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technology

**Combined
Seed Enterprise Investment Scheme
and
Enterprise Investment Scheme
Fund**

OT(S)EIS – The Start-up Fund

Information Memorandum

2021

This document has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Oxford Technology Management Ltd which is authorised and regulated by the FCA.

***September 2021 Version**

This document was originally published in 2012 and OT(S)EIS has been open for investment since then. Investors may invest at any time. The document has been updated to incorporate a change of address of Woodside Corporate Services and to reflect some changes to the SEIS scheme which were introduced in the 2013 Budget.

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IMPORTANT NOTICE

This document sets out arrangements by which investors, who wish to make investments in SEIS Qualifying Companies and EIS Qualifying Companies, may appoint Oxford Technology Management Limited (“**OTM**”) to act as their common discretionary investment fund manager and to manage the investments made on their behalf. These arrangements together constitute the Oxford Technology Combined SEIS and EIS Fund (the “**Fund**” or “**OT(S)EIS**”).

An investment in the Fund may only be made on the basis of the information contained in this Memorandum and the Investment Management Agreement in Appendix 1. OTM is authorised to act as a Manager by the UK Financial Conduct Authority (“**FCA**”) and its FCA registration number is 121929.

This document constitutes a financial promotion pursuant to Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”) relating to the Fund and is both issued and approved by OTM. OTM has taken all reasonable care to ensure that it is fair, clear and not misleading, but the statements of opinion or belief contained in this document regarding future events constitute OTM’s own assessment and interpretation of information available to it at the date of issue of this document and no representation is made that such statements are correct or that the objectives of the Fund will be achieved. Additionally, some information contained in this document has been obtained from published sources prepared by other parties and no responsibility is assumed for the accuracy or completeness of such information. Accordingly each prospective investor must determine for him or herself what reliance (if any) s/he should place on such statements and information and no responsibility is accepted by OTM in respect thereof. The information and illustrations in this document are stated as at 13th of May 2012.

It is very important that you carefully read and fully understand this document and the risks involved with the arrangements described in this document so that you can decide whether they are right for you. The opportunity described in this document is NOT suitable for all. Key risks are explained on page 8 and should be carefully considered. You should seek your own independent advice and then rely on your own independent assessment of the Fund; nothing in this document constitutes tax, legal or investment advice.

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

Further Information

If you have any questions at all, please contact your financial adviser in the first instance.

If you would like to contact Oxford Technology, please do not hesitate to get in touch with Andrea Mica or Lucius Cary by telephone on + 44 (0)1865 784466 or by email to invest@oxfordtechnology.com. Making the right investment decision is more important than ever in the current climate, and we want you to feel comfortable about making an informed decision about whether or not to invest in OT(S)EIS.

OT(S)EIS

Investment in start-up and early-stage technology companies carries a particularly high level of risk. Your attention is drawn to the Risk Factors on page 8.

Manager: Oxford Technology Management Ltd
Magdalen Centre
Oxford Science Park
Oxford OX4 4GA

Custodian: Woodside Corporate Services Limited
4th Floor
50 Mark Lane
London EC3R 7QR

Legal Adviser: RW Blears LLP
125 Old Broad Street
London EC2N 1AR

Taxation Adviser: Bronsens
Prama House
267 Banbury Road
Oxford OX2 7HT

Key Facts

Investors: The Fund is only open for participation by those who can be assessed by the Manager as elective professional investors.

Minimum Fund Size: £3m

Maximum Fund Size: £15m at start up

Minimum investment in the Fund: £15,000 (to be invested by the Fund at the anticipated rate of c.£5,000 per year over the next three years.)

Maximum investment in the Fund: No maximum, but investors wishing to make their full quota of £100,000 of SEIS investments in the current tax year would need to invest c.£320,000 (as we aim to invest a little less than 1/3 of the money in SEIS opportunities in the first year).

Fund focus: The Fund will invest in start-up and early-stage technology companies near Oxford.

SEIS tax benefits:

- 50% tax relief against income tax
- Tax on a half of a capital gain is cancelled where the gain is invested in SEIS shares (the tax is cancelled, not merely deferred)
- It is possible to treat the shares as having been issued in the previous year and claim relief in that previous year
- Ability to write off 50% of investment (net of income tax relief already received) in failures against income tax (even where the Company had not yet commenced trading provided its intention to trade was clear)
- All gains tax free
- Investments outside Inheritance Tax after two years.

EIS tax benefits:

- 30% tax relief against income tax
- The payment of tax on a capital gain can be deferred where the gain is invested in EIS shares
- It is possible to treat the shares as having been issued in the previous year and claim relief in that previous year.
- Ability to write off losses on investments which fail against income tax (net of income tax relief already received)
- All gains tax free
- Investments are outside inheritance tax after being held for two years.

Please see HMRC documents or consult a tax advisor for full details and implications of the tax breaks.

Portfolio of investments:

Three years after their investment, investors in OT(S)EIS will end up with a portfolio of SEIS and EIS investments. Each investor will have their own portfolio, depending on the amount and dates of their investments. The capital invested by each investor will be kept in a separate account by the Custodian. So an investor will start with the amount invested, less any initial fees, and the amount available to invest will then reduce as investments are made and fees drawn down. Any interest on the cash will be added back. In general, each investment made will be allocated pro rata to all investors in the Fund with money to invest at the time of the investment.

Manager:

Oxford Technology Management Ltd, the Manager, has been making investments in start-up and early-stage technology companies for more than 25 years. The SEIS scheme gives the most generous tax reliefs ever on such investments.

Investment Period:

The intention is to invest over a three year period, with approximately 1/3 of the capital raised being invested in each year following the date of investment. In the first year, the intention is to invest in SEIS qualifying investments. Investments in the second and third years will often be in the same companies in which SEIS investments were made initially, but these investments will be made as EIS investments. Some EIS investments may also be made in the first year.

Nature of the Fund:	OT(S)EIS is a fund in the sense that it is an aggregation of the amounts subscribed by various individual investors and this capital will be managed as a whole by Oxford Technology Management Ltd, though it does not have a distinct legal personality. When investments are made, the investee company will have one nominee shareholder, WCS Nominees Limited and the voting rights will normally be exercised by Woodside Corporate Services Limited as directed by OTM. However, the beneficial ownership of the underlying shares will reside with individual investors in OT(S)EIS who will, in due course, be sent the EIS and SEIS forms to enable them to claim the relevant tax reliefs.
Tax relief:	Investors in the Fund will receive their tax reliefs only in the tax years in which the underlying investments are made by the Fund and not in the year in which they invest in the Fund. This is a disadvantage, but the policy of investing the Fund over a three year period rather than all in one year will have major advantages. In particular, it will mean that the Fund will have capital available for 2-3 years ahead to support those investee companies which are developing well and which are deserving of further investment. Experience has shown that being able to participate in further rounds of investment in a company is essential for long term success.
Future investment in the Fund:	The intention is to raise capital for the Fund in each year so that the Manager will always have capital to invest and, at any time, will know how much capital is available to invest for the next 2-3 years. The Manager will be able to tailor the investment strategy accordingly. The plan will be to invest approximately 1/3 of the money invested by each investor in the first 12 months following investment predominantly in SEIS investments and maybe with some EIS investments, and then approximately 1/3 of the balance in each of the next two years predominantly in EIS investments. So each investor in the Fund will end up with a portfolio of SEIS and EIS investments at the end of the third year after their investment.
Investment limits:	An individual is permitted to invest £100,000 per year in SEIS investments and £1m per year in EIS investments. Tax reliefs received on SEIS and EIS investments are not included in the £50,000/25% of income cap on tax reliefs.
Opportunities for co-investment:	All investors in the Fund will be added to the register of potential co-investors. This will mean that as and when appropriate, investors will be offered the opportunity to directly co-invest with OT(S)EIS in particular investments.
Deal Flow:	Oxford Technology Management has been making investments in start-up technology companies for more than 25 years. This means that OTM receives a large deal flow. OTM receives c2,000 investment propositions per year, of which approximately 100 are possible investments, being technology companies near Oxford.
Fees:	Initial fee: There is a 1% initial fee (which may be passed on to the introducing IFA as a commission where appropriate)

Management fee: Annual fees on gross sum invested are as follows:

Years 1-3	2%
Years 4-7	1.5%*
Year 8 and onwards	0%

*Deferred to be paid only from proceeds of exits.

Any interest earned on uninvested capital will be used first for paying the management fee.

The investee companies will mainly be within an hour's drive of Oxford as OTM will be actively involved in helping investee companies especially in the early days. OTM may charge the investee companies a separate fee for this help and involvement.

The Custodian's fees:

These will be 0.15% + VAT annually (NB – at the outset this was 0.35% but from 2017 has been reduced).

There will also be a receiving agent fee of up to £25 + VAT on each subscription.

There will also be a £15 fee for each holding that is transferred into the individual investor's name (it is not intended that this should happen frequently). The fees will be paid from the investor's cash pool.

Performance Incentive:

Once the investor (assumed to be a 40% taxpayer with no capital gains tax to shelter) has received a return of £1.20 (including tax benefits) for each £1.00 invested then 20% of all further payments to the investor will be paid to OTM as a performance incentive.

Communication with shareholders:

1. A short quarterly email report will be sent giving updates on all investments after the end of March, June, September and December. The report will contain a schedule for each investor of the amounts invested in each investee company and whether the investments were made under SEIS or EIS.

2. The SEIS and EIS forms which are necessary to enable investors to claim their tax reliefs will be obtained from HMRC and prepared by OTM and then sent to investors. Please note that the forms can only be applied for when the investee company has met certain conditions which apply to SEIS and EIS investments. In practice this means that it is usually several months before we can apply for the SEIS/EIS forms. OTM sends the certificates out to investors as soon as permission is received from HMRC.

The aim will be to minimise administration required by investors as much as possible. However, the administration required by the Fund will be substantial and there is no escaping this. The administrative burden is necessary in order to obtain the very generous tax reliefs associated with SEIS and EIS investments.

Risk Factors

Investments in start-up and early-stage technology companies are notoriously high risk. There are many reasons why such companies may fail, and failure is likely to lead to the total loss of the investment. As such, the Fund may not be suitable for all investors and potential investors are recommended to seek independent financial and tax advice before investing. Notwithstanding the high risk nature of the investments that the Fund will make, the tax reliefs associated with SEIS and to a lesser extent EIS investments mean that a substantial proportion of potential losses may be recoverable against income tax. The other side of the high risk coin is that when such investments go well the returns can be substantial, and under the SEIS and EIS schemes all such returns are tax free.

There is also a risk that the Manager is not able to find enough good SEIS and EIS investments to make. The Manager will prefer not to make an investment at all than to make a bad investment simply so that an investment be made. (But see section on Deal Flow). If not enough good SEIS and EIS investments can be found, this may mean that not all the money subscribed will have been invested by the end of the third tax year after investment. If this is the case, then investors will be offered the choice of having the remaining capital returned or else invested in the next available SEIS or EIS qualifying investment.

Prospective investors should consider carefully these risk factors in addition to the other information presented in this document. All investments risk the total loss of the investment. The value of shares can fluctuate and there is no certainty as to any level of dividends or capital gains. The past performance of investments managed by the Manager should not be regarded as an indicator of the future performance of investments made by the Fund.

An investment in OT(S)EIS should be considered as a long-term investment. By the end of the third tax year after the date of investment the Manager will seek to have invested substantially all the capital invested in a portfolio of SEIS and EIS qualifying investments. But the Manager can make no guarantee that the capital will all have been invested in this way; the actual investments made will depend upon there being suitable investment opportunities in which to invest.

There will be no opportunity to sell shares. Once an investment is made in OT(S)EIS, it will be locked into the Fund, subject to the limited withdrawal rights noted in clause 15.4 of the Investor's Agreement. The shares beneficially owned by the individual investors in each investee company will be held in a single nominee account (so for administrative purposes, the Fund will be treated as one investor rather than as many), and the Nominee will usually have the right to vote these shares as a block.

The Fund will make investments in start-up and early-stage technology companies. Such companies are notoriously high risk and there are many reasons why such companies may fail. The technology may not work as expected. The market for the product may not be as great as hoped. Patents may not be granted or may be disputed. It may be that the market is only prepared to pay a price which makes the business unprofitable. It may be that other and better products are developed and launched by competitors that cause the investee company to fail. It may be that the company is not able to secure managers of sufficient quality. Notwithstanding, it is also the case that investments in start-up technology companies can offer very attractive returns when things go well.

It should be noted that the rates of tax, tax benefits and allowances described in this document are based on current and proposed legislation and HM Revenue & Customs practice which may change from time to time and are not guaranteed.

Personnel

Lucius Cary, founder and managing director of Oxford Technology Management Ltd has been making and managing investments in start-up and early-stage technology companies since 1983. He has made and managed more than 100 such investments through a total of ten funds, the latest of which is the Oxford Technology Enterprise Capital Fund. Full CV, page 16.

Andrea Mica has also specialised in making and managing investments in technology start-up companies and has a good track record of generating substantial capital gains from these investments. Full CV, page 18.

Track Record

OT(S)EIS made its first investment in 2012, and, by June 2020 had made investments in 41 companies. Each quarter, a detailed report is produced for investors which has a page of information on each investee company. While past performance is no guide to future performance, there is no better way of getting a feel for the way OTM works, the type of investments which it makes, and how these investments have done so far, than by reading the most recent of these reports which can be downloaded from www.oxfordtechnology.com

A Combined SEIS /EIS Fund

The HMRC rules say that investors may invest up to £150,000 as an SEIS investment in a qualifying start-up company. However, the company may then take in additional capital from EIS investors who would then receive the normal EIS tax advantages.

Experience shows that it is vital that early investors in start-up technology companies are able to support their investee companies with additional investment as they grow and develop. Early investors who are not able to do so are sometimes badly damaged by the actions of later investors who then end up with most of the gain in the company in spite of the fact that the risks were lower at the point when they invested.

Therefore, subscriptions to OT(S)EIS will be invested over a three-year period from the date of investment. **This means that investors in this Fund do not receive the tax benefits in the year in which they invest in the Fund, but that these benefits are received over the three year period following the date of their investment.**

Investment Policy

OT(S)EIS will invest in start-up and early-stage technology companies, in general within an hour's drive of Oxford. Oxford Technology Management is based on the Oxford Science Park, and the reason for the geographical constraint is that OTM will be actively involved with investee companies to help them to succeed. Technology start-up companies are usually created to exploit a new invention, often developed in a university, and the scientists who made the invention will usually be actively involved in the company, often leaving academia to become involved full-time with the new company. But although these scientists may be brilliant, they are unlikely to have had much experience in operating a business. So, especially in the early days and while the key decisions about business strategy and pricing policy etc are being taken, Oxford Technology will be actively involved to help. Experience has shown that such help can be given much more effectively by having short but frequent meetings, rather than formal quarterly or monthly Board Meetings. By having frequent face to face meetings, issues can be discussed and in many cases concerns dealt with before they become problems. If the Managers of OT(S)EIS are not able to address a particular issue themselves, it is likely that they will know someone locally who can help. Oxford Technology is likely to be involved to help with the selection of key staff. As the number and quality of staff in a company increases, Oxford

Technology is likely to be relatively less involved, but will continue to monitor the investment and be available to help when required.

The Fund was established in 2012 and has been up and running since then. Investors may invest at any time (min investment £15,000).

The intention is that each investment made will be allocated pro rata to all eligible investors in the Fund. So until each investor has reached their allocation of SEIS investments, each new SEIS investment will be allocated pro rata to these investors. The Manager will have absolute discretion as to the precise allocation of each investment among the investors in the Fund. But all investors in OT(S)EIS should end up with a portfolio of SEIS and EIS investments in high risk but high potential start-up and early-stage technology companies near Oxford.

Lucius Cary has invested more than £250,000 in OT(S)EIS and Andrea Mica has also personally invested in the fund. They will therefore have similar financial interests to those of all other investors.

We believe that investors should view an investment in OT(S)EIS as having the following characteristics:

1. There are very large tax benefits which will accrue from an investment in this Fund. But these benefits will not be obtained in the first tax year, as is the case with some other EIS funds, but will instead accrue only when investments are made by the Fund.

2. The income tax relief will be somewhere between 50% and 30%, depending on the ratio of SEIS to EIS investments. It is likely to be closer to 30% than 50% since it is likely that most of the capital will be invested in EIS companies. This tax benefit may be further reduced by fees (see section on fees below). The tax benefits will be greater still for those with capital gains tax to defer or eliminate.

The benefit to investors in OT(S)EIS is that because the Fund will be able to follow its initial investments in start-ups with additional investments to help them to grow and develop, the investee companies will be more successful and the Fund will end up with larger shareholdings in more successful companies. Therefore the eventual returns to investors in the Fund should be greater and are likely to be in the form of capital gains and so tax free.

3. The risks associated with each individual investment and especially in each SEIS investment will be extremely high. Investing in start-up technology companies is notoriously among the highest risk forms of investment. The technology may not work as expected, the market may not develop as hoped, competitors may emerge with even better technology, the patent applications may not be granted, the founders may not be good managers, and so on. On the other hand, both of the Managers have had a great deal of experience of making and managing investments in start-up technology companies and both have had many successful investments in which the returns have ranged up to more than 40 times the cost of the investment. So although the risks are very high, the returns can also be high. (See also Risk Factors on page 7)

4. Investment in OT(S)EIS should be seen as a long-term investment. While it is possible that exits from technology companies can be achieved quite quickly, and sometimes before sales are achieved, it is more likely that exits will be achieved in a 5-12 year timescale.

Portfolio Planning

All investors in OT(S)EIS should end up with a portfolio of at least ten SEIS and EIS investments in high risk but high potential start-up and early-stage technology companies near Oxford.

The intention will be to invest approximately 1/3 of the capital invested by each investor in OT(S)EIS in SEIS investments during the first year from the date of the initial investment in the Fund. However, this can only ever be an objective – we cannot know in advance how many good investment opportunities there will be.

The capital of each investor will, notionally, be divided into three equal parts, with 1/3 to be invested in each of the first three years. If possible, the 1/3 which is invested in the first year will be invested in SEIS investments. We cannot guarantee this as it depends on the investment opportunities available. Each new SEIS investment will be allocated pro rata to all investors in the Fund who do not yet have 1/3 of their capital in SEIS investments. If it is not possible to invest 1/3 of the capital in good SEIS investments in the first year, then SEIS investments will continue to be allocated pro rata until 1/3 of the initial capital of each investor has been invested in SEIS investments.

However, it is likely that there will also be some EIS investments in the mix. EIS investments in the first year are likely to arise for two reasons:

1. An SEIS investment of £150,000 performs particularly well and needs to raise further capital for expansion. OT(S)EIS would wish to participate in this fundraising and so would wish to make an EIS investment.
2. An existing investee in the OTM portfolio presents a particularly good investment opportunity. OT(S)EIS would want to be able to take advantage of this opportunity.

It is better to make an EIS investment in a good opportunity than to make an SEIS investment in a bad opportunity, solely because of the better tax breaks associated with SEIS investments.

After this is achieved, all further investments will be in EIS investments, many of which will be to support earlier SEIS investees which are developing well. This is the key point – the tax breaks associated with SEIS investments are very good, but experience shows that the investments are unlikely to show a good return for the early shareholders unless these same shareholders have the ability to invest further in these businesses as they develop.

Allocation of Investments

The proposed investment allocation will depend on the amount of capital raised in each year and on the distribution of SEIS and EIS commitments.

The Manager will have absolute discretion as to the precise allocation of each investment among the investors in the Fund at the time each investment is made. The intention, to the extent that this is mathematically possible, is that each investment made will be allocated pro rata to the capital available for the class of investment (SEIS or EIS) to each investor in the Fund at the date the investment is made.

Deal Flow

Oxford Technology Management has been making and managing investments in start-up technology companies for more than 25 years. Since 1995, it has been based in the Magdalen Centre on the Oxford Science Park. Lucius Cary, founder and Managing Director of OTM, has spent much of his life in Oxford. His grandfather lived in Oxford, he went to the Dragon School in Oxford, he later went to Trinity College Oxford

and obtained a degree in Engineering Science and Economics, and since 1995, has been based in Oxford and making investments in technology start-ups almost all close to Oxford.

This means that Oxford Technology Management is an integral part of the many networks which exist in Oxford, both formal and informal. The majority of scientists or others who are considering starting a technology business in Oxford are referred to OTM as a possible source of investment.

OTM typically receives about 2,000 approaches each year from companies seeking capital. Most of these will be non-starters, but each year there are typically about 100 potential investments which meet the initial criteria, so that they will be start-up or early-stage technology companies seeking SEIS investment within reasonable driving range of Oxford.

When investees in the portfolios of earlier Oxford Technology funds seek capital, these will also become possible investments for OT(S)EIS. But OT(S)EIS will only make such investments if they are judged to offer the opportunity for an excellent financial return for OT(S)EIS (see Conflict of Interest Policy).

SEIS Taxation Summary

The Government has recognised that it is vital for the long-term health of the UK economy that entrepreneurs are able to raise capital to start and grow new businesses which will provide wealth and employment in the future.

Under the SEIS scheme, investors receive the following tax advantages for investments in start-up companies which are raising less than £150,000:

- 50% tax relief against income tax on the initial investment.
- Tax on a half of a capital gain is cancelled where the gain is invested in SEIS shares (not merely deferred but cancelled).
- No capital gains tax payable when the investment is sold.
- If the investee company fails, even if had yet to commence trading but provided it had a clear intention to do so, the ability to write off the net amount invested (after deducting any income tax relief obtained on investment) against income tax.
- Business Property Inheritance Tax Relief - after 2 years the shares may be passed to heirs without forming part of an estate, and the heirs pay no capital gains tax if these shares are sold.

Investors may use these reliefs in combination. *It is possible to treat the shares as having been issued in the previous year and claim relief in that previous year.*

Example: An individual investor with income tax of £25,000 to pay and capital gains of £100,000 in the 2020/2021 tax year on which tax of £20,000 at the 20% rate is due to be paid invests £10,000 in an SEIS qualifying company in 2020/2021.

Shares treated as acquired in tax year:	2020/2021
Investment	£10,000
Income tax bill reduced by 50% of this	£5,000
Capital gains reduced by	£5,000
Reduction in capital gains tax at 20% rate	£1,000
Net cost of investment	£4,000

Provided the investee company has spent 70% of the money invested or has started or intended to trade but fails, tax relief against income tax may be claimed on the £5,000 (that part of the initial investment which was not relieved against income tax - not on the £4,000 net cost).

For a 45% tax payer this relief is worth £2,250

For a 40% tax payer this relief is worth £2,000

For a 20% tax payer this relief is worth £1,000

So for a 45% taxpayer with capital gains tax to pay, the total loss on the investment of £10,000 would be reduced to £1,750.

EIS Taxation Summary

Under the EIS scheme, investors may receive the following tax advantages for investments in qualifying businesses of up to £1 million in any tax year.

- 30% relief against income tax on the initial investment.
- Deferment of capital gains tax liability up to the full amount of EIS investment. For these purposes, investors have the option to regard the investment as having been made one year earlier than was actually the case (and so in an earlier tax year.)
- Full capital gains tax relief on investments held for a minimum of three years.
- If the investee company fails, *even if had yet to commence trading* but provided it had a clear intention to do so, the EIS scheme allows investors to write off the net amount invested (after deducting any income tax relief obtained on investment) against income tax.
- Business Property Inheritance Tax Relief - after 2 years the shares may be passed to heirs without forming part of an estate, and the heirs pay no capital gains tax if these shares are sold.

Investors may use these reliefs in combination. *It is possible to treat the shares as having been issued in the previous year and claim relief in that previous year.*

Example for investment made in 2019/2020:

EIS investment	£10,000
Income tax relief	£3,000
Capital gains tax (at 20%) deferral	£2,000
Net cost of investment	£7,000

The investor may treat this investment as having been made in the 2018/19 tax year and claim the reliefs in this tax year or regard it as having been made in the 2018/19 tax year, at his option. If the investment fails, loss relief may be claimed on the £7,000 at the top rate of tax paid by the investor. So, for a 45% taxpayer, the loss relief would be £3,150, ($£7,000 \times .45$) reducing the loss on the investment to £3,850.

The take home message is that the EIS tax reliefs are generous. The government is serious about wishing to encourage investors to invest in early-stage companies. Please see HMRC documents for full details of EIS tax schemes. Please also note that due to the fees charged, if *all* the investments were to fail even investors with capital gains to pay would make an overall loss.

SEIS relief is granted 4 months after the commencement of trade by the investee company or after at least 70% of the investment has been spent for the purposes of the qualifying business activity for which it was made. EIS relief is granted 4 months after the investment is made or upon the commencement of trade by the investee company if later. It typically takes HMRC two months to process applications so that an investment which is made in March may not receive the relevant SEIS3 or EIS3 form from HMRC until September. Investors will be sent their SEIS and EIS forms to enable them to claim their tax reliefs as soon as OTM is granted permission to issue them by HMRC.

Co-investment Opportunities

Start-up technology companies typically raise capital as they grow and often the amount of capital raised at each round will rise. So, for example, OT(S)EIS might invest £150,000 in an SEIS investment in a start-up technology company. The purpose of the investment might be to build a prototype of a device. Then, six months later, assuming the prototype had worked so that there were now customers wishing to place orders, the company might seek to raise £500,000 to build the first units for sale. OT(S)EIS might wish to invest £250,000 of this, bringing its total investment in this company to £400,000, but might not wish to invest more than this, since this would mean that too large a percentage of the Fund was in a single investment. So, in this situation, OTM and the company would need to find other investors to provide the balance of the investment required.

Therefore, OTM will contact all investors to ask whether they would like to make a co-investment with the Fund. Those who would like to consider making a direct investment will then be sent a business plan and offered the chance to meet the managers of the company concerned and to ask questions. Making direct investments in individual companies carries a higher risk than investing in OT(S)EIS which spreads the risks over many investments. We have done this before, in earlier Oxford Technology funds, and it has worked well for all parties, so with an investment in the OT(S)EIS Fund will come the opportunity of making direct EIS investments.

Fees

The Manager will charge fees for managing the Fund as follows:

Initial fee: There will be a 1% initial fee (which may be passed on to the introducing IFA as a commission where appropriate).

Management fee: Years 1-3, an annual management fee of 2% of the initial gross capital invested in the Fund. Years 4-7 an annual management fee of 1.5% will be accrued but only paid out of proceeds from exits. Year 8 onwards no annual management fee.

Custodian's fee: There will be a custodian's fee of 0.15% + VAT per annum (NB When the fund started, this fee was 0.35%, but it was reduced to 0.15% + VAT pa from January 2017.) There is also a receiving agent fee of up to £25 + VAT on each subscription.

Any interest earned on uninvested capital will be used towards paying these fees. These fees will cover all the costs associated with running the Fund including making and managing the investments, the substantial administrative costs associated with managing the information and producing the forms necessary to enable investors to reclaim the various SEIS and EIS tax reliefs.

OTM expects to be actively involved with the investee companies to help them to achieve their business objectives and will charge investee companies a fee for this service, to be negotiated on a case by case basis. Sometimes there may also be an arrangement fee to contribute to the cost of helping arrange finance for a company and helping to find other investors. For the avoidance of doubt any fees charged to investee companies will not form part of the annual fees charged to investors.

The annual fee should be seen as a cost which enables investors to acquire a portfolio of SEIS and EIS investments which are being actively managed and helped, and which will bring total income tax reliefs which should be between 30% and 50% of the capital invested (i.e. larger than many years of the annual fee). For those with capital gains, the tax benefits will be greater still. All gains that then arise from the sales of these shares at a later date will be tax free.

The selection and nurturing of investments of this type is not simple but some feel may be obtained for the skills required by reading about previous investments by the Managers. (But please note, past performance is no guarantee of future performance; the risks are real).

Performance fee: A performance fee will be calculated on the following basis: when the returns, net of all fees, are such that a notional investor in the Fund who is a 40% income tax payer with no CGT to offset has received back £1.20 (after all fees and taking into account the maximum SEIS and EIS income tax relief available to them) for each £1 invested in the Fund, 20% of all future payments to all investors in that tax year above this will be paid to OTM as a performance incentive.

Reporting

OTM sends a personalised email report following the end of each quarter (Mar, Jun, Sep, Dec) to all investors giving information about all the investments in the fund. There is also a schedule for each individual investor with details of exactly how much has been invested on their behalf in each investee and whether the investment was an SEIS or EIS investment. The reports will contain valuations prepared by OTM in accordance with EVCA guidelines.

Staffing, Roles & Responsibilities

Each of the two Managers, Lucius Cary and Andrea Mica are involved in sourcing, evaluating, investing, helping and exiting investments. The two Managers will work closely together, based in Oxford Technology Management's office on the Oxford Science Park. Investment decisions will only be made with the approval of both Managers. OTM is also responsible for general administration.

Custodial and Administration functions relating to the register of shareholders in OT(S)EIS will be provided by Woodside Corporate Services Limited. Woodside Corporate Services plc will act as the custodian for clients of OT(S)EIS and maintain the list of shareholders in the Fund and details of the investments held by each investor, and the amount of cash which they have available for investment.

Conflict of Interest Policy

OTM has developed the following policy to manage situations of conflict of interest. The largest potential conflict relates to the decision to invest, and the subsequent investment terms, relating to a portfolio company of an earlier OTM managed fund.

1. Conflict will be openly identified and addressed in investment proposals.
2. Oxford Technology Last Minute 2020 EIS Fund will only invest in earlier OT(S)EIS investments if the investment is considered to be a sensible investment, offering a good risk/reward profile in its own right. Each investment is made on the basis of what is considered to be fair value at the time of the investment, and in most cases, there are also new investors investing at the same time and so setting the valuation.

As an example of this policy in practice, in 2006 Oxford Technology 4 VCT invested £100,000 in Meciria, a start-up company founded by an engineer who sought to design and build a better directional drilling tool for the oil industry. OT4 was the only investor at the time. Had this investment been made by OT(S)EIS it would have been a SEIS investment and investors would have received back 50% of the investment against tax and also up to an additional 28% as a reduction in capital gains tax.

Meciria developed, grew and raised additional capital as it did so. OT4 invested part of the extra capital, and other co-investors were sought, including two US investors from the oil/drilling industry, and also some individual investors in OT4, who were on the register of investors. In 2008, the £30m Oxford Technology Enterprise Capital Fund became operational, run out of Oxford Technology's offices in the Science Park,

and OTECF then made investments in Meciria alongside OT4 and later, with its greater capital, on its own. By December 2011, OT4 had invested a total of £515,000 and OTECF a total of £1.5m. In February 2012, Meciria was sold and OT4 received £2.2m and OTECF £9.4m in cash as initial payments. Had this investment been made by OT(S)EIS, these gains would have been tax free.

CVs

Lucius Cary - Curriculum Vitae, March 2012

Born, 15 February 1947. Married with four children.

EDUCATION

1960-65 ETON

Open scholarship to Oxford, won tennis singles, chess team. 10 O levels, 4 A levels (Economics, Maths, Physics, Chemistry). Became OS. Pop.

1965-66 ATOMIC ENERGY RESEARCH ESTABLISHMENT, HARWELL
Student apprentice, industrial scholarship to Oxford. Editor of 'Harwell Apprentice'.

1966-69 TRINITY COLLEGE, OXFORD
Degree in Engineering Science and Economics (Class II)
Played real tennis for university, skied for 2nd team.

1969-71 HARVARD BUSINESS SCHOOL
MBA with distinction. Won squash competition.

Summer 67 STANFORD RESEARCH INSTITUTE, CALIFORNIA
Project in post-attack recovery - how the US should organise its economy in the event of a nuclear attack. I was a small cog in this large research project.

Summer 68 ATOMIC ENERGY RESEARCH ESTABLISHMENT, HARWELL
Project to design a test rig for a target holder able to manipulate and cool a target in a high vacuum in a beam line from the Variable Energy Synchrotron.

Summer 70 USM CORPORATION, BOSTON
Analyst in research department, looking at commercial potential of new processes.

CAREER

1971-72 HANSON TRUST
Adviser to chairman of the Agricultural Division.

1972 – present OXFORD TECHNOLOGY MANAGEMENT LTD
Managing Director

In 1972, I decided to start my own business and experienced at first hand the difficulties of raising capital for a start-up. At the time, I had a student loan to repay and no capital to contribute. Having been turned down by the only two venture capital companies which existed at the time, I eventually raised £26,000 of capital from what today would be called four business angels by means of an advertisement in the Financial Times to found Oxford Technology Management Ltd, of which I have been the Managing Director and majority shareholder ever since. (Originally the company was called Grillcastle Ltd - the shelf company name, but changed its name in 1986 to the then more meaningful Seed Capital Ltd, in 1986, and then to Oxford Technology Management Ltd in 2006.) The original plan was to create a chain of five American Hamburger restaurants in five years (this was before McDonald's had arrived) and then to sell the chain to purchase an engineering company. The initial capital was used to open the first restaurant in Bristol. I did everything myself: cooking, buying food, employing the staff, paying the wages etc. It was hard work – 14 hours per day, 7 days per week. A second was

opened in 1975, and a third in 1977. The expansion was financed from internally generated funds, and without bank borrowing. By the time there were three restaurants, I had set up a management structure; each restaurant had its own manager and I had time to spare and an income.

1978 VENTURE CAPITAL REPORT

Managing Director 1978 - March 1996

Chairman March 1996 – Dec 2003

In 1978, I founded Venture Capital Report, in which OTM originally owned 60%, in order to enable entrepreneurs wishing to raise capital to be able to approach several hundred investors simultaneously, rather than just the 10 who had answered my ad in the FT. This represented a diversion from my original plan, but I felt that it would be worthwhile and it quickly came to absorb all my time. I was the managing director for 17 years from 1978 - March 1996 when I became Non-Executive Chairman. The restaurants were sold at a substantial profit in 1980, 1981, and 1984. I sold my shares in VCR in 1995/96 but remained Chairman until 2003.

Mrs Thatcher was a supporter of VCR since she too wished to create a more enterprising culture in the UK, and she used to invite me to Downing Street to meet her various Chancellors during the 1980s.

Through running VCR it became apparent that the projects which were the most difficult to finance were those requiring small sums (£20,000-£40,000) for start-up and early-stage technology companies. Few investors could understand the science, and these businesses were too risky for individuals and too small for institutional investors, but many of them seemed to me worthy of funding. Therefore I established a seed capital fund, Seedcorn Capital in 1983, with capital provided by the UKP-EA Growth Fund, a larger venture capital company. I ran this in parallel with VCR and the two activities fitted very well together. I have since raised and managed the following Seed Capital Funds which, between them, have made more than 100 investments in start-up and early-stage technology companies:

1983	SEEDCORN CAPITAL LTD,	£125,000	5 investments
1986	SEED INVESTMENTS LTD	£375,000	8 investments
1988	SEED INVESTMENTS II LTD	£500,000	11 investments
1991	SEED INVESTMENTS III	£875,000	13 investments
1995	3i-backed fund, known internally as SEED INVESTMENTS IV		3 investments
1997	Oxford Technology Venture Capital Trust	£5m	20 investments
2000	Oxford Technology 2 VCT	£6m	26 investments
2000	Surrey University Seed Fund	£1m	3 investments
2002	Oxford Technology 3 VCT	£5m	23 investments
2004	Oxford Technology 4 VCT	£10m	20 investments
2008	Oxford Technology Enterprise Capital Fund	£30m	20 investments
2012	Oxford Technology Combined SEIS & EIS Fund	£4.4m	23 investments to date
	<i>This fund remains open for investment</i>		

In almost all cases, the investees are within an hour's drive and Oxford Technology Management gets actively involved to help investees. The scientists may be Nobel laureates, but few of them will have completed a VAT return before, or negotiated a contract with an American company. NB. Many of the investments above are common to more than one fund. So one fund makes the initial investment, and provided it is a good investment opportunity in its own right, a subsequent fund will invest in the same company to support its growth. So Oxford Technology has invested in fewer companies than might be implied by the numbers of investments above.

GENERAL

I was the author of the book 'The VCR Guide to venture capital in the UK and Europe', which ran to 10 editions, and also of the book 'Lucius Cary's Guide to Raising Capital for the Smaller Business'. I have a well-equipped workshop which I inherited from my father, who made harpsichords as a hobby, and occasionally make parts for investee companies. I was awarded the OBE for services to business in 2003. I am currently the "entrepreneur in residence" at the SAID business school in Oxford and give advice to students about their proposed start-up businesses and also give occasional lectures.

Sylva Foundation - Trustee

I am a trustee of the Sylva Foundation, a charity founded by Sir Martin and Lady Wood, whose aim is to promote the better management of woodlands and the use of timber in a sustainable way. The foundation has converted a large old agricultural building near Oxford, which is now known as the Wood Centre. This houses several businesses which work in wood and will in due course provide woodworking apprenticeships etc.

Andrea Mica - Curriculum Vitae, March 2012

DOB: 4 January 1968

Education

1985-1990	Delft University of Technology	<i>MSc in Industrial Design Engineering – specialization in Management of New Product Development</i>
1990-1991	State University College of NY at Buffalo	<i>Graduate study in Innovation and Creativity</i>

Career

1991-1992	Netherlands	Innovation Consultant <i>Worked with a start-up organization called the National Idea Line. Developed and ran the idea evaluation and development process. Also provided problem solving sessions for Dutch companies and organizations</i>
1993-1996	D'Appolonia, Genoa, Italy	Project Engineer on European Space Agency Technology Transfer Programme <i>Visited space technology companies, assessed their technologies and promoted them to non-space companies. Involved in setting up licensing arrangements and distributorships. Managed the Spanish consortium partner.</i>
1996 - 1998	JRA Aerospace, Marlow	Project Engineer on European Space Agency Technology Transfer Programme <i>Continued work on the same project, but with a focus on UK and Scandinavia. Dealt with over 100 diverse technologies, mostly engineering but also health related devices. Arranged a Russian Technology match making seminar involving 150 UK companies in London Cardiff and Birmingham.</i>
1999 - 2003	CFB, Keronite, Intellikraft	Technology Analyst, Director <i>Jointly with the founders I selected the technologies in</i>

which to invest, and devised strategies for the companies we formed around the technologies. I then acted as business development for the companies, until we had recruited full time staff for each company. I concluded the first deals for Keronite and Intellikraft. I subsequently raised money for Intellikraft and helped establish the company in the UK.

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|-----------|--|--|
| 2004-2005 | Oxford University | Enterprise Fellow
<i>I worked alongside ISIS, concentrating on technologies related to the activities of the University Begbroke Science Park, namely, transport, materials and energy.</i> |
| 2005-2009 | IP2IPO Plc, IPGroup Plc, Surrey NanoSystems, Acsian, Oxford catalysts, Oxtox Ltd. | Physical Science Executive, Partnership Director
<i>I worked with the university tech transfer offices helping identify and develop businesses based on the technologies available. My role extended beyond creating investible propositions to acting as a director on the board of the companies on behalf of IP Group. I was called in to assess or contribute to physical science technologies from across our partnerships.</i> |
| 2004 | - Oxford Creativity | Consultant
<i>Throughout the period I have worked with Oxford Creativity, providing training and technical problem solving skills to blue chip companies. This usually involves going into companies cold getting to the heart of their technologies and helping them find solutions to problems or spot opportunities that have been eluding them for many years.</i> |
| 2009 | Royal Society Enterprise Fund | Consultant
<i>I worked part time to help establish procedures and get the first investments analysed and taken through the process. I trained up a young scientist to help run the fund.</i> |
| 2009- | Surrey University | Consultant
<i>Since 2009 I have invested my time in helping to develop and commercialize a new prostate and bladder cancer diagnostic. I have established commercial interactions with the top 5 diagnostic companies in the world and 2012 might see the first clinical applications.</i> |
| 2009 - | CleanSteel Ltd | Co-Founder
<i>Established CleanSteel with Paul Gunn and set about developing a machine to recycle a waste product from the tyre industry. We knew we had customers and suppliers from the start and the first generation machine is now regularly achieving break even productivity.</i> |

General

I enjoy squash, rowing a whaler and cycling. I have been providing feedback on entrepreneurial projects to MBA and EMBA's at Said Business School. I am passionate about seeking out innovative ideas and helping them to get off the ground and to have an impact.

Appendix 1: Investment Management Agreement

This Agreement sets out the relationship between the Investor and the Manager in respect of the Investor's application to invest through The Oxford Technology Combined Seed Enterprise Investment Scheme / Enterprise Investment Scheme Fund (OT(S)EIS) in a portfolio of SEIS and EIS Qualifying Companies. Upon acceptance by the Manager of a duly completed and signed Application Form, Investors appoint any director of the Manager to execute the Agreement on their behalf. It will constitute a binding agreement between the Investor and the Manager in respect of the Manager's discretionary portfolio investment management of the assets of the Investor's that form part of the Fund.

1. Definitions

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

the Act Financial Services and Markets Act 2000;

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

Application Form an application form to invest in the Fund completed by the Investor in the form provided by the Manager;

Appropriate Cash Retention in respect of the Fund, a retention of cash to meet fees, costs and expenses of the Fund as determined to be appropriate by the Fund Manager;

Closing Date a date on which an Investor's Application Form is accepted by the Manager for participation in the Fund;

Cost of Investments in respect of the Fund, the amounts of the Subscriptions which are invested in Investments for the Fund (i.e. not including any fees, expenses or commissions which are deducted from Subscriptions or any cash of the Fund);

Custodian means Woodside Corporate Services Limited;

Custodian Agreement means the agreement between the Manager and the Custodian, by which the Custodian will provide custodian and administration services to the Manager and, through it, to the Investors in relation to their Investments through the Fund;

EIS the Enterprise Investment Scheme as set out in the Taxes Act;

EIS Qualifying Company a company which is a qualifying company for the purposes of EIS;

EIS Relief relief from income tax, and deferral of capital gains tax under EIS;

FCA Rules the rules contained in the FCA's Handbook of Rules and Guidance;

FCA Financial Conduct Authority;

FCA Rules means the rules contained in the FCA Handbook of Rules and Guidance;

Fund The Oxford Technology Combined SEIS/EIS Fund which will make investments on behalf of investors in a portfolio of SEIS and EIS Qualifying Companies;

Initial Charges and Set up Costs in respect of the Fund, any charges, fees, commissions and expenses which accrue in the course of establishing the Fund from 1 January 2012 until the closing date of the Fund;

Investee Companies are SEIS Qualifying and/or EIS Qualifying companies in which the Fund will invest;

Investment an investment acquired by the Manager on behalf of investors through the Fund;

Investment Objective the investment objective for the Fund as set out in Investment Policy on page 10 of the Information Memorandum;

Investor a person whose Application Form is accepted and who becomes an investor in the Fund;

IPO Initial Public Offer;

Launch Period in respect of the Fund, the period from launch of the Fund to the first Closing Date;

Manager Oxford Technology Management Limited, which is authorised and regulated by the FCA, or such other manager as may be appointed;

Nominee means WCS Nominees Limited or such other nominee as may be appointed by the Custodian from time to time to be the registered holder of Investments;

Non-Readily Realisable Investments means investments which cannot be easily realised and which may also be difficult to price;

OT(S)EIS Fund means Oxford Technology Combined Seed Enterprise Investment Scheme and Enterprise Investment Scheme Fund;

Portfolio (a) an Investor's Subscription; plus (b) all the investments made through the Fund which are allotted to the Investor; plus (c) all income and capital profits arising from such investments. Where an Investor makes more than one Subscription (i) all Subscriptions made within a single period which falls between two Closing Dates shall be regarded as part of the same Portfolio; and (ii) Subscriptions which are made within periods which fall between three or more Closing dates shall be regarded as separate Portfolios of that Investor and part of separate Sets;

Readily Realisable Investment a Government or public security denominated in the currency of its issuer or any other security which is:

- admitted to official listing on an exchange in an EEA State,
- regularly traded on or under the rules of such an exchange, or
- regularly traded on or under the rules of a recognised investment exchange or (except in relation to unsolicited real time financial promotions) designated investment exchange,
- or a newly issued security which can reasonably be expected to fall within the categories above when it begins to be traded, but for the avoidance of doubt excluding any security which is traded on AIM, Plus Markets (formerly OFEX) or ShareMark or is unquoted;
-

SEIS Qualifying Company a company which is a qualifying company for the purposes of SEIS;

Services the services provided under Clause 4 of this Agreement;

Set Portfolios created from Subscriptions accepted by the Manager on or before the same Closing Date;

Subscription a subscription to the Fund pursuant to Clause 3 of this Agreement;

Tax Advantages the various tax advantages, including SEIS Relief and EIS Relief, arising from subscriptions for shares in SEIS and EIS Qualifying Companies; and

Taxes Act the Income Tax Act 2007.

- 1.2 Words and expressions defined in the FCA Rules which are not otherwise defined in this Agreement shall, unless the context otherwise requires, have the same meaning in this Agreement.
- 1.3 Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules and regulations as from time to time amended, re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.
- 1.4 References to the singular only shall include the plural and vice versa.
- 1.5 Unless otherwise indicated, references to Clauses shall be to Clauses in this Agreement.
- 1.6 Headings to Clauses are for convenience only and shall not affect the interpretation of this Agreement.

2. Investing through the OT(S)EIS Fund

- 2.1 By signing the declaration contained in the Application Form, the Investor agrees to be bound by the terms and conditions of this Agreement.
- 2.2 This Agreement enables the Investor to invest in the OT(S)EIS Fund for which the Investor submits a valid Application Form which is accepted by the Manager, with related Subscriptions. The Manager will inform the Investor of the launch and the relevant Launch Period for the Fund and will provide an Application Form in respect of the Fund which a prospective Investor should complete if s/he wishes to invest in the Fund.
- 2.3 In respect of the Fund for which the Investor submits an Application Form which is accepted together with the Investor's Subscription(s), the Investor hereby appoints the Manager to fulfil its role in managing the Portfolio for the Investor on the terms set out in this Agreement. The Manager agrees to accept its appointment and obligations on the terms set out in this Agreement. The Investor hereby appoints the Custodian and the Nominee, through the agency of the Manager, to act respectively as administrator and nominee to the Fund on the terms of this Agreement and, as agent for these purposes, the Manager accepts such appointments on their behalf.
- 2.4 If an application is completed but not accepted by the Manager, the Manager will promptly inform the Investor and return the subscription(s) enclosed with the Application Form.
- 2.5 The Manager is regulated by the FCA in the conduct of investment business in the United Kingdom. The Investor confirms to the Manager that the Manager has classified the Investor as an elective professional client (within the meaning of the FCA's Rules) with respect to his/her Portfolio. The Investor has the right to request a different categorisation.
- 2.6 The Manager may provide the Services to the Investor on the basis that s/he is an elective professional client if:

- 2.6.1 the Manager undertakes an adequate assessment of the expertise, experience and knowledge of the Investor that gives reasonable assurance, in the light of the nature of the transactions or services envisaged, that the Investor is capable of making his/her own investment decisions and undertaking the risks involved;
- 2.6.2 the Manager has given the Investor a clear written warning of the protections and investor compensation rights the Investor may lose; and
- 2.6.3 the Investor has stated in writing, in a separate document from this Agreement, that s/he is aware of the consequences of losing such protections. Such a statement is contained in the Application Form.
- 2.7 If the Investor has been advised by an authorised intermediary who is able to advise on EIS and SEIS investments and who completes the Adviser & AML certificate within the Application Form, the Investor will be treated as having satisfied the above criteria. However, if the Investor has applied directly, s/he will have to complete the Investor & AML Certificate within the Application Form. The Manager will keep the information provided by the Investor confidential but it is important to categorise the Investor as an elective professional as required by the FCA. An application to the Fund will only be accepted from an Investor who has been categorised by the Manager as an elective professional investor.
- 2.8 Once an Investor is treated as an elective professional s/he will lose the protections applicable exclusively to retail clients under the FCA Rules. Certain of the FCA Rules will automatically be limited or modified in their application to the Investor in relation to any business carried out by the Manager and under the terms of the Information Memorandum. The schedule to the Application Form sets out the consequences of the Investor being treated as an elective professional.
- 2.9 Under the terms of this Agreement, the Investor has the right to cancel the product or service to which this Agreement applies, for a period of up to 14 days from the day on which the Manager accepts the Investor's Application Form. In order to cancel the product or service the Investor must ensure that their written instructions to cancel are dispatched to the Custodian before the expiry of the 14 day cancellation period. In the event of cancellation, the Investor may be required to pay for any services the Fund Providers have actually provided (which may include re-registration and commission charges) based on the fees and expenses in respect of the Fund, set out in Schedule 2.

3. Subscriptions

- 3.1 In respect of the Fund:
- (a) The Investor shall make a Subscription of not less than £15,000, to be invested by the Manager at the rate of approximately £5,000 per year over the next three years in a mixture of SEIS and EIS investments, at the same time as submitting their Application Form to invest in the Fund. There is no maximum subscription but SEIS Relief for an individual is limited to £100,000 per year and EIS Relief is limited to £1m per year.
- (b) The Investor may make further Subscriptions to the Fund up to and including the final Closing Date.
- (c) The Investor may not make any Subscription after the final Closing Date.
- 3.2 The Investor may make withdrawals from the Fund pursuant to Clause 15.2 below, and this Agreement shall terminate only pursuant to Clause 15.

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

3.4 The Manager reserves the right not to proceed with the Fund if the aggregate subscription is less than £3m.

4. Services

4.1 The Manager will manage the Fund as from the first Closing Date on the terms set out in this Agreement. The Manager will exercise all discretionary powers in relation to the selection of, or exercising rights relating to, Investments of the Fund on the terms set out in this Agreement including in particular the negotiation and execution of agreements and ancillary documentation relating to Investments.

4.2 The Manager will arrange for the Custodian to provide safe custody and administration services for the benefit of the Investors in relation to Portfolio Investments and uninvested cash on the terms and conditions set out in the Custodian Agreement.

4.3 The Manager will arrange for the provision of nominee services in relation to the holding of Investee Company assets with the Custodian and the Nominee.

4.4 The Investor hereby authorises the Manager (and grants to the Manager a power of attorney) to act on the Investor's behalf and in the Investor's name to negotiate, agree and do all such acts, transactions, agreements and deeds as the Manager may deem necessary or desirable for the purposes of managing the Investor's Portfolio including making, managing and disposing of Investments and this authority and power of attorney shall be irrevocable and shall survive and shall not be affected by the Investor's subsequent death, disability, incapacity, incompetence, termination, bankruptcy, insolvency or dissolution. This authority and power of attorney subject to clause 7.6 will terminate on the Investor's complete withdrawal from the Fund.

5. Investment Objectives and Restrictions

5.1 In performing its respective Services, the Manager shall have regard to and shall comply with the Investment Policy set out on page 10 of the Information Memorandum and in Schedule 1 to this Agreement.

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

(a) the need for the Fund to attract the Tax Advantages, and

(b) all Applicable Laws;

5.3 Generally, the Manager reserves the right to return uninvested cash at the end of year 3, if it concludes that it cannot be properly invested for the Investor and it considers it to be in the best interests of the Investor having regard to availability of SEIS and EIS Relief for the Investor.

5.4 All proceeds arising from the sale of shares in companies which have been investees of the Fund will be paid directly to the investors after the deduction of any unpaid fees or performance fee payments which may be due.

6. Terms Applicable to Dealing

6.1 The Investor acknowledges that the Portfolio will be invested largely or wholly in a range of unquoted securities for which there is no relevant market or exchange. Transactions in shares of such securities will be effected on the best commercial terms which can be secured by the Manager. In effecting transactions for the Fund, the Manager will act in accordance with the FCA Rules.

- 6.2 Where relevant, it is agreed that all transactions will be effected in accordance with the rules and regulations of the relevant market or exchange and the Manager shall take all such steps as may be required or permitted by such rules and regulations and/or by good market practice. All transactions in Investments will be subject to the rules and customs of the exchange or market and/or clearing house through which the transactions are executed and to all Applicable Laws so that:
- (a) if there is any conflict between the provisions of this Agreement and any such rules, customs or Applicable Laws, the latter shall prevail; and
 - (b) action may be taken as thought fit in order to ensure compliance to any such rules, customs or Applicable Laws.
- 6.3 Subject to the FCA Rules, transactions for the Portfolio may be aggregated with those of other customers, and of the Fund Providers' employees and associates and their employees. In particular, but without prejudice to the generality of the foregoing, the transactions in Investments for Investors in the Fund will be aggregated. Investments made pursuant to such transactions will be allocated on a fair and reasonable basis in accordance with the FCA Rules and endeavours will be made to ensure that the aggregation will work to the advantage of each of the investors, including the Investor, but the Investor acknowledges that the effect of aggregation may work on some occasions to the Investor's disadvantage.
- 6.4 When the Manager proposes making an investment in an Investee Company for a particular Investor and on behalf of one or more other Investors, the Manager will use all reasonable endeavours to procure that the number of shares in the relevant Investee Company to be subscribed as an investment for the said Investor's Portfolio shall, as nearly as possible, be in the proportion which the said Investor's Subscriptions bears to the total Subscriptions by all other Fund Investors. This will, however, depend on matters such as:
- 6.4.1 the timing of investments: a Portfolio of a later Set may not be invested in the same Investee Companies in which a Portfolio of an earlier Set is invested;
 - 6.4.2 variations to prevent Investors having fractions of shares: entitlements to shares will be to the nearest whole share rounded down and the aggregate of fractional entitlements may be held by the Nominee for the Fund Manager; and
 - 6.4.3 if one or more of the Fund's Investors notifies the Manager that s/he is an accountant, lawyer or other professional person who is subject to professional rules preventing them from making an investment in a particular Investee Company, then the number of shares provisionally allocated to that Investor or Investors shall not be acquired for any of their Portfolios in the Fund.
- 6.5 The Manager will act in good faith and with due diligence in its choice and use of counterparties but, subject to this obligation, shall have no responsibility for the performance by any counterparty of its obligations in respect of transactions effected under this Agreement.
- 7. Custody**
- 7.1 The Manager shall arrange for the Custodian to provide services for the safekeeping of Investments, through the Nominee, and cash in the Fund, including cash from subscriptions to the Fund and cash from the sale of shares in Investee companies of the Fund. The Custodian will be responsible for the provision of such Services to the Manager and/or to the Investors, on behalf of the Investors in the Fund on the terms and conditions set out in the Custodian Agreement.

- 7.2 Investments will be registered in the name of the Nominee and the Nominee will be the legal owner of the Investments but all such Investee Company shares in the Investor's Portfolios will be beneficially owned by the Investor at all times. The Nominee will not carry on any activity with regard to Portfolio investments except as instructed by the Manager. The Investor confirms that:
- 7.2.1 The Nominee's and the Custodian's duties shall be solely of a mechanical and administrative nature, acting in accordance with all reasonable and lawful instructions of the Manager and the Investor, from time to time, concerning the Investments;
- 7.2.2 the Nominee and the Custodian shall be in all cases fully protected in acting, or refraining from acting under the Fund and with regard to the Investee Companies, in accordance with written instructions from the Fund Manager or the Investor;
- 7.2.3 the Nominee and the Custodian shall not be under liability or responsibility to the Manager or the Investor arising out of or in relation to any failure or delay in performance of breach by any Investee Company of any of their respective obligations pursuant to the Fund's investment in them;
- 7.2.4 the Nominee and Custodian shall not be obliged to take any steps to ascertain whether any default has occurred under or pursuant to this Agreement or with regard to any Investee Company investment. The Custodian shall be entitled to assume that no such event has occurred and that each person is performing their obligations under this Agreement and with regard to the Investee Company investment until an officer of the Custodian acting in connection with this Agreement shall have actual knowledge or received express notice to the contrary in their capacity as the Investor's agent. In such circumstances the Custodian shall promptly inform the Manager and the Investor.
- 7.3 The Custodian may deliver or accept delivery of certificates and/or CREST balances on behalf of the Nominee. The Custodian accepts responsibility for holdings in the name of the Nominee and for the acts and omissions of the Nominee. The interests of an Investor are created or extinguished when the said Investor makes acquisitions or disposals in accordance with this Agreement.
- 7.4 Investments or title documents may not be lent to a third party and nor may there be any borrowing against the security of the Investments or such documents.
- 7.5 An Investment may be realised in order to discharge an obligation of the Investor under this Agreement, for example in relation to payment of fees, costs and expenses.
- 7.6 The Custodian will arrange for the Investor to receive details of any meetings of Investors in Investments and any other information issued to Investors in Investments if the Investor at any time in writing requests such details and information (either specifically in relation to a particular Investment or generally in respect of all Investments). The Investor shall be entitled, as a matter of right, to require the Nominee to appoint the Investor as its proxy to vote as the Investor may see fit at any meeting of shareholders in a company in which an Investment is held for an Investor. In the case of an Investor who is not validly appointed as the Nominee's proxy for the purposes of a meeting of the shareholders of a company in which an Investment is held for that Investor, and upon the application of the Manager to the Custodian, the Nominee may (but is not obliged to) appoint the Manager as its proxy to vote at that meeting. In the case of variations in the share capital, receipts of a notice of conversion or a proposal to wind-up, amalgamate or takeover a company whose Investments are held for an Investor:

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

If partly paid shares held for the Portfolio are the subject of a call for any due balance and no instruction is received, the Custodian may sell sufficient of the Investments to meet the call. Where instructions are sought from the Manager, the Nominee will (other than as referred to above or in accordance with any other notified procedure) only act if instructions are received and in accordance with them.

- 7.7 Where applicable, the Investor is responsible for complying with all requirements of the Takeover Code as a holder of Investee Company shares, including obligations to notify the FCA and the Takeover Panel of dealings in relevant shares during a takeover or merger.
- 7.8 Unless otherwise agreed as a result of facilities provided by the Investor's adviser, cash subscribed by the Investor will not be held in accordance with the Client Money Rules of the FCA. Such cash balance will be deposited with an authorised banking institution in the name of the Custodian and with customer trust status, together with cash balances belonging to other customers of the Custodian. The mandate for the operation of that account shall be jointly held by the Manager and the Custodian. The Custodian may debit or credit the account for all sums payable by or to the Investor (including dividends receivable in cash and fees and other amounts payable by the Investor) and make adjustments:
- in respect of sums received by the Investor otherwise than as a result of credits properly made to the account initiated by the Custodian under the Investor's Agreement;
 - or in respect of the settlement of Investments.

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

- 7.9 Interest on cash balances will normally accrue to the Manager and be credited against any fee or commission payable to the Manager.
- 7.10 The Investor confirms that in no event shall an Investment counterparty dealing with the Manager or Nominee with respect to any document signed or action undertaken for or on behalf of the Investor in accordance with this Agreement be obliged to inquire into the necessity or expediency of any act or action of the Investor, the existence or non-existence of any fact or facts which constitute conditions precedent to acts by the Investor or any act or failure to act by the Investor or as to any other matter whatsoever involving the Investor. The Investor declares that a person who deals with the Custodian and the Manager in good faith may accept a written statement signed by the Custodian or the Manager to the effect that their appointment as such hereunder has not been revoked as conclusive evidence of that fact.

8. Reports and Information

- 8.1 The Manager shall send the Investor an email report every three months (to be emailed soon after 31 March, 30 June, 30 September and 31 December), giving details of the new investments made by the Fund and brief progress reports on existing Investee Companies. In many cases there may be limited or even no financial information since such information might be confidential and commercially sensitive, so that to disclose it to a wide audience (and there will be many Investors in the Fund) would be contrary to the best interests of the Investee Company

and so contrary to the best interests of the Investors in the Fund. But the intention of the reports will be to give a true and fair report on the progress or lack of progress of Investee Companies and to give as much financial and other information as may reasonably be provided. As and when this becomes appropriate, the reports will include true and fair valuations for the Investee Companies. But Investors should note that valuing start-up and early-stage technology companies some of which may be developing their technology and may not yet have made any sales is notoriously difficult. The reports sent following the March and September quarters will also provide a link to a portfolio valuation for each Investor, prepared by the Custodian.

- 8.2 Annual Written Communication. As soon as is possible after 15 August each year, starting in August 2013, the Manager and the Custodian will send each Investor in the Fund the Annual Written Communication. This will contain all the information necessary for Investors to be able to claim their SEIS and EIS tax reliefs. EIS3 certificates are issued four months after an investment in an EIS qualifying company is made. Investors will need EIS3 certificates in order to be able to claim their EIS tax relief. Therefore, if an Investment in an EIS company were made just before the end of a tax year on 3 April the relevant EIS3 certificates might not be received until early August. Therefore the Annual Written Report will be sent as soon as is practicable after 15 August each year. The intention is that this will contain all the information in a single place which Investors will need to claim the relevant tax reliefs. The Annual Written Report will include:
- 8.2.1 A statement of the number of SEIS qualifying shares held by each Investor in each SEIS qualifying company, the price paid per share and the total sum invested and the date of the Investment.
- 8.2.2 A statement of the number of EIS qualifying shares held by each Investor in each EIS qualifying company, the price paid per share and the total sum invested and the date of the Investment.
- 8.2.3 The relevant EIS and SEIS forms for each Investment to enable Investors to claim the relevant tax reliefs.
- 8.2.4 Details of any SEIS and EIS Investments which have failed, together with such documentary evidence as may be necessary to enable Investors to claim the relevant tax reliefs.
- 8.2.5 Details of any distributions by the Fund to Investors during the relevant tax year, including details of proceeds from the sale of shares, dividends and/or any other payments.
- 8.3 Where relevant, Contract Notes will be provided for each transaction for the Investor's Portfolio.
- 8.4 The Manager and the Custodian shall supply such further information which is in its possession or under its control as the Investor may reasonably request as soon as reasonably practicable after receipt of such request.

9. Fees and Expenses

The Manager and the Custodian shall receive fees for their respective Services, and reimbursements of costs and expenses, as set out in Schedule 2 below.

10. Management and administration obligations

- 10.1 The Manager and the Custodian shall devote such time and attention and have all necessary competent personnel and equipment as may be required to enable them to provide their respective Services properly, efficiently and in compliance with the FCA Rules.

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

11. Obligations of the Investor

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

- (a) that the Investor wishes to seek SEIS and/or EIS Relief for the Investments;
- (b) that the Investor agrees to notify the Manager if any Investment by the Fund in any company is in a company with which the Investor is connected within section 163 and 166 to 177 and Part 5A (when the latter comes into force) of the Taxes Act, in which case, the Investor's Investment in such company will be redistributed across all other Investors as equitably as practically possible, and an equivalent cash amount will be recredited to the Investor's Fund Portfolio;
- (c) that the Investor agrees to notify the Manager if, within three years of the date of issue of shares in an EIS Qualifying Company or SEIS Qualifying Company which are an Investment, the Investor becomes connected with the company or receives value from such company; and
- (d) the Investor's tax district, tax reference number and National Insurance number.

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

11.3 The Investor agrees immediately to inform the Manager in writing of any change of tax status, other material change in circumstance and any change in the information provided in the Application Form to which Clause 11.1 above refers.

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

12. Delegation and Assignment

The Manager and the Custodian may employ agents including Associates to perform its Services, in which case it will act in good faith and with due diligence in the selection, use and monitoring of agents. Any such employment of agents shall not affect the liability of the Fund Provider under the terms of this Agreement.

13. Potential Conflicts of Interest and Disclosure

13.1 The Manager and the Custodian may provide similar services or any other services whatsoever to any customer and neither the Manager nor the Custodian shall in any circumstance be required to account to the Investor for any profits earned in connection therewith. So far as is deemed practicable by the Manager or Administrator, the Manager or the Administrator will use all reasonable endeavours to ensure fair treatment as between the Investor and such customers in compliance with the FCA Rules. The Manager is the manager of various other funds including the four Oxford Technology VCTs and The Oxford Technology Enterprise Capital Fund. The Manager will continue to fulfil its duties in relation to these earlier funds and, subject to the Applicable Laws, may establish further funds of any nature at any time in the future.

- 13.2 The Manager, and any Associate may, subject to FCA Rules, and without prior reference to the Investor, recommend transactions in which it or an Associate has, directly or indirectly, a material interest or a relationship of any description with another party, which may involve a potential conflict with its duty to the Investor. Neither the Manager, nor any Associate, shall be liable to account to the Investor for any profit, commission or remuneration made or received from or by reason of such transactions or any connected transactions. For example, such potential conflicting interests or duties may arise because:
- 13.2.1 the Manager or an Associate may receive remuneration or other benefits by reason of acting in corporate finance or similar transactions involving companies whose securities are for the Investor;
 - 13.2.2 the Manager may take an equity stake in a company whose securities are held for the Investor at a price not below the issue price available to the Investor (and subject to Clause 6.7), provided however, that the Manager's entitlement to the performance fee described in Schedule 2 may be structured by way of shares in Investee Companies subscribed at a price which is less than the issue price to the Investor;
 - 13.2.3 the Manager or an Associate provides investment services for other customers;
 - 13.2.4 any of the Manager's directors or employees, or those of an Associate, is or may become a director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of the Investor;
 - 13.2.5 the transaction is in securities issued by an Associate or the customer of an Associate;
 - 13.2.6 the transaction is in relation to an Investment in respect of which it or an Associate may benefit from a commission or fee payable otherwise than by the Investor and/or it or an Associate may also be remunerated by the counterparty to any such transaction;
 - 13.2.7 the Manager deals on behalf of the Investor with an Associate;
 - 13.2.8 the Manager may act as agent for the Investor in relation to the transaction in which it is also acting as agent for the account of other customers and Associates;
 - 13.2.9 the Manager may, in exceptional circumstances, deal in investments as principal in respect of a transaction for the Investor;
 - 13.2.10 the Manager may have regard, in exercising its management discretion, to the relative performance of other funds under its management;
 - 13.2.11 the Manager may effect transactions involving placings and/or new issues with an Associate who may be acting as principal or receiving agent's commission. The Manager or an Associate may retain any agent's commission or discount or other benefit (including directors' fees) that accrues to them; or
 - 13.2.12 the transaction is in the securities of a company for which the Manager or an Associate has underwritten, managed or arranged an issue within the period of 12 months before the date of the transaction.

14. Liability

- 14.1 The Manager and the Custodian will at all times act in good faith and with reasonable care and due diligence. Nothing in this paragraph 14 shall exclude any duty or liability owed to the Investor by the Custodian and the Manager under the FCA Rules.
- 14.2 The Manager shall not be liable for any loss to the Investor arising from any investment decision made in accordance with the Investment Objective or for other action in accordance with this Agreement, except to the extent that such loss is directly due to the negligence or wilful default or fraud of the Manager or of its Associates or any of their respective employees.
- 14.3 The Manager has agreed with the Custodian pursuant to the Custodian Agreement that the Custodian accepts responsibility for the holdings of Investments in the name of the Nominee and for the acts and omissions of the Nominee, provided however, that the Custodian shall not be liable for any loss to the Investor arising from any action it takes in accordance with this Agreement or the Custodian Agreement, except to the extent that such loss is directly due to the negligence or wilful default of the Custodian, the Nominee or any of their employees.
- 14.4 The Manager shall not be liable for any defaults of any counterparty, agent, banker, nominee or other person or entity which holds money, investments or documents of title for the Fund, other than such party which is its Associate.
- 14.5 In the event of any failure, interruption or delay in the performance of a Fund Provider's obligations resulting from acts, events or circumstances not reasonably within its control including but not limited to acts or regulations of any governmental or supranational bodies or authorities and breakdown, failure or malfunction of any telecommunications or computer service or systems, the Manager and the Custodian shall not be liable or have any responsibility of any kind to any loss or damage thereby incurred or suffered by the Investor.
- 14.6 Neither the Manager nor the Custodian give any representations or warranty as to the performance of the Portfolio. The Investor acknowledges that SEIS and EIS Investments in technology companies are particularly high risk Investments, being Non-Readily Realisable Investments. There is a restricted market for such Investments and it may therefore be difficult to sell the Investments or to obtain reliable information about their value. The Investor undertakes that s/he has considered the suitability of investment in such SEIS and EIS Investments carefully and has noted the risk warnings set out in the Information Memorandum about the Funds.

15. Termination

- 15.1 The Manager shall seek to sell the shares in the Investee Companies as and when suitable exit opportunities occur. The aim will be to exit from as many Investee Companies as possible as soon as possible subject to the three year minimum holding period for SEIS and EIS investments, and ideally to have exited from everything within ten years from the start of the Fund. However, exits cannot be guaranteed. In general if one seeks to sell shares in an unquoted company when there is not a natural exit event, such as flotation on a Stock Market or the sale of the company to a larger company (a trade sale), then one is likely to be offered a very low price for the shares. Therefore there will be no definite termination date set in advance for the Fund, since such a termination date might force the Manager to make exits which might not be in the best interests of the Investors.
- 15.2 However, in cases where particular companies appear to have little prospect of becoming valuable, it may sometimes be sensible to sell the shares for very little or even for zero value, in order to enable Investors to claim the additional SEIS and EIS tax relief which might then become claimable. The Investor acknowledges that there can be no guarantee as to the performance and value of Investments or the achievability or timings of realisations.

- 15.3 At some point in the future, which may be within ten years of the start date but which might be longer, a termination date of the Fund will be set and the Investors will be informed. On termination of the Fund, all shares held in the Portfolio will either be sold and cash transferred to the Investor and/or the shares will be transferred into the Investor's name or as the Investor may otherwise direct.
- 15.4 An Investor is entitled to make withdrawals of shares in their Portfolio at any time after the end of the period of seven years beginning with the date on which the shares in question were issued. An Investor is entitled to withdraw cash in their Portfolio at any time. The Manager will have a lien on all assets being withdrawn or distributed from the Fund and shall be entitled to dispose of some or all of the same and apply the proceeds in discharging an Investor's liability to the Manager in respect of damages or accrued but unpaid fees. The balance of any sale proceeds and control of any remaining Investments will then be passed to an Investor. An Investor is not otherwise entitled to make withdrawals from the Fund save in the event that the Investor's Agreement is terminated.
- 15.5 If:
- (a) the Manager gives to the Investor not less than three months' written notice of its intention to terminate its role as Manager under this Agreement, or
 - (b) the Manager ceases to be appropriately authorised by the FCA or becomes insolvent,
- the Manager shall endeavour to make arrangements to transfer the funds to another Manager in which case that Manager shall assume the role of the Manager under this Agreement, failing which the Agreement shall terminate forthwith and, subject to Clause 16, the Investments in the Portfolio shall be transferred into the Investor's name or as the Investor may otherwise direct.

16. Consequences of Termination

- 16.1 On termination of this Agreement pursuant to Clause 15, the Manager will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this Agreement.
- 16.2 Termination will not affect accrued rights, existing commitments or any contractual provision intended to survive termination and will be without penalty or other additional payments save that the Investor will pay fees, expenses and costs properly incurred by the Manager and the Custodian up to and including the date of termination and payable under the terms of this Agreement.
- 16.3 On termination, the Manager and the Custodian may retain and/or realise such Investments as may be required to settle transactions already initiated and to pay the Investor's outstanding liabilities, including fees, costs and expenses payable under Clause 9 of this Agreement, the details of which are set out in schedule 2 below.

17. Confidential Information

- 17.1 Neither the Manager, the Custodian or the Investor shall disclose to third parties or take into consideration for purposes unrelated to the Fund information either:
- 17.1.1 the disclosure of which by it would be or might be a breach of duty or confidence to any other person; or

- 17.1.2 which comes to the notice of an employee, officer or agent of a Fund Manager or of any Associate but does not come to the actual notice of the individual employees, officer or agent of the Manager or the Custodian providing services under this Agreement to the Investor.
- 17.2 The Manager and the Custodian will at all times keep confidential all information acquired in consequence of the Agreement, except for information which
- (a) is public knowledge; or
 - (b) which may be entitled or bound to be disclosed under compulsion of law; or
 - (c) is requested by regulatory agencies; or
 - (d) is given to their professional advisers where reasonably necessary for the performance of their professional services; or
 - (e) is authorised to be disclosed by the other party,

and shall use all reasonable endeavours to prevent any breach of this sub-clause.

18. Complaints and compensation

- 18.1 The Manager and Custodian have established procedures in accordance with the FCA Rules for consideration of complaints. Details of these procedures are available from them on request. Should an Investor have a complaint, they should contact either the Manager or Custodian. If the Manager or Custodian cannot resolve the complaint to the satisfaction of the Investor, the Investor may be entitled to refer it to the Financial Ombudsman Service.
- 18.2 The protections offered by the FCA to retail clients do not apply to the Fund and compensation under the UK Investor Compensation Scheme will not be available in the event of the failure of the Fund if the Investor has been categorised as a professional client under the rules of the FCA.

19. Notices, Instructions and Communications

- 19.1 Notices of instructions to the Manager and the Custodian should be in writing and signed by the Investor, except as otherwise specifically indicated.
- 19.2 The Manager and the Custodian may rely and act on any instruction or communication which purports to have been given by persons authorised to give instructions by the Investor under the Application Form or subsequently notified by the Investor from time to time and, unless that relevant party receives written notice to the contrary, whether or not the authority of such person shall have been terminated.

20. Unsolicited real time financial promotion

The Manager may communicate an unsolicited real time financial promotion (i.e. interactive communications such as a telephone call promoting EIS Qualifying Company investments) to the Investor.

21. Amendments

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

22. Data Protection

All data which the Investor provides to the Manager and the Custodian are held by them subject to the Data Protection Act 1998. The Investor agrees that the Manager and the Custodian may pass personal data to other parties insofar as is necessary in order for them to provide their

Services as set in this Agreement and to the FCA and any regulatory authority which regulates them and in accordance with all other Applicable Laws.

23. Entire Agreement

This Agreement, together with the Application Form, comprises the entire agreement of the Fund Providers with the Investor relating to the provision of the Services.

24. Rights of Third Parties

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

25. Severability

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

26. Governing Law

This Agreement and all matters relating thereto shall be governed by and construed in accordance with English Law and the parties submit to the non-exclusive jurisdiction of the English Courts.

Schedule 1: Investment Objective and Restrictions of the Fund

Investment Objective of the Fund

OT(S)EIS will invest in start-up and early-stage technology companies, in general within an hour's drive of Oxford. It is intended that all such investments will be in companies which will be qualifying companies for SEIS and/or EIS purposes. Oxford Technology Management (“**OTM**”) is based on the Oxford Science Park, and the reason for the geographical constraint is that OTM will be actively involved with Investee Companies to help them to succeed. Usually technology start-up companies are created to exploit a new invention, often developed in a university. Usually the scientists who made the invention will be actively involved in the company, often leaving academia to become involved full-time with the new company. But although these scientists may be brilliant, and future Nobel laureates, they will probably not have had much experience in operating a business. So, especially in the early days, and while the key decisions about business strategy and pricing policy etc. are being taken, OTM will be actively involved to help. Experience has shown that such help can be given much more effectively by having short but frequent meetings, in some cases maybe once each week. By having frequent face to face meetings issues can be discussed and in many cases concerns dealt with before they become problems. If the managers of OT(S)EIS are not able to address a particular issue themselves, it is likely that they will know someone locally who can.

As companies grow and develop, so they will recruit specialist staff, and after a few years, those that do well will have recruited specialists in all the key functional areas required. OTM is likely to be involved to help with the selection of key staff. As the number and quality of staff in a company increases, so OTM is likely to be relatively less involved, but will continue to monitor the Investment and to be available to help when help is required.

The objective of all Investments will be to make a large capital gain for investors in the event that the company achieves its business plan.

Investment Restrictions for the Fund

1. Each Investment shall be in a company into which the Manager has conducted appropriate investigations in order to establish whether it is a suitable potential Investee Company and in respect of which the Manager subsequently decides to invest.
2. In carrying out its duties hereunder in respect of the Fund, regard shall be had, and all reasonable steps taken, to comply with such policies or restrictions as are required in order to attract SEIS and or EIS Relief as may be prescribed by the HM Revenue & Customs from time to time.
3. In particular, but without prejudice to the generality of the above statements, the restrictions for the Fund are as follows:
 - (a) Each Investment shall be in shares of an SEIS and/or EIS Qualifying Company.
 - (b) Every SEIS investment will, once 70% of that investment has been deployed for the purpose it was raised, be followed by an EIS investment in the same company (if only of a nominal amount on behalf of all investors) in accordance with the requirements of Article 2(b)(i) of the Schedule to SI2001/1062.
 - (c) Generally, at the end of three years, the Manager reserves the right to return uninvested cash if it concludes that it cannot be properly invested for the Investor, and considers it to be in the interests of the Investor, having regard to SEIS and/or EIS Relief for the Investor.

- (d) The Fund shall not invest in excess of 30% of the Subscriptions less Initial Charges and Set up Costs in any one SEIS or EIS Qualifying Company.
- 4. The Investor acknowledges that the Portfolio will include non-Readily Realisable Investments, that there is a restricted market for such Investments and that it may therefore be difficult to deal in the Investments or to obtain reliable information about their value.

Schedule 2: Fees and Expenses in respect of the Fund

Fund Management Fees and Expenses

Initial Charges and Set up Costs

There is a 1% initial fee (which may be passed on to the introducing IFA as a commission where appropriate)

Annual Management Fee

Years 1-3, an annual management fee of 2% of the initial gross capital invested in the Fund. Years 4-7 an annual management fee of 1.5% will be accrued but only paid out of proceeds from exits. Year 8 onwards no annual management fee.

Custodians Fee

There will be a custodian's fee of 0.15% + VAT per annum (NB When the fund started, this fee was 0.35%, but it was reduced to 0.15% + VAT pa from January 2017.) There is also a receiving agent fee of up to £25 + VAT on each subscription.

Performance Fee

A performance fee will be calculated on the following basis: when the returns, net of all fees, are such that a notional Investor in the Fund who is a 40% income tax payer with no CGT to offset has received back 120% (after all fees and taking into account the maximum SEIS and EIS income tax relief available to them) of the net costs of their Investment (i.e. costs after tax benefits) in the Fund, 20% of any payments above this will be paid to OTM as a performance incentive. This calculation will not be carried out for each individual Investor, but only once to set the threshold at which the performance incentive will apply. The maximum SEIS and EIS income tax relief available to a notional Investor will represent a blend of the two reliefs according to the mix of SEIS and EIS investments actually made.

Fees from Investee Companies

Oxford Technology Management Ltd, the Manager, expects to be actively involved in helping the Investee Companies achieve their business objectives and will charge Investee Companies a fee for this service to be negotiated on a case by case basis. Sometimes there may also be an arrangement fee to contribute to the cost of helping arrange finance for a company and helping to find other investors. For the avoidance of doubt, these fees will not form part of the management fees charged to Investors.

Re-registration Fee

The Custodian will normally charge a re-registration fee of £15 per holding if an Investment is to be transferred into an Investor's own name (for example, upon termination). No charge is made for changes within the Nominee.

**There are two documents which relate to the Oxford Technology
Combined Seed Enterprise Investment Scheme and Enterprise
Investment Scheme Fund - OT(S)EIS:**

- 1. Information Memorandum**
- 2. Application Pack**

Both may be downloaded from www.oxfordtechnology.com

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