



## Par Syndicate EIS Fund

Information Memorandum

2018/19



## Important Notice:

*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.*

## 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 client 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.**

## 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.

## 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 17 to 18 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 19, **Error! Bookmark not defined.** and **Error! Bookmark not defined.** 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.

## Restrictions on Distribution

The Memorandum is confidential and is intended only for the persons to whom it has been provided. It is not transferable and is not to be reproduced, disclosed, transferred or distributed to any other person, in whole or in part, except with the prior written permission of the Manager. By accepting delivery of the Memorandum, each recipient agrees to keep confidential the Memorandum and the information contained in it.

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

# CONTENTS

<a href="#"><u>KEY PARTIES</u></a>	<a href="#"><u>1</u></a>
<a href="#"><u>OVERVIEW</u></a>	<a href="#"><u>3</u></a>
<a href="#"><u>PART 1: INVESTMENT OBJECTIVES AND RESTRICTIONS</u></a>	<a href="#"><u>5</u></a>
<a href="#"><u>PART 2: MORE ABOUT TAXATION AND EIS</u></a>	<a href="#"><u>7</u></a>
<a href="#"><u>PART 3: MORE ABOUT PAR EQUITY</u></a>	<a href="#"><u>13</u></a>
<a href="#"><u>PART 4: RISK FACTORS AND POTENTIAL CONFLICTS OF INTEREST</u></a>	<a href="#"><u>17</u></a>
<a href="#"><u>PART 5: FREQUENTLY ASKED QUESTIONS</u></a>	<a href="#"><u>21</u></a>
<a href="#"><u>PART 6: FEES AND CHARGES</u></a>	<a href="#"><u>24</u></a>
<a href="#"><u>PART 7: AUTHORISED INTERMEDIARIES</u></a>	<a href="#"><u>26</u></a>
<a href="#"><u>PART 8: DEFINITIONS</u></a>	<a href="#"><u>27</u></a>

## Key Parties

### 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.*



“Optoscribe delivers innovative 3D waveguide solutions designed to revolutionise optical telecommunications. Optoscribe’s products combine multiple components into a single platform to enable high throughput, low insertion loss and a broad flat spectral response over telecoms bands. Transmission of high data rates, decreased footprint and reduced assembly costs result in the design of cost effective solutions for both short and long haul communications.”

Portfolio Company: Optoscribe  
<http://www.optoscribe.com/>



## Overview

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

### The Fund

The Fund invests in growth company opportunities, the core focus of the Manager since its formation in 2018. Specifically, it 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

The Manager, Par Equity, was formed in 2008 with a view to investing in growth companies. 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 its intellectual and financial capital investment model. The Fund is invested alongside business angels, whose directly relevant industry experience allied to more general business skills constitutes a powerful resource for reducing risk and building value in Investee Companies.

### 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 approach 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.

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.

## Geography

### Enterprise Investment Scheme

Par Equity has been investing in EIS opportunities since 2009. 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, offering the prospect of delivering capital gains 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 and will consider rounds of up to £2 million.

#### 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 new Investee Company will account for more than 25% of an Investor's Subscription. Follow-on investments in existing Investee Companies are limited to 10% of an Investor's Subscription per company.

#### 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

The Manager retains 4% of the Subscription to cover Investment Management Fees: an initial charge of 1% and four years' worth of annual management charges of 0.75%. For the fifth and subsequent year, annual management charges will be deducted from the Investor's EIS Share Account (subject to available funds). There is also a Performance Fee of 20% of returns in excess of 120% of the Subscription - the Performance Fee is not payable until the Investor has received, as a minimum, the entire value of their Subscription, plus 20%. The cost of the EIS Share Account is met from fees paid to the Manager. For more details, please see Part 6: Fees and Charges on page 24.



## 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

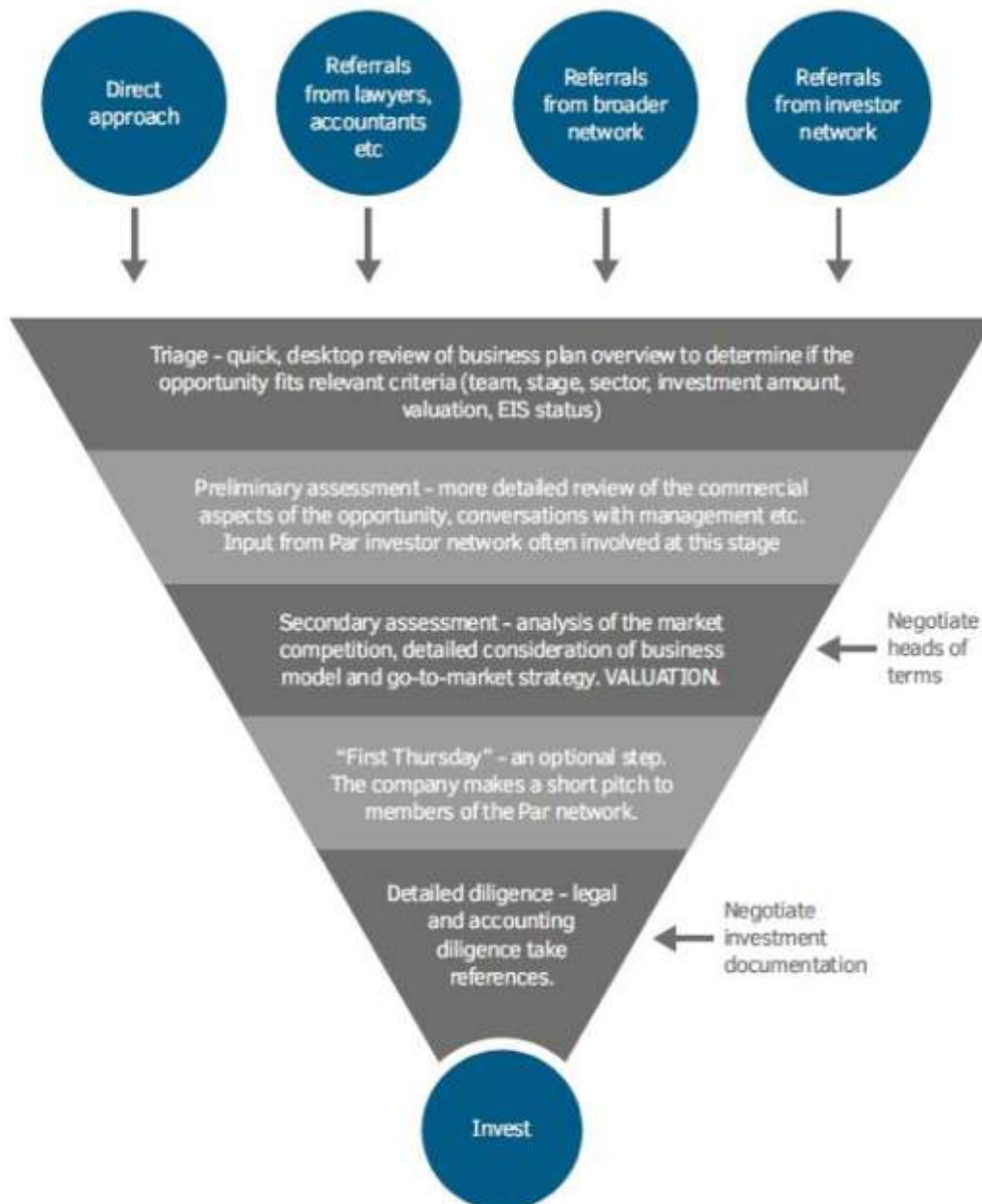
Par Equity's first investment was made in March 2009. Since its formation, Par Equity has focused on building a strong pipeline of good quality investment opportunities. It has cultivated links with co-investment partners, professional firms and other third parties and has benefited from introductions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



## 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 (10% for follow-on investments).

### 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. Arrangement-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.

**"I have found Par Equity to be an excellent organization to work with and indeed have recommended them to a number of startups 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."**

### Concluding Investments

The Investment Team includes experienced dealmakers, with many years' experience in negotiating and concluding corporate transactions. By using template investment documentation and a core team of legal advisers wherever possible, we seek to keep deal costs low as, if this is not done, such costs (even though they are borne by the Investee Company) can account for a significant percentage of the gross investment, reducing the impact that the financing can have in adding value to the Investee Company's business.

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



*0-20 bar in 60 sec*

**VERT.8**

*Micro rotary compressor*

“VERT Rotors produces compact, high-pressure and low-vibration gas compressors based on its proprietary technology. VERT's conical compressors provide the highest pressure-to-mass ratio. They are designed for aerospace, medical and other applications where vibration and noise are not acceptable, and dimensions and weight are mission-critical. The company's design and CNC manufacturing facility is based in Edinburgh, UK.”

Portfolio Company: VERT Rotors  
<https://vertrotors.com/>



## Part 1: Investment Objectives and Restrictions

“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 areas such as software, public health, e-commerce, social media, consumer electronics, photonics, technical textiles and medical devices.

The unifying characteristic of Par Equity’s portfolio is therefore the importance of innovative technologies to the investment case underpinning each commitment of capital. In building the investment case, Par Equity draws on the experience, expertise and contacts of the Investment Team, but also the resources of individuals within the Par Syndicate and broader investment network. In this way, we are able to make informed decisions across a range of niche sectors, providing the potential for Investors, over a series of Subscriptions, to gain exposure to a diverse range of growth-oriented investments.

## Investment Restrictions

### Investing Alongside Business Angels

The Fund has been formed specifically to invest 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

Many Investee Companies will seek to raise further investment after the Fund has made its initial investment. Provided that certain requirements are met, the Manager may deploy up to 25% of the aggregate Subscriptions within an Investor Intake in follow-on rounds, with not more than 10% of aggregate Subscriptions within an Investor Intake applied to any Investee Company by means of a follow-on round.

In addition, 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 Arrangement-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.

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.

More generally, 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 investments

## Part 2: More About Taxation and EIS

### IMPORTANT NOTICE

***The following is a summary of the UK tax regime as it applies to investment by individuals in EIS Qualifying Companies. The summary is based on professional advice received, but any person who is in doubt about their tax position or is subject to tax in any jurisdiction other than the UK, should consult an 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 and the Investor

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.

EIS Relief is not available to Investors who are 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 (practically speaking, Investors might wish to notify the Manager of all their EIS investments).

Further, existing shareholders in a company are unlikely to qualify for EIS relief unless they acquired all their existing shareholding upon incorporation of the company or through SEIS/EIS or similar schemes.

### 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 million of investment in EIS Qualifying Companies in each tax year (£2 million in respect of knowledge-intensive EIS Qualifying Companies). 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.

Income Tax Relief may be claimed as soon as an Investor receives the relevant form -EIS3 - from the Investee Company concerned. Accordingly, Income Tax Relief should become available on an investment by investment basis (in contrast with an HMRC-approved EIS fund, where reliefs may only be claimed once at least 90% of the fund's capital has been invested).

### **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 £ 20,000 to £28,000 (depending on the nature of the gains) by deferring assessment on £100,000 of his chargeable gains, giving a net cash cost at the point of investment of £42,000 to £50,000 for shares costing £100,000 (£100,000 - £30,000 - £28,000 or £20,000). The CGT liability is only deferred, however and will have to be accounted for on disposal of the shares, at which point the investor's annual exemption might be available.

### **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) and EIS qualifying status is retained throughout this period, gains arising on disposal of such shares are exempt from assessment for Capital Gains Tax. It is also a condition for claiming the Capital Gains Tax exemption that Income Tax Relief has been claimed by the Investor

in respect of the company concerned, even if for as little as £1.

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**

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. Investors are encouraged to consult their tax adviser regarding the utilisation of Loss Relief if available, as complex rules apply to the order in which losses are set against income.

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 Income Tax Relief being withdrawn from investors.

### **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.



## Illustrative Effects of EIS on Portfolio Return

The following table sets out a hypothetical portfolio purely for the purposes of illustrating the effects of EIS Relief and is not intended as a forecast of investment returns:

	Company A	Company B	Company C	Company D	Company E	Fund
Subscription						£100,000
Fees & charges retention						£(4,000) <sup>1</sup>
Cost of shares	£(19,200)	£(19,200)	£(19,200)	£(19,200)	£(19,200)	£(96,000)
Income tax relief	£5,760	£5,760	£5,760	£5,760	£5,760	£28,800 <sup>2</sup>
Net cost of shares	£(13,440)	£(13,440)	£(13,440)	£(13,440)	£(13,440)	£(67,200)
Exit proceeds	£35,000	£NIL	£10,000	£20,000	£60,000	£125,000
Dealing fees						£(438) <sup>3</sup>
Annual Management Charges						£(750) <sup>4</sup>
Net proceeds						£123,813
<i>Performance Fee attachment point</i>						£(120,900)
<i>Profit subject to Performance Fee</i>						£2,913
Performance Fee						£(583)
Profit after all fees and charges						
- before tax						£23,230
- after tax						£52,030
<b>Additional Tax Advantages</b>						
<u>CGT Deferral<sup>5</sup></u>						
- CGT @ 20%						£19,200
- CGT @ 28%						£26,880
<u>Loss Relief<sup>6</sup></u>						
Capital losses	-	£13,440	£3,440	-	-	£16,880
- income tax @ 40%						£6,752
- income tax @ 45%						£7,596

<sup>1</sup> A retention of 4% is made from the Subscription to cover the Initial Charge and c. 4 years of Annual Management Charges

<sup>2</sup> Income tax relief is available for up to 30% of the amount invested, but relief may be restricted if the Investor has insufficient income tax to relieve against

<sup>3</sup> Dealing charges are levied by the Administrator at 0.35% of the transaction value

<sup>4</sup> Once the initial fee retention of 4% has been exhausted, additional Annual Management Charges will be deducted from Exit Proceeds

<sup>5</sup> CGT arising on chargeable gains may be deferred at the rate applicable to the gains in question. These gains may become effectively exempt under certain circumstances, for example by utilising annual allowances in later years

<sup>6</sup> The value of Loss Relief depends on the Investor's marginal rate of income tax. Alternatively, losses may be relieved against capital gains in the usual way

Taking the illustrative portfolio return set out on the preceding page, the following table below shows some of the potential effects of EIS Relief on a pre-tax return of £22,890 (22.9%), as well as how EIS can significantly mitigate a total pre-tax loss scenario.

	1	2	3	4	5	Total Loss
Proceeds	£125,000	£125,000	£125,000	£125,000	£125,000	£NIL
Cost of shares	£(96,000)	£(96,000)	£(96,000)	£(96,000)	£(96,000)	£(96,000)
Fees & charges	£(6,110)	£(6,110)	£(6,110)	£(6,110)	£(6,110)	£(4,000)
Pre-tax return	£22,890	£22,890	£22,890	£22,890	£22,890	£(100,000)
EIS Relief @ 30%	-	£28,800	£28,800	£28,800	£28,800	£28,800
Loss Relief @ 40%	-	£6,752	-	£6,752	-	-
Loss Relief @ 45%	-	-	-	-	-	£30,240
CGT Deferral @ 20%	-	£19,200	£19,200	-	-	-
CGT Deferral @ 28%	-	-	-	£26,880	£26,880	£26,880
Post-tax return	£22,890	£77,642	£70,890	£85,322	£78,570	£(14,080)

Depending on the Investor's tax circumstances, a pre-tax profit of 22.9% can therefore be increased to as much as 85.3%, while a total loss could potentially be reduced to 14.1%. It should be noted that the ability to benefit from CGT Deferral is not wholly within an Investor's control, as the timing of gains returning to charge on the disposal of the associated shares may or may not coincide with the Investor having available capacity within their annual allowance, or off-settable capital losses. Such gains may, however, be deferred again through further investments into EIS Qualifying Companies.

### EIS and the Company

Investors' ability to benefit from EIS Reliefs is determined not only by their own personal circumstances, but by those of the Investee Companies. EIS Relief is only available in respect of investment in shares issued by EIS Qualifying Companies and, generally, Investee Companies must continue to be EIS Qualifying Companies for at least three years from the date of issue of the shares in respect of which EIS Reliefs are claimed.

Many of the rules regarding what constitutes an EIS Qualifying Company are of technical interest, rather than being commercially significant from an investment perspective. Important changes have, however, been made to EIS in the Finance Act 2018 with a view to refocusing the scheme on growth company investment, rather than tax-driven capital preservation schemes.

The observations that follow are intended to highlight certain aspects of EIS that may be relevant to the risk/reward characteristics of an investment in the Fund and are not intended to be an exhaustive analysis of the detailed provisions of EIS.

Importantly, HMRC offers an advance assurance service, providing comfort before completion of an investment that the proposed Investee Company is an EIS Qualifying Company. It is the Manager's practice to require advance assurance to be obtained prior to all investments.

### Liquidity

Investors in the Fund cannot easily sell shares in Investee Companies. The EIS rules require that at the date of issue of the shares, the company must not have any of its shares, debentures or other securities listed or have arrangements in place for a listing or an acquisition by a company whose securities are listed. Providing there are no pre-existing arrangements at the point of issue of the shares, however, an EIS Qualifying Company will not cease to be qualifying as a result of a subsequent listing.

### Qualifying Trade

Generally, EIS is intended to stimulate investment in certain types of business activity. The Fund invests in businesses that exist for the purposes of carrying out a qualifying trade (directly or as 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. A qualifying trade is any trade

other than one that is excluded and excluded trades and other activities may not represent a substantial (generally c. 20%) element of the company's activities.

The company should be raising funds to enable its qualifying trade to develop and grow. Practically, this means that funds will be used to acquire plant and machinery or on revenue expenditure such as staff costs and sales/marketing activity. The funds cannot be used to settle outstanding debt arrangements or to enable the company's activities to continue in their current form, or to acquire another business. Further, HMRC take this provision to mean that a company's trade should be capable of being undertaken without an anticipated termination of trade in the future.

Limits also apply to the length of time during which the qualifying trade has been carried out, if commenced prior to investment.

These provisions, including the exclusion of a number of types of trade from the list of qualifying trades, have the effect of focusing investments on companies engaging in trades that can involve a higher than average level of risk.

### **Risk to Capital**

In addition to the higher levels of business risk faced by Investee Companies, 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 and commonly used in the venture capital industry were EIS Relief is not an objective. In assessing whether to grant advance assurance, HMRC applies a principles-based approach, a key feature of which is an assessment of risk to capital. In order for a company to be approved as an EIS Qualifying Company, therefore, not only must the company's trade and business model be one that involves a degree of risk to capital, but the arrangements governing the issue of shares, rights attaching to those shares and the circumstances in which shares may be sold must expose shareholders to a level of risk that is in keeping with the expectation of gain. 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.

### **Corporate Finance**

Certain EIS rules can have the effect of distorting corporate or investor behaviour in ways that are unhelpful, by depriving an EIS Qualifying Company of the full range of corporate finance techniques it might otherwise have recourse to in attempting to develop and grow. Broadly, the risk of having EIS Reliefs withdrawn in respect of existing investments, or losing the ability to benefit from EIS in respect of further investments, can result in individual investors being deterred from supporting measures that might ordinarily be uncontroversial - for example, merging two EIS Qualifying Companies that are sub-scale to create a combined business with a better prospect of success, or using convertible loan notes to secure short-term bridging finance from existing investors in situations where other forms of borrowing are unavailable.



“Pufferfish are the world's leading provider of spherical projection displays. With a focus on quality and simplicity, we offer the widest range of display solutions with spheres ranging from the world's first commercially available multi-touch spherical display through to visually stunning and imposing 4m diameter inflatable displays.”

Portfolio Company: Pufferfish  
<http://www.pufferfishdisplays.co.uk/>



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

## Part 3: More About Par Equity

“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. 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 Mobiqua, 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.



### **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.

## Non-Executives and Senior Advisers

### **Leith Robertson**

Leith is a shareholder in and non-executive chairman of Par Equity Holdings Limited.

Leith has 50 years' financial services experience, having started his career at the Bank of Scotland in 1968. Having served as Head of Structured Finance at the Bank of Scotland, in which position he oversaw the bank's rise to prominence as a provider of debt to management buy-outs, he joined the Royal Bank of Scotland in 1993 as Head of Leveraged Finance and subsequently served as Head of Structured Finance and then Deputy CEO, Global Banking and Markets. Since 2009, he has held various non-executive roles and, in addition to his involvement with Par Equity, is currently Chairman of 1<sup>st</sup> Credit Limited, Senior Adviser to Jamieson Corporate Finance and a Development Board Member for Museums of Scotland.

### **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.

“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

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.

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.

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.

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

### The Par Syndicate

The Par Syndicate is 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.

### 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

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 is not expected to be invested in more than ten. 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

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. Investee Companies will in most cases be very unlikely to pay dividends to Investors on a regular basis, if at all.

## 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.

Investors must actively claim EIS Relief. Should the relevant claims not be made to HMRC, EIS Reliefs will be lost.

## 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.

## Exit Within Three Years

EIS Relief is withdrawn in the event that Investors receive value from an investment in an EIS Qualifying Company within minimum three year holding period applying to their shares. In the case of an Exit where proceeds are received in excess of the amount paid for the shares, occurring within three years, EIS Reliefs will not be available and any EIS Relief received falls to be returned (this may also be the case in respect of lesser receipts of value). Investments made by the Fund in a follow-on round will, all other things being equal, carry a higher risk of EIS Reliefs being forfeit as a consequence of an exit within three

years. In principle, however, the risks associated with the investment may be lower than on an initial investment.

#### Potential Conflicts of Interest

### Equity between the Fund and Business Angels

Investee Companies frequently require more than one round of investment, whereas the Manager has a restricted discretion to apply the Fund to follow-on rounds. 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. Thereafter, the Fund may participate in one or more follow-on rounds, but only where the circumstances of the fundraising provide sufficient comfort that the investment is likely to be in the best interests of the Fund on a stand-alone basis (recognising that the constituent Investors within the Fund are likely to change over time).

Once the Fund has invested, there is therefore 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.

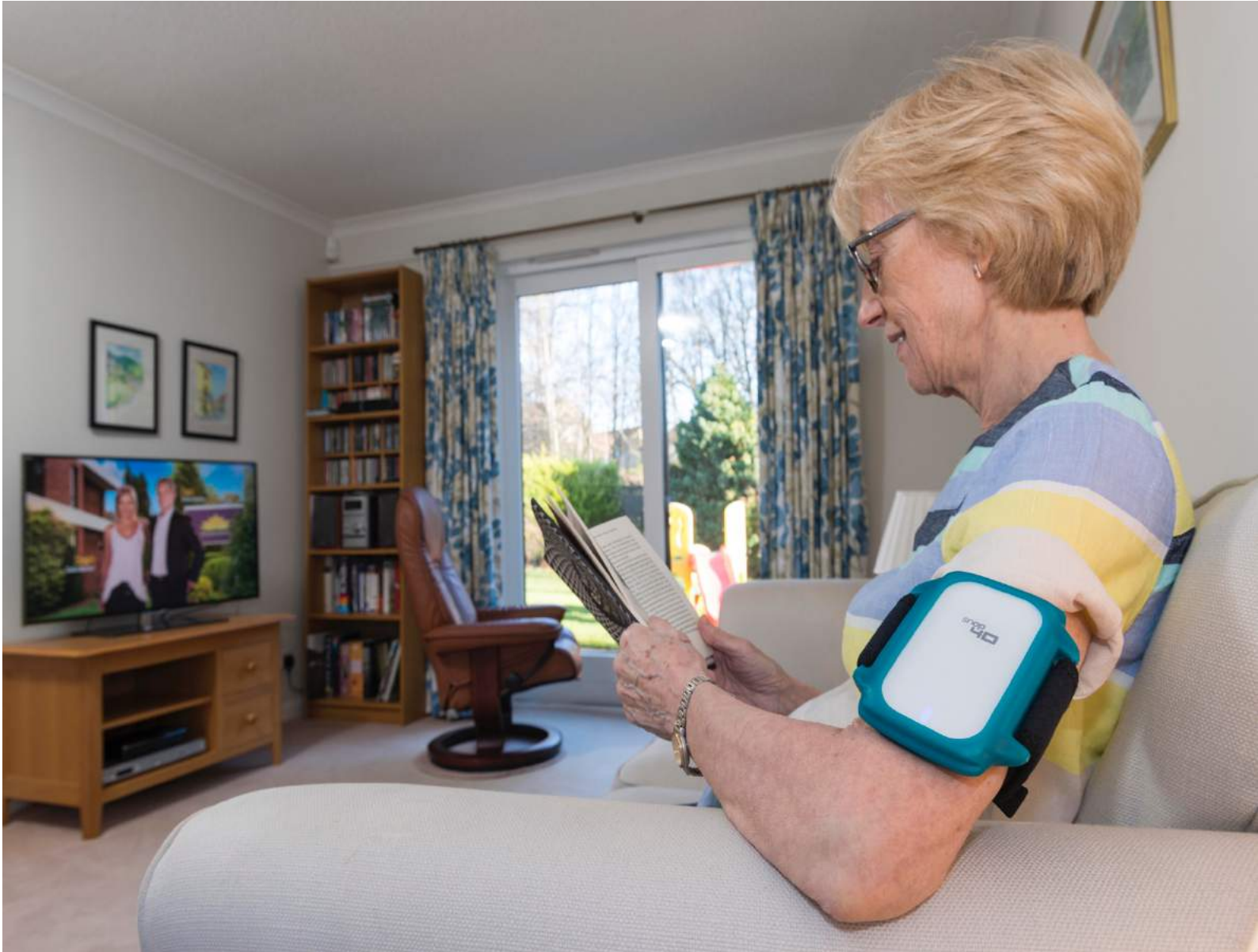
Investors' decisions regarding participation in follow-on rounds are likely to result in a range of individual investment performance experiences in respect of any given Investee Company.

The Manager has a responsibility to Investors and also to its Arrangement-only Clients in the Par Syndicate, but the terms of business applicable to the Par Syndicate state that the Manager's primary responsibility is to the Fund. 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 Arrangement-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 Arrangement-only Clients.

### Fees and Charges Levied on Investee Companies

Under the terms of the Investment Agreement, the Manager or its Associates may charge fees to and recover costs from Investee Companies. There is no obligation to account to Investors for these receipts. The Manager maintains policies and procedures intended to ensure that any fees paid, or costs recharged to, Investee Companies are fair and proportionate. The Manager's policy is to disclose to Investors any fee or charge that diverges from its standard practice, as described in Part 6 of this Memorandum.



snap40 is an AI software platform which automatically detects the warning signs of health deterioration, bringing healthcare to the patient dramatically earlier than currently possible. Using a wireless wearable arm-band, snap40 continuously monitors patients, in the home and in the hospital, across data points such as blood pressure, respiratory rate and activity levels.

By bringing physicians and nurses to the patient earlier, deterioration can be prevented. This improves patient outcomes and experience, while reducing the cost to deliver healthcare through reduction in re-admissions and length of hospital stays. The company was recently awarded a £750,000 contract by the UK National Health Service to deploy into the next two hospitals.

Portfolio company: snap40

[www.snap40.com](http://www.snap40.com)

## Part 5: Frequently Asked Questions

### 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. 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 more experienced 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.

### 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. Do I get EIS Relief automatically?***

A. No. Investors are responsible for submitting claims for EIS Relief to HMRC in respect of each Investee Company. Investors should take professional advice if they are in any way uncertain as to how to claim EIS Reliefs, as failure to submit claims properly could lead to loss of EIS Reliefs.

#### ***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 percentage of a Subscription available to be invested (and therefore able to benefit from EIS Relief) is 96.0%.

#### ***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 a company may raise a maximum of £150,000 of aggregate investment under SEIS, 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 maximum investment in respect of which EIS Relief can be claimed in a tax year is currently £1,000,000 (£2,000,000 in respect of investment in knowledge-intensive EIS Qualifying Companies).

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

A. 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. It is possible, however, that the Fund may participate in follow-on rounds on the part of existing Investee Companies, although lower per company limits apply to such investments.

## **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. There is a fixed deduction from a Subscription of 4.0%, of which up to 2.0% may be refunded if the Investment Agreement is terminated early. This deduction is used to pay Investment Management Fees comprising the Initial Charge of 1.0% and four years' worth of Management Charges at 0.75% per annum.

Management Charges due in respect of the fifth and subsequent year are paid from available funds held within the EIS Share Account. The Administrator's fees and charges are borne by the Manager, with the exception of dealing fees in relation to the sale of shares.

The Performance Fee is only payable from Exit Proceeds.

### ***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. Is the Performance Fee deducted on an investment-by-investment basis?***

A. No, unless the Exit Proceeds from the relevant Investee Company generate aggregate Exit Proceeds in excess of the Investor's Subscription or the Investor has already received aggregate Exit Proceeds in excess of their Subscription.

## **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

Investors pay the following fees:

Fee	Fee Rate	Applied to	When due	Frequency
<b>Initial charge</b>	1.0%	Subscription	On inception	Once
<b>Annual Management Charge</b>	0.75%	Subscription	From inception	Quarterly
<b>Dealing fee</b>	0.35%	Transaction value	On a sale of shares	Ad hoc
<b>Performance Fee</b>	20%	Investment profits	Once an Investor has received Exit Proceeds at least equal to 120% of the Subscription and any additional fees paid	As Exit Proceeds are received

A retention of 4% of the Subscription will be made from the Subscription to cover some of these fees. This means that 96% of an Investor's Subscription will be available to be invested in EIS Qualifying Companies. Once the retention has been utilised, payment of further fees is from Exit Proceeds received.

The Manager will facilitate the payment of fees to Authorised Intermediaries at the request of Investors, as detailed in Part 7. Such fees are in addition to those summarised here.

### Further Information on Fees and Charges

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. The Manager may also incur certain expenses in relation to Exits that it can recover from Investors as a deduction from Exit Proceeds. The Administrator charges a dealing fee on the acquisition and disposal of shares - the Manager pays the dealing fee on initial investments made from its Initial Charge, but Investors are liable to pay the dealing fee in connection with disposals.

### Investment Management Fees

Investment Management Fees comprise:

- An Initial Charge of 1.0% (including VAT) of the Subscription
- Annual Management Charges of 0.75% (including VAT) of the Subscription for the first and each subsequent year

Investment Management Fees of 4.0% in aggregate, consisting of the Initial Charge (1.0%) and four years' worth of Management Charges (3.0%) will be withheld from an Investor's Subscription and will not be available for investment in EIS Qualifying Companies.

The value of the Investor's Subscription will, for the purposes of calculating the quarterly instalments of Annual Management Charges, be reduced *pro rata* to reflect exits. For example, if a £20,000 Subscription has been invested in six companies in equal amounts, and there have been two exits, the Subscription would be adjusted down by a third to £13,333 and the resultant Annual Management Charge would be reduced from its initial £150 to £100.

Thereafter, subject to sufficient funds being available, the Management Charge will be charged to an Investor's EIS Share Account. Should there be insufficient funds in the EIS Share Account, the Manager will accrue the Management Charge until such time as Exit Proceeds are credited to the EIS Share Account.



## Professional Fees

The Manager generally recovers professional fees from Investee Companies on completion of an investment, but where it is unable to do so, it bears these costs itself and does not recover them from the Fund.

The Manager also expects to recover professional fees in connection with an Exit Event from Investee Companies, but where it is unable to do this it reserves the right to apportion some or all of the fees incurred to the various parties on whose behalf it is acting in connection with the Exit Event (including the Fund). These costs would be apportioned *pro rata* to Exit Proceeds realised.

## Performance Fee

The Performance Fee is set at 20% of all Exit Proceeds received by the Investor in excess of 120% of the Subscription and any other Investment Management Fees or charges paid.

In exceptional circumstances, the Manager may make a decision that leads to the loss of EIS Reliefs in respect of a specific Investee Company - for example, the Manager may decide to accept an offer for an Investee Company that results in an Exit within three years of the original investment. Where this happens, not only would EIS Relief need to be repaid, but CGT would be

payable on any capital gains. The Manager will therefore apply an Equalisation Adjustment to reduce any Performance Fee due. This is done by applying a notional increase of 40% to that part of a Subscription invested in the Investee Company concerned. For example, where £5,000 of a 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 being lost), the Equalisation Adjustment would be £2,000, giving a notional cost of investment of £7,000.

## Dealing Fee

Under the Administrator's Terms of Business, dealing fees and annual administration charges are payable. The Manager bears the initial dealing fee and the Administrator's annual charges, but dealing fees arising from the sale of shares in the EIS Share Account are expected to be met from funds held within or credited to the account, including Exit Proceeds. The dealing fee is charged at a rate of 0.35% and is calculated on the value of the transaction.

## Fees and Other Costs Recovered from Investee Companies

As set out in Clause 12 of the Investment Management Agreement, the Manager also reserves the right to charge Investee Companies arrangement fees on completion of an investment and fees relating to its ongoing monitoring of the Investee Company concerned. Since the Manager makes investments on behalf of various capital providers, including the Fund, these fees do not specifically relate to the Fund and the Manager does not receive them in the capacity of agent for Investors or any other party and thus is under no obligation to account to Investors for these fees. As the percentage shareholding that the Fund will have in any given Investee Company will vary, as will the financial circumstances of the Investee Company, the notional impact of such fees on an Investor cannot be readily quantified.

Other than those described above, no fees are charged to Investee Companies by the Manager or its Associates for matters including but not restricted to company secretarial, accountancy, human resources, recruitment, consultancy or other services, nor does the Manager (or its Associates) have any arrangements whereby it receives payment in connection with the provision of services to Investee Companies by third party service providers. Investee Companies may, however, voluntarily contract with connected companies of Par Equity's principals from time to time, on an arms' length basis.

## Part 7: Authorised Intermediaries

### Key Information Document

The Manager has prepared a Key Information Document in respect of the Fund. The highly standardised nature of Key Information Documents means that such documents have a number of limitations in relation to more complex investment products, including those where related tax reliefs are an important part of the overall risk/reward dynamic. Authorised Intermediaries (and their clients) should bear in mind that the Fund is promoted on the basis of the Information Memorandum, not the Key Information Document.

### Resources for Authorised Intermediaries

The Enterprise Investment Scheme Association ([www.eisa.org.uk](http://www.eisa.org.uk)) is a useful resource for professional advisors. In addition, detailed guidance for Authorised Intermediaries regarding the promotion of EIS Funds is available from the Manager on request.

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.

### 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 it has received confirmation (in writing) that:

- The Authorised Intermediary is authorised and regulated by the FCA or a recognised professional body and provided its Financial Services Register reference number (or equivalent);
- The Authorised Intermediary has advised that the proposed investment in the Fund is suitable for the Investor;
- The identity of the Advised Investor has been verified by the Authorised Intermediary 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 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 Arrangement-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

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 for the purposes of COBS 4.7.8;

**“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;

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

**“Arrangement Fee”** means a fee charged to an Investee Company by the Manager in connection with investments arranged by the Manager;

**“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;

**“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, 12 Endeavour Square, Stratford, London E20 1JN;

**“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 1.0% inclusive of 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;

**“Key Information Document”** means a short document to be prepared and distributed in respect of Packaged Retail and Insurance-based Investment Products as specified by Commission Delegated Regulation (EU) 2017/653 and the FCA Rules;

**“Management Charge”** means the fee payable to the Manager by Investors during the term of the Investment Agreement. Management charges comprise a fee of 0.75% (inclusive of VAT) per annum;

**“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;

**“Packaged Retail and Insurance-based Investment Product”** means an investment product as defined by Regulation (EU) 1286/2014 and the FCA Rules;

**“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 Manager’s private clients as a body;

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

**“Par Syndicate Arrangement-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;

**“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 other

[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.

May 2018