to be appropriately authorised by the FCA or become insolvent, and such an eventuality occurs during the Investment Period, we shall endeavour to make arrangements to transfer the management of the Fund to another investment 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.
- 13.6** On termination of this Investment Agreement pursuant to Clause 13, we 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.
- 13.7** Termination of this Investment Agreement for any reason shall be subject to the following:

- 13.7.1** If termination occurs in consequence of receipt by us of your notice of termination, we will ensure that your Subscription is not used for the purposes of acquiring further Investments in Investee Companies and we shall promptly arrange for the return of any Subscription Surplus (less reasonable costs and expenses of dealing with the termination) if you so request;
- 13.7.2** Where in our opinion it is not practicable to realise all of your Investments immediately following termination of the Investment Agreement, all remaining Investments may be transferred into your name or as you may otherwise direct and/or transfer notices may be served in respect of such Investments (and you should be aware that under such circumstances the investments may be offered for sale at a price determined otherwise than market value and which may be less or significantly less than market value and you may not receive the value of your investments back);
- 13.7.3** The transfer of Investments into your name or as you otherwise direct may in certain circumstances be constrained by the terms of any relevant Shareholder Agreements and articles of association governing investment in Investee Companies which may prohibit

## Commencement and Termination of the Investment Agreement

### 12. Commencement of the Investment Agreement

- 12.1** By signing the declaration contained in the Application Form, you agree to be bound by the terms and conditions of this Investment Agreement.
- 12.2** The Investment Agreement will commence with effect from the Investor Intake Inception Date immediately following the date on which the Application has been accepted by the Fund Providers and the Subscription has been received.

### 13. Termination of the Investment Agreement

- 13.1** You should note that termination of this Investment Agreement does not result in automatic closure of your EIS Share Account and accordingly fees and charges levied by the Administrator may continue to be payable even after termination of the Investment Agreement.
- 13.2** Unless extended by mutual consent, this Investment Agreement will terminate in any event after seven years from the Investor Intake Inception Date on which it becomes effective.

such transfer or may require any shares to be offered round other shareholders in preference to the proposed transfer and such offer may be at less than market value and indeed may be at a nominal or negligible price.

- 13.8** Termination of this Investment Agreement 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 we reserve the right to charge you any fees, expenses and costs up to and including the date of termination as are payable under the terms of this Investment Agreement and any reasonable fees and expenses incurred in relation to the termination and the transfer of investments to you, or another nominee or manager.
- 13.9** On termination of this Investment Agreement, we shall be entitled to continue to receive Monitoring Fees from Investee Companies in which you hold shares and shall not be obliged to use such fees to reduce or otherwise mitigate the holding costs of your shareholdings (such as, for example, fees and charges relating to your EIS Share Account).
- 13.10** On termination, the Fund Providers may retain such monies within your 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 10 of this Investment Agreement.
- 13.11** The Investor has the following withdrawal rights (and "relevant shares" shall have the meaning given to it in paragraph 2(2)(a) of the Schedule to the Financial Services and Markets Act 2000 (Collective Investment Schemes) Order 2001):
- 13.12** to the extent that the property to which the Investor is entitled comprises relevant shares of a class which are admitted to official listing in an EEA State or to dealings on a recognised investment exchange, the Investor is entitled to withdraw it at any time after the end of the period of five years beginning with the date on which the shares in question were issued;
- 13.13** to the extent that the property to which the Investor is entitled comprises other relevant shares, the Investor is entitled to withdraw it at any time after the end of the period of seven years beginning with the date on which the shares in question were issued;
- 13.14** to the extent that the property to which the Investor is entitled comprises shares other than relevant shares, the Investor is entitled to withdraw it at any time after the end of the period of six months beginning with the date on which the shares in question ceased to be relevant shares; and
- 13.15** to the extent that the property comprises cash to be used in subscribing for shares, the Investor is entitled to withdraw it at any time.
- 13.16** The Manager will have a lien on all assets being withdrawn or distributed from the Fund and shall be entitled to dispose of some or all of the same and apply the proceeds in discharging any liability of the Investor

to the Manager in respect of damages or accrued but unpaid fees. The balance of any sale proceeds and control of any remaining investments will then be passed to the Investor. This Investment Agreement shall terminate upon the completion of the withdrawal from the Fund of all Shares and cash which the Investor is entitled to receive under this clause 13.11. The Investor is not otherwise entitled, without the consent of the Manager, to make withdrawals from the Fund save in the event that the Investment Agreement is terminated.

## Complaints and Compensation

### 14. Complaints

- 14.1** We have established procedures in accordance with the FCA Rules for consideration of complaints. Details of these procedures are available from them on request.
- 14.2** Should an Investor have a complaint, he should contact either his Authorised Intermediary (if applicable) 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.
- 14.3** An eligible complainant is any natural person acting for purposes outside his trade, business or profession.

### 15. Compensation

- 15.1** You may, if we default on our obligations, have a claim against the FSCS if you are classified under the FSCS's rules as an "eligible claimant". The maximum amount of such a claim is currently £50,000. Further details on how the FSCS operates and how claims are made and processed can be found at [www.fscs.org.uk](http://www.fscs.org.uk).

## Your Subscription and Fund Assets

### 16. Subscriptions

- 16.1** The Minimum Subscription is £20,000. 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.
- 16.2** You may make further Subscriptions at any point. Unless you instruct otherwise, further Subscriptions will be included in the Investor Intake immediately following the last Investment made from the preceding Subscription.
- 16.3** A Subscription Surplus may arise if the Investment Agreement is terminated pursuant to Clause 13 and the Subscription has not at that point been Fully Invested.
- 16.4** In the event that you terminate this Investment Agreement and a Subscription Surplus falls to be repaid, the Subscription Surplus will be paid to you within ten business days of the termination of the Investment Agreement becoming effective.
- 16.5** Any withdrawal from the Fund or the termination shall be done pursuant to Clause 13.

## 17. Investment Objectives and Investment Restrictions

- 17.1 In performing the Investment Management Services, we shall have regard to and shall comply with, the Investment Objectives and the Investment Restrictions as set out in the Memorandum.
- 17.2 In performing the Investment Management Services, we shall at all times have regard to: (a) the need for the Fund to attract the Tax Advantages; and (b) all Applicable Laws.
- 17.3 Investments in any one Investee Company may not exceed 25 per cent of your Subscription, determined by reference to the value of the relevant investment on the date on which the Fund made that investment.

## 18. Responsible Investment Policy

- 18.1 We believe 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. We 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 market practices.

## 19. Holding Fund Assets

- 19.1 The Administrator will provide safe custody and administration services in relation to the Fund. Specifically, the Administrator will arrange for the safekeeping of cash and Investments. The Administrator will also arrange for the settlement of transactions, collection of income and any other administrative actions relating to the Portfolio.
- 19.2 If you remit your Subscription by direct transfer, this transfer must be to the client money bank account maintained for this purpose by the Administrator. Similarly, if you choose to pay by cheque, this should be sent directly to the Administrator. Details are set out in the Application Form.
- 19.3 The Administrator’s Terms of Business and the Administrator’s Terms of Business for EIS Accounts shall apply to the EIS Share Account and set out full details of how Fund assets will be held, including where Fund assets are held outside the UK.
- 19.4 We are responsible for complying with all requirements under the Takeover Code to notify the FCA and the Takeover Panel of dealings in relevant shares in the event of a takeover or merger.

## 20. Segregation of Assets

- 20.1 The Fund is an unapproved EIS fund which will comprise of shares in a selection of EIS companies and uninvested cash. Each Investor, for legal and tax purposes, is the beneficial owner of a specific number of shares in each Investee Company. Each Investor has an EIS Share

Account maintained by the Administrator and segregated from the EIS Share Accounts of other Investors. All shares and cash will be managed on a collective basis.

## 21. Consequences of an Exit Event

- 21.1 In the event of a Cash Offer, we will exercise our 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, we will not accept an offer that is not recommended by the Rule 3 Adviser. The proceeds of a Cash Offer will be credited to your EIS Share Account when received.
- 21.2 In the event of a Share Offer where the acquiring company’s shares are not listed, we will exercise our 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, we will not accept an offer that is not recommended by the Rule 3 Adviser. Your consequent holding of shares in the acquiring company will be credited to your EIS Share Account when received.

## 22. Valuation Bases

- 22.1 We will undertake periodic valuations of Investee Companies. Initially, it is likely that Investments will be valued at the cost of acquisition. Over time, however, we may revalue Investments up or down. As with all venture capital investments, especially earlier-stage venture capital investments, such unrealised valuations are likely to be highly subjective and an unreliable guide to the ultimate performance of the Fund, as realised gains and losses are the best performance measure available. Valuations will exclude any benefits accruing from EIS and will take into account factors such as:
- 22.1.1 Current trading (in the context of expectations)
- 22.1.2 Performance against non-financial milestones
- 22.1.3 Recent investment rounds
- 22.1.4 Expectations as to future prospects
- 22.1.5 Mergers & acquisitions activity generally, or specific to the Investee Company concerned
- 22.1.6 Changes in the competitive landscape in which the Investee Company operates.
- 22.2 Investee Companies will be valued on a going concern basis unless this is inappropriate. Investee Company valuations should not be seen as a reliable indication of the price that might be achieved for shares in Investee Companies were you to try to sell them. Shares in Investee Companies will be highly illiquid and may command prices substantially lower than might be expected based on the value of the Investee Company as a whole.

**23. Reports and Information**

- 23.1** Confirmations will be provided to you for each transaction for your Portfolio. We will procure that Shareholder Agreements entered into with Investee Companies require those Investee Companies to apply to HMRC for EIS Relief in respect of your Investments and to send the appropriate certificates to us promptly, for onward despatch to you.
- 23.2** We will send you a report relating to the Fund as a whole twice a year in respect of the periods ending on or around 31st March and 30th September. Reports will include our assessment of valuation of Investee Companies.
- 23.3** Details of any dividends which are received in respect of the Investments will be provided in respect of each tax year ending 5th April and appropriate statements sent to you.
- 23.4** We will supply such further information as is in our possession or under our control as you may reasonably request as soon as reasonably practicable after receipt of such request.

**Obligations of the Parties****24. Your Obligations**

- 24.1** Your obligations under the terms of this Investment Agreement, including in relation to the payment of fees and expenses pursuant to Clause 10, become effective on commencement of this Investment Agreement.
- 24.2** In completing the Application Form, you have made statements and representations on which we are entitled to rely. You have a general duty to ensure that such statements and representations have been made truthfully and in good faith. These statements and representations may include statements and representations in respect of your circumstances for the purposes of determining your investor status classification, your intention to seek tax relief, your qualification for Tax Advantages and other relevant tax information. Accordingly, by entering into this Investment Agreement, you agree to provide such information as we may from time to time request as is reasonably required by us for the purposes of fulfilling our obligations under the terms of this Investment Agreement and, more generally, under statute or the FCA Rules. Any communication by you 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 us. Specifically, you agree to notify us of the following:
- 24.2.1** if you are or become connected with the affairs of any Investee Company.
- 24.2.2** if, within three years of the date of issue of shares in an Investee Company to you, you become connected with that Investee Company or receive value from that Investee Company; or

**24.2.3** if there is any change in your tax status, other material change in circumstances or any other change in the information provided in the Application Form.

**24.3** If you become a person with US indicia (or the equivalent in respect of other non-UK jurisdictions) but this Investment Agreement is not terminated pursuant to Clause 13.4, we shall be entitled to report to HMRC your identity and such other information as may be required to report from time to time pursuant to UK laws and regulations implementing the Foreign Account Tax Compliance Act (and/or any similar legislation enacted by other jurisdictions).

**24.4** You agree to respond promptly and fully to information requests received from us from time to time allowing us to comply with our legal obligations in respect of the Foreign Account Tax Compliance Act (and/or any similar legislation enacted by other jurisdictions).

**24.5** Consistent with the FCA's conduct of business rules in COBS 15, the Investor does not have the right to cancel arrangements to which this Investment Agreement applies.

**25. Our Obligations**

**25.1** We shall devote such time and attention and have all necessary competent personnel and equipment as may be required to enable us to provide our services properly, efficiently and in compliance with the FCA Rules.

**26. Delegation and Assignment**

**26.1** We may, where reasonable, employ agents, including associates, to perform any administrative, custodial or ancillary services to assist us in performing the investment management services, in which case we 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 our liability under the terms of this Investment Agreement.

**27. Our Liability**

**27.1** We will at all times act in good faith and with reasonable care and due diligence. Nothing in this Clause 27 shall exclude any duty or liability owed to you by us under the FCA Rules.

**27.2** We shall not be liable for any loss to you arising from any investment decision made in accordance with the Investment Objectives 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 our negligence or wilful default or fraud on our part or that of our Associates or any of our employees.

**27.3** Subject to Clause 26, we 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 our Associate.

**27.4** In the event of any failure, interruption or delay in the performance of our obligations resulting from acts, events or circumstances not reasonably within

our 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, we shall not be liable or have any responsibility of any kind to any loss or damage thereby incurred or suffered by you.

**27.5** We do not give any representations or warranty as to the performance of the Portfolio. You acknowledge 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. You undertake that you have considered carefully, or have been advised on, the suitability of investment in the Fund and have noted the risk warnings set out in the Memorandum.

## **28. Conflicts of Interest**

**28.1** We may provide similar services or any other services whatsoever to any other customer or client and we shall not in any circumstance be required to account to you for any profits earned in connection therewith. So far as is deemed practicable we will use all reasonable endeavours to ensure fair treatment as between you, other Investors and other customers of ours in compliance with the FCA Rules.

**28.2** We may, subject always to the FCA Rules, and without prior reference to the Investor, enter into transactions in which we or an Associate have, directly or indirectly, a material interest or a relationship of any description with another party, which may involve a potential conflict with our duty to the Fund. Except as otherwise provided for in this Investment Agreement, neither we, nor any Associate, shall be liable to account to you for any profit, commission or remuneration made or received from or by reason of such transactions or any connected transactions. For example, such potential conflicting interests or duties may arise because: (a) we or an Associate may receive remuneration or other benefits by reason of acting in corporate finance or similar transactions involving Investee Companies; (b) we or an Associate may invest as principal in an Investee Company; (c) we or an Associate may provide investment services for other customers in respect of Investee Companies; (d) any of our directors or employees, or those of an Associate, are or may become a director of, hold or deal in securities of, or may otherwise be interested in any Investee Company; (e) the transaction is in relation to an Investment in respect of which we or an Associate may benefit from a commission or fee payable otherwise than by the Investor and/or we or an Associate may also be remunerated by the counterparty to any such transaction; (f) we may act as agent for the Fund in relation to the transaction in which we are also acting as agent for the account of other customers or clients and Associates; (g) we may have regard, in exercising our management discretion, to the relative performance of other funds under our management; (h) we or our Associates may retain an agent's commission or discount or other benefit (including directors' fees) that accrues to us or them;

(i) the transaction is in securities issued by a company in respect of which we or an Associate, or a Director or employee of ours or an Associate, is a shareholder; (j) we or our Associates receive remuneration in connection with the management of the Fund or any other fund; or (k) we or our Associates form a company with a view to an interest in that company being acquired on behalf of the Fund or any other fund of which we are the manager.

## **Information**

### **29. Confidential Information**

**29.1** Neither we nor you shall disclose to third parties information the disclosure of which would be or might be a breach of duty or confidence to any other person, including Investee Companies. We shall not 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 ours or of any Associate but does not come to the actual notice of the individual employees, officer or agent of ours providing services under this Investment Agreement to you.

**29.2** We 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) may be entitled or bound to be disclosed under compulsion of law or regulation; 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 we shall use all reasonable endeavours to prevent any breach of this sub-clause.

### **30. Data Protection**

**30.1** All data which you provide to us may be held and processed as personal data within the meaning of the Data Protection Act 1998 (the "DPA").

**30.2** Your personal data will be held by us for the purpose of managing the Fund pursuant to this Investment Agreement.

**30.3** Personal data allowing us to identify you and verify your address for anti-money laundering purposes will be held and used, from time to time, to refresh the verification process as required by law.

**30.4** Personal data allowing us to classify you for the purposes of the FCA Rules will be held and used, from time to time, in assessing whether you are able to receive from us information relating to certain investment opportunities in connection with the Fund.

**30.5** The fact of your involvement as an investor in the Fund 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 us, but in such cases we 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.

- 30.6 Under the DPA you have the right to require us to provide you with a copy of the information we hold about you on computer and in some manual filing systems. This is known as the “right of subject access”. If you file a subject access request, we must deal with it promptly and, in any case, within 40 days of the date of receiving it. We will send you a copy of the personal information we hold in relation to you and certain other details of the processing we undertake. We are permitted to charge a fee of up to £10 for responding to a request.

## Other Matters Relating to the Investment Agreement

### 31. Entire Agreement

- 31.1 This Investment Agreement, together with the Application Form and the Administrator’s Terms of Business, comprises the entire agreement of the Fund Providers with you regarding the Fund and supersedes any/all meetings, correspondence or discussions that may have taken place prior to the signing of the Application Form.

### 32. Notices, Instructions and Communications

- 32.1 Notices of instructions to us should be in writing and signed by you, except as otherwise specifically indicated.
- 32.2 We may rely and act on any instruction or communication which purports to have been given by persons authorised by you to give instructions under the Application Form or subsequently notified by you from time to time and, unless we receive written notice to the contrary, whether or not the authority of such person shall have been terminated.
- 32.3 All written or electronic communications we send you will be to the latest address notified by you to us 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 us.
- 32.4 Telephone calls may be recorded for the purpose of training, monitoring quality and regulatory compliance.
- 32.5 You agree that we 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 FCA, and you are willing to accept such calls, unless you advise otherwise.

### 33. Amendments

- 33.1 We may amend the terms and conditions in this Investment Agreement by giving you not less than

twenty business days’ written notice and such amendment shall be deemed to come into effect upon the expiry of such period unless you serve notice to terminate prior to its expiry. We may also amend these terms by giving you written notice with immediate effect if required to comply with Inland Revenue requirements to maintain EIS Relief or to comply with the FCA Rules, and you shall be bound thereby.

### 34. Rights of Third Parties

- 34.1 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.

### 35. Severability

- 35.1 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.

### 36. Governing Law

- 36.1 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.



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# Part 10: 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", are used in place of defined terms used elsewhere, such as "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 Financial Conduct Authority ("FCA") to provide share dealing and administration services. The FCA reference number for TSC is 146768. You can check this on the FCA's website at [www.fca.org.uk](http://www.fca.org.uk). The FCA'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. 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 FCA, which means that you are entitled to the full extent of applicable regulatory protections. You have the right to request in writing re-categorisation 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 11). Further details on different client categorisations can be obtained from TSC's Compliance 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"), any such other market as TSC may decide, 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 FCA 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 FCA'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 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 FCA'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 FCA) 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 or email 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 and firms for whom TSC provides outsourced share dealing and/or administration services 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](http://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 or firms for whom TSC provides outsourced share dealing and/or administration services 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 You confirm that you are not a US person for the purposes of US federal income tax, and that you are not acting for, or on behalf of, a US person. The definition of a US person includes, but is not limited to, US citizens, US residents, US taxpayers or those who hold US dual nationality. In the future, should you become a US person, you agree to inform us immediately and consent to the automatic closure of your Account, or any Account over which you are a trustee or attorney, whether solely or jointly.

3.7 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, market levies, overseas financial transaction taxes etc.) 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 FCA 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. Such deposits may be held within instant access accounts with other authorised banking institutions. 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 United Kingdom ("UK") bank account. 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.

5.4 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.

5.5 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.

5.6 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 for the benefit of TSC's chosen charity. 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 the charity.

5.7 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"), and/or Cofunds (in the case of certain unit trusts and open-ended investment companies ("OEICs")) 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 and Cofunds 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, nor the acts or omissions of Cofunds.
- 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 Depositary 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 UK. Money held in its country of origin will be held with an approved bank or depositary 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 depositary. In some cases, the bank or depositary 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 depositary 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 at least 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 shall be conducted in the manner and at the price TSC believes reasonably necessary in the circumstances (without being responsible for any loss or reduction in price), subject to compliance with the FCA's rules in connection with any such sale, realisation or disposal. 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, 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 provide you a statement either in paper or on our website via account sign-in of your investments at least once in any 12 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.
- 5.22 In the event that an investment ceases to be settled through CREST, TSC will use its reasonable endeavours to continue to offer a dealing, settlement and pricing

service in that investment insofar as reasonably practicable in the circumstances. TSC reserves the right to charge any additional costs associated with such dealing and/or settlement to you.

## 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 and agree to be bound by 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 may publish details of your unexecuted limit orders. Please note that TSC does not accept limit orders in non-UK traded 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 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;
- > Market volatility may result in limit price dealing instructions being initiated, but with the resulting order being executed at a price which is above or below the price you set.

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. 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 FCA'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](http://www.share.com).

**6.20** Where you instruct TSC to deal or otherwise act in relation to your money or investments by mobile phone, internet or other automated access route, provision of your customer reference number, password and part of your own chosen memorable word shall be sufficient authority for TSC to act upon such instructions. The password and memorable word must remain your personal secret. You must change the password 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 password or memorable word resulting from negligence on your part or loss arising therefrom. TSC may withdraw the password or memorable word 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 will need to confirm that you have read the relevant simplified prospectus or key investor information document. You will be provided access to these important documents during the dealing process or you may request a copy 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 will also need to confirm that you have read the relevant simplified prospectus or key investor information document. You will be provided with access to these important documents during the dealing process or you may request a copy from 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. **Settlement**
- 7.1 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.
- 7.2 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 or Cofunds, as appropriate, equal to the whole or relevant part of the number of shares, bonds, warrants or units originally sold.
8. **Investment Communications**
- 8.1 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 8.2 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 the benefit of 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;
- > Any charges imposed by the company or its registrar will be applied to your Account in accordance with paragraph 4.1 above.
- 8.2 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.
- 8.3 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.
- 8.4 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.
- 8.5 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 administration reasons, the date specified by TSC for the provision of your instructions may be earlier than the date specified by the company or its registrar. 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.
- 8.6 As your investments are pooled with other customers’, there may be occasions when your entitlement to such corporate actions referred to in paragraph 8.1 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.

- 8.7 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.
- 8.8 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.
- 8.9 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.
- 8.10 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 Shareholder Rights team on 08456 185 180. 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.
- 8.11 Shareholder benefits will only be available to you if the relevant company has agreed with TSC to provide them.
- 9. Liability**
- 9.1 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 FCA, the Financial Services and Markets Act 2000 ("FSMA"), Financial Services Act 2012 or under common law.
- 9.2 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.
- 9.3 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.
- 9.4 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.
- 9.5 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.
- 9.6 TSC is not responsible for the security or transmission of electronic instructions either from TSC or from you.
- 9.7 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.
- 9.8 The information contained within TSC's websites originated by TSC is believed to be correct, but cannot be guaranteed.
- 10. Termination**
- 10.1 You may terminate this Agreement immediately by contacting TSC; TSC reserves the right to request this in writing. TSC may terminate this agreement with reasonable advance notice to you, or immediately on written notice where there are serious grounds for doing so.
- 10.2 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.

10.3 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).

10.4 Where the value of your Account falls below £100 and no investments are held, TSC reserves the right, following reasonable notice, to close your Account, charge accordingly and forward any balance remaining to you.

## 11. Complaints and Compensation

11.1 If you have a complaint, please contact the department at TSC you have an issue with. You can contact us by any means including letter, telephone or email. 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.

11.2 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 team.

## 12. General

12.1 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.

12.2 Telephone calls may be recorded for the purpose of training, monitoring quality and regulatory compliance.

12.3 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.

12.4 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 FCA, and you are willing to accept such calls, unless you advise otherwise.

12.5 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.

12.6 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.

12.7 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, Seed Enterprise Investment Scheme and Business Property Relief Accounts

The terms of business in this section are only relevant to you if you are opening an Enterprise Investment Scheme ("EIS"), Seed Enterprise Investment Scheme ("SEIS") or a Business Property Relief ("BPR") Account, in which case, the terms of business in paragraphs 1 to 12 shall also apply, where relevant. Should any terms within paragraphs 1 to 12 conflict with these Additional Terms of Business, the Additional Terms of Business will prevail.

## 13. EIS, SEIS and BPR Accounts

13.1 You acknowledge that TSC:

- > Is the administrator and custodian of your Account;
- > Is not the fund manager of the Account and is not responsible for the suitability or appropriateness of the Account, either at the point of sale or thereafter;
- > May only act upon the instructions of the fund manager in relation to your Account;
- > Is not responsible for the contents of any documentation relating to the 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 Account information memorandum, brochure or prospectus, and has not issued or approved the contents of 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 to prevent 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 a Group of 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 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. It is important to note that 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:

4. 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;
  - a. 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;
  - b. And such other markets and Recognised Investment Exchanges as TSC considers appropriate in the circumstances.
5. 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, the market that will result in the best possible result for that customer order will be chosen.
6. Customer orders are usually 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 FCA. The RSPs quote a price and size in securities in which they are registered and make this information available via various information vendors.
7. 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; TSC will be linked to one or more information vendors which provide access to a wide range of RSPs.
8. 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.
9. 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.
10. 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.
11. 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.

12. 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.

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.

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.

[www.parequity.com](http://www.parequity.com)

Par Fund Management Limited is authorised and regulated by the Financial Conduct 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 receive promotions in respect of non-readily realisable securities or to be treated as Elective Professional Clients under the terms of the FCA 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 permitted to receive this document.

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