

Oxford Technology Combined Seed EIS & EIS Fund

How to apply and benefit from the Clubfinance discount

Due to the structure of this particular EIS, Clubfinance is not able to receive your application. However, we are able to introduce investors to Oxford Technology.

Applications for this product can only be made by individuals categorised as Elective Professional Clients ("EPCs"). Clubfinance is able to carry out the EPC assessment, and Oxford Technology can accept our categorisation. Please find attached an Elective Professional Client Declaration & Questionnaire for further information.

Please generate a Commission Statement for details of Clubfinance's commission for introducing investors for this product.

What to send to Clubfinance

To be introduced, you need to be a Clubfinance client, so please send the following to Clubfinance.

- A completed Clubfinance EIS Introduction Form (see next page)
- Evidence to support your payment as requested on the Clubfinance EIS Introduction Form
- A Clubfinance Elective Professional Client Declaration & Questionnaire (see following pages)
- A Clubfinance Client Declaration
- Identification documents (if you are a new Clubfinance client or have not previously supplied identification documents to Clubfinance)*

*See Clubfinance's "Identification Requirements Information" available from the 'Documentation' webpage or by clicking on the required documents icon on www.clubfinance.co.uk

Please send these to:

Clubfinance Ltd
PO Box 1036
Hemel Hempstead
Hertfordshire
HP1 2WU

We are required to provide an Identification Certificate to Woodside Corporate Services Limited as part of their anti-money laundering identification requirements and we also need to confirm to them our categorisation of you as an Elective Professional Client. Please note that if we assess that we cannot categorise you as an Elective Professional Client, your application will be returned.

What to send to Woodside Corporate Services

- Oxford Technology Seed EIS & EIS Fund application form (pre-stamped with Clubfinance's details and instructions – see end of this pdf document)
- Your cheque payable to "Woodside Corporate Services Limited OT (S)EIS Fund". Please note you must apply using a cheque and it must be drawn on a personal UK bank or building society account in your name.

Please send these to:

Woodside Corporate Services Limited
7th Floor
52-54 Gracechurch Street
London
EC3V 0EH

Please make sure that you either print the application form from this pdf, or write on your application form "**Introduced by Clubfinance Ltd**".



Please complete all the fields below in block capitals, using black or blue ink. Please remember to sign the form.

This form is only for EIS investments where, due to their structure, Clubfinance is not able to receive your application form. Clubfinance can however introduce you to the EIS provider, and you will then obtain our agreed discount.

Title:	Full forename(s):	Surname:
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Home address:
Postcode:

Telephone no.:	Date of birth:
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Name of EIS investment(s):	Amount(s) invested (£):
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Origin of funds (tick all that apply): <input type="checkbox"/> Personal savings <input type="checkbox"/> Savings & investment income <input type="checkbox"/> Earned income (e.g. salary/bonus) <input type="checkbox"/> Inheritance <input type="checkbox"/> Sale of investments / other assets <input type="checkbox"/> Compensation payment <input type="checkbox"/> Lottery / betting win <input type="checkbox"/> Gift	Origin of funds (tick all that apply) - continued: <input type="checkbox"/> Policy claim / maturity <input type="checkbox"/> Other (please specify) <hr/> Purpose of transaction (tick all that apply): <input type="checkbox"/> Investment <input type="checkbox"/> Tax planning <input type="checkbox"/> Other (please specify)
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SOURCE OF FUNDS (*payment must be from a personal UK bank or building society account in your name*)

<input type="checkbox"/> CHEQUE DRAWN FROM : *
Bank / building society:
Account holder(s):
Account number:
Sort code:

** Please send Clubfinance an original bank statement less than 3 months old (not printed from the internet), or a cheque crossed through with "VOID", to support the account used, if not previously provided.*

I confirm that I will be making the application(s) on my own behalf and not as a trustee, nominee, agent or in a fiduciary or any other capacity for any other person(s).

Signature:	Date:
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APPLICATION CHECKLIST

To send to Clubfinance Ltd (PO Box 1036, Hemel Hempstead, Hertfordshire, HP1 2WU) <input type="checkbox"/> This form <input type="checkbox"/> Clubfinance Client Declaration <input type="checkbox"/> Identification documents (if not already sent to Clubfinance) <input type="checkbox"/> Bank/building society statement (<3months old) to support source of funds (if not already sent to Clubfinance) <input type="checkbox"/> Any other documents specified on the Clubfinance cover sheet under "What to send to Clubfinance"	To send direct to the EIS provider <input type="checkbox"/> Application form(s) - clearly write "Introduced by Clubfinance Ltd" if not pre-stamped <input type="checkbox"/> Cheque(s) <input type="checkbox"/> EIS provider investor questionnaire(s) – if any <input type="checkbox"/> Any other documents specified on the Clubfinance cover sheet (Clubfinance will send an identification certificate to the EIS provider)
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WARNING: LOSS OF PROTECTIONS & INVESTOR COMPENSATION RIGHTS

As an Elective Professional Client of Clubfinance, you would lose significant rights and protections in relation to each type of investment for which you are so categorised.

- You will not be an eligible complainant, meaning that a complaint cannot be dealt with under the Financial Ombudsman Service.
- You may have no right to seek compensation from the Financial Services Compensation Scheme.
- You will lose protections applicable to retail clients afforded by various of the Financial Services Authority's or its successor's ('FSA') rules and guidance, which will not apply, will have modified application, or will be capable of modification in their application. These may include, but may not be limited to some or all of the rules and guidance relating to following areas (the FSA's rules and guidance can be subject to frequent change).
 - The 'client's best interests rule' will not apply but Clubfinance must still pay due regard to the interests of its customers and treat them fairly.
 - The requirements to disclose information before providing services do not apply, including information about Clubfinance, our services, execution venues, costs & associated charges, and information on specific types of designated investment or investment strategies (including their nature and risks).
 - The application of the clear, fair, not misleading communications rule can take account of your Elective Professional Client status.
 - Financial promotions directed at Professional Clients only, need not be clearly identifiable as financial promotions.
 - Rules on communicating with retail clients do not apply, including: inclusion of the name of the firm; the balance of presentation of risks and benefits; sufficient and understandable content; prominence of important items, statements or warnings; fair and balanced presentations of comparisons; tax warnings; consistency with other information provided; past and future performance indications; the content of direct offer financial promotions; restrictions on cold calling (however Clubfinance will not cold call you); additional requirements for financial promotions with an overseas element; and financial promotion record keeping. However, Clubfinance is still required to be clear, fair and not misleading in its communications with you.
 - Communication restrictions on Unregulated Collective Investment Schemes do not apply.
 - The requirements to disclose information about Clubfinance; our services; costs and associated charges; charges, remuneration and commission in relation to packaged products (e.g. a regulated collective investment scheme); and compensation scheme information; do not apply, although where applicable, the rules on inducements will apply. The requirement to provide a 'client agreement' does not apply to designated investment business carried on for Elective Professional Clients, but Clubfinance's Terms of Business will apply.
 - Certain provisions relating to the preparation of product information do not apply.
 - Many provisions requiring the provision of certain product information do not apply, including: information on the nature of the investment, risks, volatility, market limitations, contingent liabilities, margin requirements and similar; and prescribed product documentation for packaged products.
 - In some circumstances, you may not have the same cancellation rights as a retail client.
 - Many of the reporting requirements do not apply to Elective Professional Clients.

The FSA's rules are available on their website: www.fsa.gov.uk.

DECLARATION

I wish to be treated as a Professional Client of Clubfinance Ltd with respect to arranging investments in the following.

- EIS investments including, but not limited to: individual companies seeking EIS status, EIS funds and EIS managed portfolios, including those that are Unregulated Collective Investment Schemes.
- New issues of individual smaller company shares and managed portfolio services investing in smaller company shares.
- Unregulated Collective Investment Schemes.
- Other alternative investments.

(strike through any bullet point for which you do not wish to be so treated)

I am aware of the consequences of losing the above protections, by being categorised as a Professional Client.

I am aware that it is open to me to seek advice from someone who specialises in advising on these investments.

I am aware that I am responsible for keeping Clubfinance informed about any change that could affect my categorisation as an Elective Professional Client.

I am aware that Clubfinance must make an assessment based on the information I provide below.

SIGNED	DATE
NAME	

ASSESSMENT

For the investments for which you are seeking classification as an Elective Professional Client, Clubfinance must assess your expertise, experience and knowledge, to gain reasonable assurance that you are capable of making your own investment decisions and understanding the risks involved. Clubfinance will rely on the information you supply below, and, using this and any other information held about you as a Clubfinance customer, will determine whether to classify you as an Elective Professional Client for some or all the investments listed at the top of this document.

Investing Experience

(An investment may fall into more than one category and should be included in all applicable categories.)	No. of investments made over past year	Typical investment size over past year (£)	Total no. of investments made over a year ago
Shares on London Stock Exchange (e.g. FTSE 100, 250) excluding Venture Capital Trusts (VCTs)			
Venture Capital Trusts (VCTs)			
Shares Quoted on Alternative Investment Market (AIM) or PLUS Market (OFEX)			
Unquoted Shares			
<u>Non</u> -EIS Managed Portfolios			
Direct investment in individual EIS qualifying shares			
Approved EIS Funds			
Unapproved EIS funds / EIS managed portfolios (not including Approved EIS Funds)			
Unregulated Collective Investment Schemes (not included elsewhere)			
BPRA investments			
Other alternative investments (including, EZTs, EZPUTs and other unauthorised unit trusts, Qualified Investor Schemes, direct property investment, derivatives, CFDs, structured products <i>(please specify)</i>)			

Please describe your investment selection process: (e.g. make own investment decisions; personal recommendation by adviser; investment made on my behalf by adviser/portfolio manager)

Does your financial instrument portfolio, defined as including cash deposits and financial instruments, exceed EUR 500,000?	YES / NO
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Other relevant experience

Current profession (or former profession if retired)

Have you worked in the financial sector for at least one year in a professional position, which requires knowledge of the following?

EIS investments	YES / NO
Smaller company shares	YES / NO
Unregulated Collective Investment Schemes	YES / NO

Are you an approved person on the Financial Services Authority Register?	YES / NO
If so, please provide your Individual Reference Number:	

Have you had relevant experience of the types of investment/company listed in the tables above, for example as: Director; Adviser; Fund Manager; Corporate Financier; Consultant; Auditor; Accountant; Business Angel (and if so if you are member of a Business Angel Network). Please provide details including how recently and for how long.

Relevant qualifications

Do you have any relevant qualifications or training, e.g. degree or professional qualification?

Knowledge

How do you keep up-to-date with your technical knowledge, and changes in the market, products, legislation and regulation?

Understanding risks

Do you understand that these investments are high risk, and have fewer regulatory protections and controls compared to regulated collective investment schemes?	YES / NO
Do you understand that tax legislation is complex and subject to change at any time, and an investment could lose or fail to qualify for a particular tax treatment, which could result in loss of reliefs?	YES / NO
Do you understand that these investments can be volatile and that you could lose some or all of your original investment?	YES / NO
Do you understand that it may be difficult to obtain reliable information about these investments, and there may be difficulty in selling at a reasonable price, or at all?	YES / NO
Do you understand that these are generally long-term investments and you may not be able to exit the investment for a considerable period of time?	YES / NO
Do you understand that the charges on these investments can be very high?	YES / NO
Do you understand that unforeseen circumstances could result in the loss of your investment?	YES / NO

Any other relevant information (any other information that may be relevant to Clubfinance's assessment)



oxford
technology

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

**OT(S)EIS
Information Memorandum**

May 2012

**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 FSA.**

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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 Services Authority (“**FSA**”) and its FSA 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 7 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 us please do not hesitate to get in touch by telephone or send us an email. 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 with us. Please contact Andrea Mica or Lucius Cary by telephone on + 44 (0)1865 784466 or by e-mail to otseis@oxfordtechnology.com.

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 7.

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

Custodian: Woodside Corporate Services Limited
4th Floor
150-152 Fenchurch Street
London EC3M 6BB

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 2012/13 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, 28% relief against capital gains tax (tax cancelled, not merely deferred), 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. Please see HMRC documents or consult a tax advisor for full details and implications of the tax breaks.
EIS tax benefits:	30% tax relief against income tax, 28% deferral of capital gains tax, 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.
Importance of investing early:	The capital gains exemption portion of the SEIS tax reliefs applies only to investments made in the 2012/2013 tax year starting on 6 April 2012. And the capital gains tax relief available applies only to gains made in the 2012/13 tax year. OT(S)EIS would therefore like to begin making investments as soon after 6 April as possible. This means that the Fund needs to reach its minimum size of £3m as soon as possible and a discount of 1% from the initial fee is offered to investors who subscribe before 30 June 2012. The intention is that the majority of the investments in the first year will be SEIS investments and the shares in these companies will be allocated to the investors in the Fund at the time that the investments are made. Therefore investors who subscribe early are likely to end up with more SEIS investments in the 2012/13 tax year (and so greater tax relief) than those who invest later.
Portfolio of investments:	After three years, 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. 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 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. Now the SEIS scheme gives the most generous tax reliefs ever on such investments.
Investment Period:	The intention is to invest the Fund over a three year period, with approximately 1/3 of the capital raised being invested in each year. In the first year, the intention is to invest as much of the capital as possible 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 non-SEIS-follow-on 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, Woodside Nominees and the voting rights will normally be exercised by Woodside 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 offered the opportunity to join the register of potential co-investors. This will mean that as and when appropriate, investors will have the opportunity of directly co-investing 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 maybe 100 are possible investments, being technology companies near Oxford.

Fees:

Initial fee: 5% (of which 3% will be paid to IFAs). Discount of 1% for applications received by 30 June 2012.

Management fee:

For the first three years, an annual fee of 2% of the gross amount invested in the Fund, reducing to 1.5% of the net asset value (not to exceed the amount invested) in subsequent years.

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 0.35% annually. 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 a typical investor, defined as 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 all investors who invested at the same time 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. The reports for the quarter to March and the quarter to September will give electronic access to portfolio valuations.
2. In December each year an email report will be sent to each investor stating how much of the amount they invested in the Fund has so far been invested in SEIS and how much in EIS investments together with an estimate of how much might still be invested by OT(S)EIS in the last quarter of the tax year in SEIS and EIS investments. This will give investors who wish to invest up to their maximum allowance the opportunity to make other SEIS and EIS investments outside OT(S)EIS. For the avoidance of doubt, Oxford Technology Management is not providing tax advice; but we are providing information which may be useful to investors who wish to seek tax advice.
3. In September each year a letter will be sent to each investor which will contain a schedule of all the EIS and SEIS investments made on behalf of the investor together with all the EIS and SEIS forms necessary for the investor to claim the various tax reliefs, though please note that SEIS relief may only be claimed once an investee company has spent 70% of the SEIS monies raised, regardless of how much time has elapsed since the investee company began trading.

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 scheme 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 on page 13). 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 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 the Oxford Technology Seed Enterprise Investment Scheme/ Enterprise Investment Scheme (OT(S)EIS) should be considered as a long-term investment. By the end of the third 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.

The SEIS scheme was announced in the budget and became operational from 6 April 2012. But it will not be finally approved until the Finance Act receives royal assent, which is expected to happen in summer 2012. 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.

EIS and 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 new businesses which will provide wealth and employment in the future. Therefore the Chancellor has announced the Seed Enterprise Investment Scheme (SEIS), which became operational in April 2012. The SEIS scheme still has to be ratified in the 2012 Finance Bill. OT(S)EIS will operate under the assumption that it will be ratified.

Under this 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.
- * 100% relief against capital gains which is not merely deferred but cancelled. For this to apply, the gain must be made during the 2012 - 2013 tax year, and the investment needs to be treated as made in the 2012-13 tax year. This will be either through somebody investing in 2012-13 or by investing in 2013-14 and having that investment treated as if it had been made in the previous year.
- * 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 tax¹.
- * 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. So an investor who has capital gains of £20,000 on which to pay tax may avoid this entirely by investing £20,000 in a company which qualifies for the SEIS scheme. The capital gains tax liability would disappear entirely and, in addition, £10,000 could be offset against income tax.

Example: An individual investor with income tax of £25,000 to pay and capital gains of £100,000 in the 2012/2013 tax year on which tax of £28,000 is due to be paid invests £20,000 in an SEIS qualifying company:

Investment	£20,000
Income tax bill reduced by 50% of this	£10,000
Capital gains reduced by	£20,000
Reduction in capital gains tax at 28%	£5,600
Net cost of investment	£4,400

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 £10,000 (that part of the initial investment which was not relieved against income tax - not on the £4,400 net cost).

¹ The Government has proposed that from 6 April 2013 uncapped income tax reliefs, which would include SEIS loss relief, should be limited to 25% of income or £50,000, whichever is greater.

For a 50% tax payer this relief is worth £5,000
For a 45% tax payer this relief is worth £4,500
For a 40% tax payer this relief is worth £4,000
For a 20% tax payer this relief is worth £2,000

So a 50% or 45% taxpayer with capital gains tax to pay actually makes a small profit on the investment even if it fails. If it does well, the net cost is reduced to £4,400 and all gains are tax free, provided that the company has started to trade.

NOTE: There are proposals to cap certain loss reliefs at £50,000 or 25% of income and currently it is proposed (though this is only at a consultation stage at present) to include share loss relief in these. For an investor who has already used the full cap, there may be no loss relief available.

The take home message is that the SEIS tax reliefs are generous. The government is serious about wishing to encourage investors to invest in start-ups. Please see HMRC documents for full details of SEIS and 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.

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 19.

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 21.

Examples of some of these investments are given later in this document.

A Combined SEIS /EIS Fund

The rules say that a fund may invest up to £150,000 as an SEIS investment in a qualifying start-up company and that investors can receive 50% tax relief on this investment once 70% of the investment has been spent on the purposes for which it was raised. However once the company has spent 70% of this money, even if this is only a few days later (for example, the company might have purchased a piece of equipment), the company may take in additional capital from EIS investors who would then receive the normal EIS tax advantages.

Namely:

- * 30% income tax relief on the initial investment.
- * Capital gains tax of up to 28% of the total investment is deferred.
- * All gains on the sale of shares in an investee company are free of capital gains tax.
- * If the EIS investment fails, the ability to write off up to 50% on top of the initial 30% already claimed against income tax (for a total loss relief of up to 65%). As stated earlier there are proposals to cap certain loss reliefs at £50,000 or 25% of income and currently it is proposed (though this is only at a consultation stage at present) to include share loss relief in these.
- * EIS investments attract no Inheritance Tax once the shares have been held for two years, and so they may be passed to heirs without forming part of an estate and the heirs pay no capital gains tax if these shares are sold.

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 than they were when the initial investors subscribed.

It is therefore intended that the OT(S)EIS Fund will be a long-term fund. The intention is that the initial capital, which is raised in 2012, will be invested over the three-year period from the date of investment in 2012. The Fund will remain open until a maximum of £15m is raised in the first year, and will be invested over the three-year period from the date of investment. So, for example, an investor who invests £30,000 in December 2012 should have his/her capital invested in a portfolio of SEIS and EIS investments by December 2015. The intention would be to invest approximately £10,000 in SEIS investments from January to December 2013, with the balance being invested in EIS investments over the next two years. The plan will be to raise additional capital for the Fund in future years.

This means that investors in this Fund will not receive the tax benefits in the year in which they invest in the Fund, but that these benefits will be 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, future Nobel laureates, 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.

As companies grow and develop 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. 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.

Fund Size:

The Fund will have a minimum size of £3m, to be invested at the rate of approximately £1m per year over the next three years. The Fund will have a maximum size of £15m of capital in the first year. If the Fund reaches its maximum size of £15m, it will be closed until the start of the next tax year. In the next tax year, the Fund will be opened for further investment. Experience shows that having capital available to enable one to participate in future fundraisings by investee companies and knowing that this capital is available is very important for the overall success of a fund.

The intention is that each investment made will be allocated pro rata to the original investment of all investors in the Fund. 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 at least ten SEIS and EIS investments in high risk but high potential start-up and early-stage technology companies near Oxford.

Lucius Cary will invest £50,000 in OT(S)EIS and Andrea Mica £15,000. 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 and additionally, in the case of SEIS investments, only when 70% of the investment has been spent and these investments will be made over a three-year period.
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. For example, the Fund might invest £150,000 in an SEIS start-up (the maximum allowed) but then later invest £500,000 in the same company under the EIS scheme. The initial investment would attract income tax relief of 50%. The later EIS investment would attract tax relief of 30%. In this case, the overall income tax relief for investors in the Fund would be $\frac{£225}{£650} = 34.5\%$. And 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 return to investors in the Fund should be greater and are likely to be in the form of capital gains and so tax free.

An investment in OT(S)EIS will have very substantial tax advantages to investors which will accrue over the first three tax years from the date of their investment in the Fund, but it is not possible to say in advance exactly what these tax benefits will be.

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.

The Managers intend to construct a portfolio of at least 10 and up to 30 investments (depending, to an extent, on the amount of capital raised) from the capital invested in the first year of the Fund.

Reporting

OTM will send an email report each quarter (Mar, Jun, Sep, Dec) to all investors giving brief details about any new investments made and the performance of existing investments. Two of

these reports, those relating to the quarter to 31 March, to be sent in April, and to the quarter to 30 September, to be sent in October, will contain valuations prepared by OTM in accordance with EVCA guidelines.

In December each year, ie 3 months before the end of the financial year, an email will be sent to investors telling them how much of their investment in the Fund has so far been invested in SEIS and EIS investments in the tax year to date. There will also be an estimate of the sums likely to be invested in EIS and SEIS investments in the last quarter of the investment year, to 4 April in the next year. This will then enable any investors who wish to invest more of their annual allowance in SEIS schemes (an individual investor may invest up to £100,000 each tax year in SEIS investments) and more of their annual allowance in EIS investments (up to £1m is permitted per year) to make arrangements to make other SEIS and EIS investments by other means. It will also enable investors to do some tax planning. For example, if it is known by a particular investor in the Fund that OT(S)EIS has made £25,000 of SEIS investments on his/her behalf and expects to make another £5,000 by the end of the tax year on 5 April, then the investor might sell some shares which s/he holds in order to raise £25,000 or £30,000 of capital gains above their annual allowance, in order to be able to eliminate any capital gains tax due. For the avoidance of doubt, OTM will not give tax advice.

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, so that an investment which is made in March may not receive the relevant EIS3 form from HMRC until July.

The intention is to send each investor in the Fund a letter, probably in September, which will contain a list of all the companies in which investments have been made in the previous tax year on behalf of the investor and will say how many shares were purchased and at what price and whether it was an SEIS or an EIS investment. The letter will also contain the relevant EIS and SEIS certificates. This information will enable investors to make the necessary tax claims with HMRC. The intention is to minimise the admin for investors as far as possible and to make it as simple as possible for investors to claim the tax reliefs to which they are entitled.

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.

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, OT(S)EIS and the company would need to find other investors to provide the balance of the investment required.

Therefore, we will contact all investors to ask whether they would like to be put on the register of those who might like to make co-investments with the Fund. In the situation described above, we

will then contact those on the register to ask whether they might like to consider making a direct co-investment. Making direct investments in individual companies carries a higher risk than investing in a fund which spreads the risks over many investments, and this will be pointed out. But 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. 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.

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 (the 2,000 figure includes everything including people seeking capital to start casinos in Las Vegas), 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 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.

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. Additional payments will be received over the next few years depending on performance. Had this investment been made by OT(S)EIS, these gains would have been tax free.

Fees

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

Initial fee: A fee on subscription of 5% of the amount invested. This is intended to cover the costs of establishing the Fund including paying a fee of 3% to intermediaries/financial advisers who introduce investors. If the costs exceed 5% then Oxford Technology Management Ltd will bear the excess costs. Investors who subscribe before 30 June 2012 will receive a reduction of 1% (i.e. to 4%) in this initial fee. The sum invested, less the initial fee, will then become the sum which is available to invest for each investor.

Management fee: For the first three years, an annual management fee of 2% of the initial gross capital invested in the Fund, reducing to 1.5% of the net asset value (not to exceed the gross amount invested) in subsequent years.

Custodian's fee: There will be a custodian's fee of 0.35% per annum.

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. 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.

The table on page 38 (40% no CGT Capital Gains Tax) shows in detail what returns, after all fees including the performance incentive, an investor would receive on the basis of the assumptions made. These assumptions are that 10 investments are made in the first year, 9 SEIS investments and one EIS investment. Then in the subsequent two years six of the SEIS investments receive follow-on EIS investments. We assume that of the total portfolio of ten investments, five fail completely, two return only the money invested, two return 5 times the original investment and one returns 15 times the original investment. This is not a forecast of performance, but merely an illustration of the outcomes based on these assumptions.

The Effects of Tax Reliefs and Fees on Potential Returns to Investors in OT(S)EIS

The tables on pages 35 - 40 show the effects of Tax Reliefs and fees on potential returns to different types of investors; those who pay tax at 20%, 40% and 50% (45% from 2013/14) and in each case, those with capital gains tax to pay and those without, who invest £100,000 in OT(S)EIS in June 2012, under the following assumptions.

- 1 On behalf of this investor, OT(S)EIS invests £28,000 in year 1, £22,000 in nine SEIS investments and £6,000 in one EIS investment.
- 2 In year 2, OT(S)EIS invests £27,000 in three EIS investments, all of which are follow-on investments in the earlier SEIS investments.
- 3 In year 3, OT(S)EIS invests £27,000 in three further EIS investments, again all follow-on SEIS investments.
- 4 Thus, at the end of year 3, the investor has nine SEIS investments and seven EIS investments in a total of ten investee companies.
- 5 It is further assumed that five of the investments fail with the total loss of the capital invested. With these failures come additional tax benefits, since the investor is able to offset some of the losses against income tax.
- 6 The table assumes that two of the SEIS/EIS investments are sold but recover only the initial investment. One SEIS/EIS investment is sold in year 6 recovering 5 times the amount invested. In year 9, an investment is sold recovering 10 times the initial investment. Finally, in year 10, the last investment, one of the original EIS investments which required no further investment is sold recovering 15 times the original investment.

The first table on the following page summarises the outcome for an investor who pays tax at 50% (45% from 2013/2014) and who also has capital gains tax payable in the 2012/13 tax year. The effect of the tax reliefs is to reduce the net cost of the portfolio to a low £45,900 after 5 years, although this cost goes up to £56,700 as EIS investments fail or are realised which then brings back the capital gains tax which was sheltered at the time of the original investment. (Investors who wished to do so could again shelter this tax by making further EIS investments, assuming that the scheme or an equivalent was in operation at the time.) After this, gains are received from the sale of investments. These will all be tax free to the investor. After the deduction of carried interest, these amount to £243,300. This is only an example, not a forecast.

Note: The following table is not a forecast. It is intended to illustrate how the generous SEIS and EIS tax reliefs help to greatly reduce the net cost of investments and also help to mitigate the effect of failures. The nature of investing in start-up and early-stage technology companies is that the risks are high and that there are therefore likely to be many failures. The tax benefits associated with SEIS and EIS investments mean that these losses help to reduce still further the net cost of the investment. And gains, if there are gains, are mostly completely tax free (the only issue is that capital gains tax, which was deferred when an initial EIS investment was made, becomes payable.)

Year	Invested £000	Cumulative Tax Benefits £000	Net Cost of Investment £000	Returns after all fees ² (tax free) £000
1	100	20.9	79.1	20.9
2		37.0	63.0	37.0
3		52.6	47.4	52.6
4		53.6	46.4	53.6
5		54.1	45.9	54.1
6		49.0	51.0	121.0
7		50.0	50.0	122.0
8		47.5	52.5	131.5
9		45.0	55.0	172.9
10		43.3	56.7	243.3

The key point is that if five out of ten investments fail completely and if two others return only their initial costs, the investors in the Fund will nevertheless do very well provided that there are two investments which return 5 times their cost, and one which returns 15 times its cost.

The equivalent table for a 40% taxpayer with no capital gains to shelter is:

Year	Invested £000	Cumulative Tax Benefits £000	Net Cost of Investment £000	Returns after all fees ² (tax free) £000
1	100	13.0	87.0	13.0
2		21.5	78.5	21.5
3		29.6	70.4	29.6
4		32.7	67.3	32.7
5		33.1	66.9	33.1
6		33.1	66.9	105.1
7		36.2	63.8	108.2
8		36.2	63.8	120.2
9		36.2	63.8	164.2
10		36.2	63.8	236.2

So, in the case of a 40% taxpayer with no capital gains to shelter, the tax benefits of the SEIS and EIS scheme reduce the net cost of their portfolio to £63,800, but the returns of £236,200 are completely tax free, and, since no capital gains tax was sheltered, there is no previously sheltered capital gains tax to worry about.

NB. Once again, this is not a forecast. The table is intended only to show how the tax benefits of the scheme would affect the outcome for a 40% taxpayer with no capital gains tax to shelter, given the assumptions about the investments made and the returns received. Details of how the SEIS and EIS tax reliefs work for all types of taxpayer, both with and without capital gains tax to pay, are shown in the tables on pages 35 - 40.

² and after taking into account the maximum SEIS and EIS income tax relief available to a notional 40% income tax paying investor

Portfolio Planning

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. For those who invest in June 2012, this will mean that they will take maximum advantage of the particularly generous SEIS tax reliefs, some of which apply only to investments made in the 2012/13 tax year. 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.

The proposed investment allocation will depend on the amount of capital raised in each year and on the distribution of SEIS and EIS commitments, but assuming that £5m is raised for OT(S)EIS, then the following approximate distribution of investments might be expected:

Nine SEIS investments and one EIS investment (£1.5m in total) will be made in year 1. In each of years 2 and 3, EIS investments are made in three investee companies, averaging £500,000 each, so £1.5m per year.

The aim is to actively seek out good SEIS investment opportunities for the 2012/2013 tax year. To be successful in achieving this aim, the Fund needs to reach the minimum of £3m, preferably before the end of June 2012. The Fund may remain open after this date, but shares in investee companies will be allocated to the investors in the Fund at the date the investments are made, and in such a way that they acquire a portfolio of SEIS investments during the 12 month period which follows the date of their initial investment. So those who invest early are likely to end up with more SEIS investments in the 2012/13 tax year than those who invest later in the year.

Allocation of Investments

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. Each of these investments will be allocated pro rata to the amounts invested in the Fund by each investor. But if it is not possible to invest all 1/3 of the capital in SEIS investments in months 1-12, then some of the capital will be invested in EIS investments, in order to achieve the objective that 1/3 of the capital be invested in SEIS and EIS investments in the first year.

In the event that this happens then SEIS investments will be allocated pro rata to all investors in the Fund, until 1/3 of the initial capital of each investor has been invested in 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.

So the objective is that each investor in the Fund will end up with a portfolio of at least ten investments; 1/3 SEIS investments and 2/3 EIS investments.

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. After this objective is achieved for each investor, all further investments will be in EIS investments

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. But 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.

However, this can only ever be an objective – we cannot know in advance how many good SEIS and EIS investment opportunities there will be. It will be 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.

Staffing, Roles & Responsibilities

Each of the two Managers, Lucius Cary and Andrea Mica, will be involved in sourcing, evaluating, investing, helping and exiting investments. Lucius Cary is also a Director of the Oxford Technology VCTs and a partner of Oxford Technology ECF and part of his time will be spent fulfilling his management responsibilities here. But there are likely to be benefits to all parties. When a portfolio company of an earlier fund is doing well and raising additional capital, then it may provide a good investment opportunity for OT(S)EIS, and the fact that OT(S)EIS is able to invest may be beneficial to the earlier fund. Andrea Mica is a director of Clean Steel and is also a consultant to Surrey University helping to commercialise a cancer diagnostic technology, but he will be able to devote at least 50% of his time to the management of OT(S)EIS. Additional staff will be recruited as necessary. 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. Joanne Hoareau will be 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.

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

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.

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 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.</i>
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.

Case Studies

Oxford Technology Management

The case studies are intended to give a feel for the types of investments which have been made by funds managed by Oxford Technology Management in the past and which are also the sort which we will hope to make in OT(S)EIS.

Summary of investments described:

Name	Amount invested	Amount returned	Multiple on gross investment (1)
Bell Plastics	£30,000	£825,000	27.5
Integral Vision	£30,000	£593,000	19.7
Ixaris	£110,000 (2002) £108,000 (2011)	Not exited yet (own 8.8%)	N/A
Meciria – OT4 (managed by David Denny)	£100,000 2005 + £416,000 (23006-2011)	£2.23m (initial payment - earn-out to follow)	4.3
Meciria – OTECF (managed by David Denny)	£1.5m	£9.46m (initial payment)	6.3
Hardide	£250,000 (2000)	£688,000 (2005)	2.7
Diamond Hard Surfaces	£110,000 + £350,000	Not yet exited (own 43%)	N/A
Impact Applications	£150,000 + 411,000	Not yet exited (own 49%)	N/A
Lab Minds	£65,000 + £250,000	Not yet exited (own 27%)	N/A
Valid Information Systems	150,000 (1997) + £121,000	£2.5m (2003-2006)	9.2
Inscentinel	£125,000 2001 + £160,000 (2003-2010)	Not yet exited (own 49%)	N/A

(1) Almost all of these investments would have been eligible for SEIS and then EIS tax reliefs, which would have increased the multiple on the net investment significantly, and would also have meant that the gains would have been tax free.

1. Bell Plastics

In 1983, Seedcorn Capital, managed by Oxford Technology invested £30,000 for a 25% shareholding in Bell Plastics Ltd, a start-up company which intended to manufacture a specialist plastic. Today, this investment would have qualified for SEIS tax relief and the net cost of the investment would therefore have been c£15,000 (or even as low as £6,600 for an investor with capital gains tax as well as income tax to pay).

The company used the capital to buy equipment and began production in rented premises. First sales were achieved at a good price and the business was able to expand from internally generated profits.

Returns to investors, initially in the form of dividends, started in 1987, and by 1995 when 90% of the 25% shareholding was sold, had amounted to more than £520,000. By 2007, when Bell Plastics became part of Plastics Capital and floated on AIM, a total of more than £825,000 had been received from the initial £30,000 investment.

2. Integral Vision

In 1983, Seed Investments 2, managed by Oxford Technology, invested £30,000 in Integral Vision, a start-up company founded by four young computer engineers from Cranfield University. They were working in the field of computer vision, and their ultimate aim was to produce "vision processing" software, which would enable users to process images in the same way that "word processing" enables users to process words.

Again, had this investment been made today, it would have qualified for SEIS tax relief. The net cost of the initial investment would have been halved and all capital gains would have been tax free.

They began by developing industrial vision systems which enabled car companies to add vision to robots, and so for example to enable the robot to identify the location of a keyway on a shaft and to align a flywheel so that it could be positioned on the shaft. Later other systems measured the straightness of steel beams as they were produced by British Steel, and a system for Cadburys monitored and controlled the output of fudge using vision.

In 1995, the business was approached by a US company which was distributing its products in the US and which could see the potential. Oxford Technology was involved in the negotiations which resulted in the sale of the business. The founders became millionaires and Seed Investments 2 received £593,000 for its shares.

Under the SEIS scheme, this would have been tax free.

3. Ixaris

Oxford Technology 3 VCT invested £110,000 in Ixaris Systems Ltd in 2002 when the company consisted of just three founders with an idea for a transaction-based financial solution that would give anyone the ability to pay securely online. This investment would have been an SEIS investment. Today Ixaris' payment service, EntroPay, enables those who are unwilling or unable to access credit card services to spend securely online.

EntroPay is a Virtual Visa card that works like other Visa debit cards, but is delivered electronically to a user's computer instead of via a plastic card. EntroPay Virtual Visa cards can be created at the time they are needed, and a new one can be created for each transaction, making EntroPay one of the most secure methods of paying anywhere online. In 2010, Ixaris launched

Opn (pronounced ‘open’) as the first commerce-enabled solution providing open access to the Visa, MasterCard and SWIFT networks. The Opn platform allows developers, businesses and financial institutions to rapidly create payment applications. Sales have expanded as shown below:

Year to December	£000's
2004	292
2005	519
2006	884
2007	1,305
2008	3,543
2009	4,543
2010	8,473
2011	9,100 (management accounts)

OT3 owns 8.8% of Ixaris (Feb 2012). OT3 also took its share of a venture loan to Ixaris, investing a further £108,000 in summer 2011. Datacash Group Plc, a similar company operating in the same space was sold in mid 2010 for £333m, valuing it at a multiple of 9x historic sales. Were Ixaris to be sold at the same multiple of sales, this would result in a return to OT3 of about £6.5m. Ixaris currently employs a total of 75 staff members at its headquarters in London and offices in Malta and the US.



4. Meciria

In February 2006 OT4 made an initial investment of £100,000 in Meciria, a start-up company which sought to develop a rotary steerable drilling tool for use in the oil and gas industry. This could have been an SEIS investment. David Denny who worked for Oxford Technology Management and later became a partner in OTECF was responsible for this investment. The company designed and built a prototype drill which began a series of tests. OT4 and later OTECF were actively involved with the company

In 2008 OTECF invested in Meciria to take the company forward. OT4 made small co-investments, but by this time had limited cash remaining.

Modifications/improvements to the tool were made and by December 2011, OT4 VCT's total investment was £516,000 and OTECF had invested £1.5m.

In February 2012 Meciria was sold and OT4 VCT received an initial payment of £2.2m and OTECF £9.4m. In addition, there should be further payments over the next three years under an earn-out arrangement.

This investment illustrates the importance of being able to invest in a start-up company over several years as it grows and develops.

5. Hardide

OT2VCT was the initial investor in Hardide in 2000, and invested £250,000 to enable the company to start. Today, this investment would probably have been made in two tranches - first £150,000 qualifying for SEIS tax relief of 50% and then a further £100,000 qualifying for 30% EIS tax relief. So, in this case, the net cost of the £250,000 investment would have been c£145,000 (or less if reduction in capital gains tax is also included). The Russian founders had an embryonic technology for producing a hard tungsten carbide coating using CVD (as opposed to conventional plasma spraying). The resulting coating was better in several ways.

Oxford Technology was actively involved with this company as it developed. The Russians moved to the UK from Russia and a CVD chamber was built and installed in Begbroke Science Park in Oxford in order to produce samples for customers. The MD wished to sell machines to do the coating, but this was opposed by Oxford Technology. So the company then raised additional capital and established a small factory to produce the coating, and a few niche applications were found for coating down-hole parts to greatly extend their lifetimes. Because Hardide was the only source of the coating, the company was able to generate sales at a good price and was very profitable.

On the back of these profits, the company floated on AIM and OT2 sold its shares at float receiving £688,000 net of all costs.



6. Diamond Hard Surfaces

Sergey Alexandrov, who was employed as a design development engineer by Hardide, asked OT4 to invest in a technology to produce thick diamond-like coatings which he had started to develop in Moscow during the 1990s. As a result OT4 invested £110,000 in Diamond Hard Surfaces in 2005. This would have qualified as an SEIS investment.

This company, in which OT4 has invested £460,000 for a 43% shareholding, now has two state-of-the-art production chambers in its factory near Oxford, and has development programmes with c27 companies, including the two largest companies in the world, Apple and Exxon.

DHS is now close to breakeven, but is not yet profitable. It remains to be seen whether this investment will ultimately be successful or not. But the coating dramatically improves the performance of particular parts. For example, mechanical seals (used in transcontinental gas pipelines) which rotate at very high speed with a tiny lubricated gap between them, uncoated, fail catastrophically in 30-45 seconds if the lubrication fails, and the pipeline then needs to be shut down while substantial repairs are done. When coated the seals will last for 30-45 minutes (in some cases, longer) if the lubrication fails, which gives time for an orderly shutdown to resolve the problem.

7. Impact Applications

OT4 invested £150,000 in Impact Applications in October 2005. The company, originally based at Wolverhampton University, was developing a system to enable County Councils and Housing Associations to organise their tradesmen using mobile phones/PDAs. Today, this would qualify as an SEIS investment.

The company made steady progress but also made losses and OT4 invested more to support the company. These additional investments would have qualified for EIS tax relief. To date OT4 has invested £561,000 and owns 49% of the company. Had this investment been made in an SEIS/EIS fund, the net cost would have been approximately £364,000.

In 2009 Impact secured its first major customer, when a large Borough Council began using Impact Response to manage its in-house tradesmen who maintain and repair one half of the borough's 44,000 council houses. The other half are outsourced to a private company. Impact Response has transformed the ease and efficiency of maintaining its houses. Each tradesman has a PDA. In the morning, details of his first job are displayed on his screen. He does the job, photographs it, gets a signature on the screen, and emails the data back. There is literally no paperwork! The office knows the location of each tradesman and the status of all jobs in real time.

One measure of efficiency is the number of outstanding jobs that have gone beyond their due-by date. When Impact started, these numbered about 4,000 in both the houses managed by the borough and those that were outsourced. They remain at about 4,000 for those that are outsourced but have fallen to c1,200 for those managed in house.

Impact had a stroke of luck in 2010 when Connaughts the largest housing repair organisation in the UK with sales of c£10bn went into administration. 62 of their 100 contracts were purchased by another large contractor who already used Impact Applications software, and they used Impact in some of these contracts. They have since decided to standardise on Impact, and use Impact throughout their organisation.

Impact Applications has now passed cash flow breakeven and is beginning to generate profits and cash. Sales have increased to c£1m per annum and are growing. Impact is in a good place with what many believe to be the best product in a large market, and with some satisfied flagship customers as references. The major challenge is now to recruit good software engineers.

We are optimistic that this investment will show a very good return in due course.

8. Lab Minds

Camilla Oxley estimated that she spent 500 hours mixing buffer solutions while doing her D Phil in Biochemistry at Oxford. Often she was working late at night, was tired and was worried that she might have made mistakes which might then have invalidated her results. She asked the university if she could buy in buffer solutions, but the university said, "No, it is too expensive." On investigation she estimated that the margin over the cost of ingredients on bought-in buffer solutions was about 5,000%, so the university's stance was understandable. She then asked whether there was a machine which would automatically mix buffer solutions to the correct pH starting from the dry salts. No such machine existed. So, having encountered the problem at first hand, she teamed up with fellow graduate students and together they wrote a business plan, the objective of which was to create a machine to make buffer solutions automatically. They estimated that about 500,000 labs worldwide have the same problem and could potentially benefit from using such a machine.



In summer 2010, the founders raised £150,000 to build a prototype with user input from the Department of Biochemistry in Oxford. Of this, £65,000 was provided by friends and family of the founders, £65,000 by OTECF, and £20,000 by an Oxford College. This investment would have qualified as an SEIS investment, reducing the net cost by c50%.

So the rationale for the investment is that there is a large global unmet need. The plan was to tranche the investment, with a small initial investment to build a prototype to test the concept. If this worked as well as hoped, then further investment would be made to do production engineering and then build instruments for sale. Further investment would then be required to establish a business. The plan is that the instruments will be accessible over the Internet which will enable some service and fault finding to be carried out remotely. It will also create the opportunity to market supplies. By summer 2011, Lab Minds had made a prototype which worked and which could be accessed via the Web. So a researcher at home could use their mobile phone to order a buffer to be made and it would be waiting for them by the time they arrived at work.

During summer 2011, Lab Minds was approached by a large global company which supplies some 200,000 chemistry laboratories worldwide, about 40% of the market. Following meetings, this company expressed a desire to partner with Lab Minds. They had been considering developing such a product for some time, but had not actually done it. In the meanwhile two other global companies also expressed a desire to partner with Lab Minds.

As at March 2012, the total investment in the company stands at £690,000 of which OTECF has invested £305,000 and owns just over 25%. Much can still go wrong, of course, but this is an example of what can be achieved by a very small investment in three students with a good idea, and who then move very fast, working long hours including at the weekends and being 100% focused on the task in hand and not distracted by large company politics etc.

9. Valid Information Systems

In 1997 Oxford Technology VCT invested £150,000 in Valid Information Systems. This would have qualified as an SEIS investment and the net cost thus reduced to c£75,000. The company was developing systems to scan large numbers of documents in such a way that the text could then be read, searched and indexed automatically by computer. The technology had many applications, one of which was for use in complex fraud trials. Being able to scan and search large volumes of documents and then search them intelligently enabled investigators (and subsequently

prosecutors - the Valid System was eventually used in court with each juror having a screen on which documents could be displayed and explained) to make the necessary connections.

It took longer than originally hoped for Valid to reach breakeven, and OT1 invested twice more, bringing the total investment to £271,000. The extra £121,000 of investment would have qualified for EIS tax relief. In 2003 Valid Information was sold to a North American company and OT1 received an initial £1.47m. By 2006, OT1 had received a total of £2.5m for the sale of its shares.

10. Inscentinel

In 2001, OT2 invested £125,000 in what is now Inscentinel, and £125,000 in what is now Insense. Today, this investment would probably have been made in two tranches, with an initial £150,000 qualifying for SEIS tax relief and a later £100,000 qualifying for EIS relief.

Inscentinel uses the exquisitely sensitive olfactory sense of bees to detect trace vapours. Bees cannot see particularly well, but have evolved over billions of generations to have a wonderfully sensitive sense of smell. Bees are loaded into holders and are then exposed to an odour, for example Semtex, and then rewarded with sugar. After this conditioning is repeated five or six times, thereafter, in the presence of that particular odour, a bee will exhibit a Pavlovian Proboscis Extension Reflex (PER), and this will be detected by the electronics incorporated in the holder.

Inscentinel believes that an individual bee has a similar olfactory sense to an individual dog. But whereas a sniffer dog can cost more than £40,000 and takes 3-6 months to train, a bee costs very little and can be trained in 30 minutes. Furthermore bees can be used together and so impart statistical significance to a result. If one dog indicates the presence of Semtex in a suitcase, one cannot be quite sure of the result - dogs, like other sentient mammals, can make mistakes. But if six bees are exposed to the same air sample and all six indicate the presence of Semtex, one can be very certain that it is present.

Inscentinel believes that this technology can ultimately be applied in a wide variety of fields. So far the main focus has been for the detection of explosives because grants and research contracts are available for this. But in theory, the same technology could be used to diagnose medical conditions, (many diseases give off trace odours associated with a particular disease), to detect drugs, to detect fungal infections in crops at a very early stage, to detect infection in oranges before they are made into juice, and for many other applications.

However, despite the fact that the original investment was made in 2001, more than ten years ago, Inscentinel as yet has no sales. It has secured many research contracts and it has also raised relatively small sums of capital to keep it going. In total Oxford Technology has invested £285,000 in Inscentinel and owns 49% of the company. It is based at Rothamsted Research, the oldest research establishment in Europe founded in 1843, and has three research staff and very low overheads. It came close to signing an exploitation deal with a global defence company, but at this crucial time this company had to lay off 10,000 people following defence cuts, and the deal did not go ahead. In March 2012, Inscentinel agreed a deal with a company which operates in 50 countries to develop a non-military application. The global company will pay for the development (there is some new science involved in this application and it is not 100% certain that it will work), and will have exclusive rights to this application and will pay Inscentinel an annual fee for each detector used in this application. Provided that this application works and provided that the application is a success in the market, the result could be very good for Inscentinel.

So this investment illustrates some of the difficulties that can be encountered by start-up technology companies; in particular, that they can take a long time to come to fruition.

Andrea Mica

Company	Date & Amount Investment	Valuation of Original shares Date and Event or Basis	Multiple
Surrey Aqua /Modern Water	30/11/2006 535k for 40%*	12/06/2007 £7.5m IPO	14
ACSIAN/ Plexus Planning	05/08/2005 350k for 33%*	Current Private company £350k No further fund raising required	1
Oxford Advanced Surfaces	07/09/2006 500k for 43%*	31/12/2007 £6.9m Reverse takeover quotation	13.8
Oxtox	14/11/2006 350 k for 45.6%*	Current Private company valuation 350k	1
Surrey NanoSystems	30/11/2006 400k for 40%*	Current Private company valuation £1.6m	4
Oxford Catalysts	12/12/2005 400k for 43%*	26/04/2006 £17m IPO	42.5

1. Surrey Aqua Technology/Modern Water



Invested £535,000 30 November 2006
IPO 12 June 2007 – Value of shares approximately £7.5m

At the time, I was Partnership director for Surrey and solely responsible for sourcing, building, evaluating and recommending investment opportunities from Surrey to the IP Group investment board.

Though Dr. Adel Sharif won a prize from the Royal Society to develop his forward osmosis technology, the project was somewhat overlooked by the University of Surrey. After meeting Adel at an investment forum, I saw the potential benefits of the technology in reducing the costs of running desalination plants. Looking at the structure of the water markets it became clear that making money from an investment would require an approach quite different from that taken by typical UK start-ups. Building the equipment for sale or licensing the technology would be a very slow route, with lumpy sales and limited long term returns. The real returns would be made by

taking on desalination contracts that would introduce the technology into existing plants and benefit from the large increases in profit margins.

We went looking for and, with some good fortune, quickly found an executive chairman with precisely the experience required to carry out the ideal type of BOOT (build own operate transfer) deals, and I was able to convey the technical and commercial benefits of the technology and he joined, also investing a substantial sum.

A first company – Surrey Aqua was created with an investment from IP Group giving it 42% ownership. This was then combined with a number of other water related technologies, which would provide short term income to create Modern Water Group Plc. Modern Water Group floated on AIM on the 12th of June 2007 – with the Surrey Aqua technology as its leading principal activity.

RNS:

Following the placing, IP Group is the registered owner of 13,552,200 Ordinary Shares in Modern Water (worth £16.1 million at the Placing Price), representing 23% of Modern Water's enlarged issued share capital. The admission of Modern Water to AIM will result in an incremental increase in value to IP Group (in the form of a fair value gain) of £14.1 million.*

It may be fair to apportion half of the fair value gain to Surrey Aqua Technology. Although the share price of Modern Water has since fallen, it continues to make good commercial and technological progress.

The company now has multiple manipulated osmosis plants operating and the original technology is being developed and applied to several applications.

2. Plexus Planning/ACSIAN



Invested £400k on 5 August 2006 – No further valuing events

Acsian's founders are academic and industry specialists from Rolls Royce. The company has developed software to allow large development projects to be carefully planned. I was involved in creating the investment proposition, finding a CEO and Chairman. I worked closely with the company for the first year acting as a director while I was at IP Group and negotiated the agreement with Rolls Royce venture group. The investment was made in two tranches, but the second tranche of £200k although drawn down, was not actually used by the company, as it had been making modest profits from its second year of trading. It now counts the major aerospace companies as its customers and is still hopeful of a breakthrough in volume of sales.

3. Oxford Advanced Surfaces



Invested 7 September 2006 -500k for a 43% share in the company
Reverse take over 31 December 2007 – valuation £6.9m

The technology founder, Dr. Mark Moloney, had been interested in establishing a company for many years. He had interesting-looking technology for modifying the surfaces of polymers based on the capability of making a very reactive compound safe and stable.

I helped his team find a first industrial partner willing to carry out tests using his technology. The tests were successful and although the industrial partner did not acquire the technology, it provided Mark and his team with evidence of commercial applicability of the technology and allowed many other industrial interactions to follow quickly. These provided sufficient evidence to allow us to bring in an excellent CEO. I helped the CEO prepare the pitch to the IP Group investment committee. Together with Andy Naylor we also brought in a very experienced Chairman and were able to get the company underway.

RNS related to the Quotation of OAS

IP Group is the registered owner of 27,995,045 Ordinary Shares in OAS (worth £7 million at the placing price of 25 pence per share), representing 15.7% of OAS' enlarged issued share capital. The Reversal will result in a total fair value gain to IP Group of £6.4 million.

4. Oxtox Limited



Invested £350,000 to give IP Group a 45.6% share (of which a portion due to IP Group's deal with Oxford)

With co-investment from Oxford Technology 4 VCT and Michael Penington.

Oxtox was based on the work of Prof. Compton's electrochemistry group. They were able to detect a number of drugs of abuse. The technology provides a steep change in the time it takes to administer a roadside test, enabling drugs to be tested in much the same way alcohol is tested. I worked with Andy Naylor to find a CEO with appropriate background and capabilities in the field of security. I was also responsible for creating the first contacts with the Australian police forces, who are likely to be prime customers. The CEO, John Parselle, has been critical to the survival and progress of the company, quickly developing a product format that has helped convince several police forces that it is their product of preference.

The company has raised several more rounds of investment from the original investors and is now nearing the start of production.

5. Surrey NanoSystems Ltd



Invested November 2006 - 400k for a 27.6% share (total 40% due to partnership agreement with University of Surrey)
Current valuation of shares – approx. £1.6m

Surrey Nanosystems was created out of a partnership between CEVP and Surrey University's ATI. Recognizing that CEVP had an exceptionally skilled technology developer/sales person and the University some potentially very valuable IP, a company was created. I was Surrey Partnership director at the time and responsible for sourcing and progressing the investment. I then joined the board until I left IP Group.

The investment allowed SNS to design and sell several machines while research continued on the new materials covered by the University patents. Once the research had reached a point where industry could be convinced, the company was able to refocus its strategy entirely onto the new materials and stop manufacturing bespoke machines. The industry support has allowed Surrey Nanosystems to raise further rounds of investment. The last completed round was at a valuation of £6m but a new round is being concluded at a substantially higher valuation.

6. Oxford Catalysts Group Plc

£400,000 invested for 24% of the business. November 2005



IPO 26 April 2006 – Value of shares at IPO £17m of which £2m placed at IPO.

(IP Group's deal with Oxford University gave it a 25% starting ownership of Oxford Catalysts so that IP Group's shareholding went to 43% overall.)

I had worked at Oxford University before joining IP Group and had helped build the business case from the University side. Once I joined IP Group, I was responsible with Andy Naylor for preparing and presenting this opportunity to the IP Group investment board. After the company was founded I worked part time with Oxford Catalysts until the company was floated on AIM. During this period I found and helped Oxford Catalysts secure a first commercial contract for their catalytic steam generation technology and assimilate into the company the CEO who would eventually lead the float. With regards to the IPO I was involved in helping prepare the technical and IP aspects of the documentation and in briefing the brokers.

IP Group placed 1,149,425 Ordinary Shares in Oxford Catalysts realizing proceeds of £2m (before expenses). Following the placing, IP Group has beneficial ownership of 8,919,232 Ordinary Shares in Oxford Catalysts (worth £15.5m at the Placing Price), representing 23.9% of Oxford Catalysts' enlarged issued share capital. The admission of Oxford Catalysts to AIM will result in an incremental increase in value to the Company of £17m, of which £2m is to be realised at flotation and £15m represents an unrealized fair value gain.

The company continues to make commercial and technological progress and has its first major deals in place.

7. Royal Society Enterprise Fund

At the Royal Society Enterprise Fund I was asked to come in on a short term part time basis and help Dr. Mackintosh structure the investment opportunity evaluation process and also to help evaluate the 60 opportunities that had been received at the time.

Investments made:



Novacem – Negative carbon footprint magnesium based cement product and manufacturing process.



N-PSL – Filtration technology with high throughput rate and very rapid recycling capability.

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. New investments in companies that are already investees of previous OTM managed funds will require *pari passu* co-investment by unrelated third parties amounting to at least 50% of the amount invested by OT(S)EIS.
3. A non-conflicted OTM manager will be directly involved in agreeing investment price and terms to ensure that it is negotiated in the best interests of OT(S)EIS (anti '*going-native*' policy).
4. There will be a written or email record of the situation for auditing.

OTM has a long history of later funds making follow-on investments in companies in which an earlier fund invested (e.g. Meciria was originally an investment by OT4 and OTECF later invested in this company). In practice there have been no problems about conflicts of interest. 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.

The Effects of Tax Reliefs and Fees on Potential Returns to Investors in OT(S)EIS

The following examples are not intended to be forecasts. Investing in early-stage companies is very risky and it is not possible to predict the outcomes of individual investments. The purpose of these charts is only to illustrate the costs and tax reliefs associated with a variety of investment outcomes. The following examples show the tax treatment of investors with different tax status.

	CGT to offset	Income tax	SEIS IT relief	EIS IT relief	CGT rate	INVESTMENT OUTCOMES										Exit Multiplier				
yes	45%	50%	30%	28%		S2013	E2013	2014	2015	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	
						£3	£0	£9												
						£3	£0	£9												
						£3	£0	£9							5					
						£3	£0		£9						1					
						£3	£0		£9								1			
						£2	£0		£9									5		
						£2														
						£2														
						£1														
							£6													15
										£0	£0	£0	£0	£0	£72	£0	£12	£55	£90	

In the table an F indicates a failure while a number indicates an exit multiplier

year	Investment in Fund	Interest contributes to Fees	Available to Invest	SEIS income tax relief	EIS income tax relief	SEIS Capital gain exemption	EIS Capital gains relief	Exit s & F	Total tax benefit in year	Tax benefit on failure	Loss of CGT deferral	Cumulative tax return	Net of tax cost of investment	Cumulative Investment Return	Cumulative Return tax returns exit s+	Cumulative returns net of carry
2013	100	2	7.35	95	11.0	1.8	6.2	1.7	20.9	0.2	0.0	20.9	79.1	0	20.9	20.9
2014		1	2.35	65	8.1	7.6	7.6	0.0	16.1	0.5	0.0	37.0	63.0	0	37.0	37.0
2015		0.5	2.35	36	8.1	7.6	7.6	0.0	15.7	0.0	0.0	52.6	47.4	0	52.6	52.6
2016			1.85	8				0.0	1.0	3.5	-2.5	53.6	46.4	0	53.6	53.6
2017			1.85	6				0.0	0.5	0.5	0.0	54.1	45.9	0	54.1	54.1
2018			1.85	4				72.0	-5.0	0.0	-5.0	49.0	51.0	72.0	121.0	121.0
2019			1.55	2				0.0	1.0	3.5	-2.5	50.0	50.0	72.0	122.0	122.0
2020			1.25	1				12.0	-2.5	0.0	-2.5	47.5	52.5	84.0	131.5	131.5
2021			0.95	0				55.0	-2.5	0.0	-2.5	45.0	55.0	139.0	184.0	172.9
2022			0.3	0				90.0	-1.7	£0.0	-1.7	43.3	56.7	229.0	272.3	243.3
Total	100	4	22	11	18	6	17	229	43	8	-17	57	229			

NB. This is not a forecast. It is only intended to show the costs, tax reliefs and outcomes for an investor who invests £100,000 in OT(S)EIS, given the assumptions in the table. These are: that the measures announced in the budget will be incorporated unchanged into the finance acts; that 9 SEIS and 1 EIS investment are made in 2012/2013; that 3 EIS investments are made in each of 2013/2014 and 2014/2015; that in due course 5 of the investments fail, two return the investment, two return 5 times the investment and one returns 15 times the investment.

no	CGT to offset	Income tax 2013-	SEIS IT relief	EIS IT relief	CGT rate	INVESTMENT OUTCOMES												
	45%	50%	30%	28%	S2013	E2013	2014	2015	2013	2014	2015	Exit 2016	Multiplier 2017	2018	2019	2020	2021	2022
	£3	£0	£9															
	£3	£0	£9									F			F			
	£3	£0	£9									F						
	£3	£0	£9				£9						5					
	£3	£0	£9				£9						1					
	£2	£0	£9				£9								1			
	£2	£0	£9				£9										5	
	£2	£0	£9				£9											5
	£1											F						
		£6																15
									£0	£0	£0	£0	£0	£72	£0	£12	£55	£90

In the table an F indicates a failure while a number indicates an exit multiplier

year	Investment in Fund	Interest contributes to fees	Fees	Available to Invest	SEIS income tax relief	EIS income tax relief	SEIS Capital gain exemption	EIS Capital gains relief	Exits £	Total tax benefit in year	Tax benefit on failure	Loss of CGT deferral	Cumulative tax return	Net of tax cost of investment	Cumulative investment	Cumulative Return	Cumulative exit s+	Cumulative returns net of carry
2013	100	2	7.35	95	11.0	1.8	0.0	0.0	0.0	13.0	0.2	0.0	13.0	87.0	0	13.0	13.0	0.0
2014		1	2.35	65		8.1	0.0	0.0	0.0	8.6	0.5	0.0	21.6	78.4	0	21.6	21.6	0.0
2015		0.5	2.35	36		8.1	0.0	0.0	0.0	8.1	0.0	0.0	29.7	70.3	0	29.7	29.7	0.0
2016			1.85	8					0.0	3.5	3.5	0.0	33.2	66.8	0	33.2	33.2	0.0
2017			1.85	6					0.0	0.5	0.5	0.0	33.6	66.4	0	33.6	33.6	0.0
2018			1.85	4					72.0	0.0	0.0	0.0	33.6	66.4	72.0	105.6	105.6	0.0
2019			1.55	2					0.0	3.5	3.5	0.0	37.1	62.9	72.0	109.1	109.1	0.0
2020			1.25	1					12.0	0.0	0.0	0.0	37.1	62.9	84.0	121.1	121.1	0.0
2021			0.95	0					55.0	0.0	0.0	0.0	37.1	62.9	139.0	176.1	165.1	11.0
2022			0.3	0					90.0	0.0	£0.0	0.0	37.1	62.9	229.0	266.1	237.1	29.0
Total	100	4	22	11	18	0	0	229	37	8	0	63	229					

NB. This is not a forecast. It is only intended to show the costs, tax reliefs and outcomes for an investor who invests £100,000 in OT(S)EIS, given the assumptions in the table. These are: that the measures announced in the budget will be incorporated unchanged into the finance acts; that 9 SEIS and 1 EIS investment are made in 2012/2013; that 3 EIS investments are made in each of 2013/2014 and 2014/2015; that in due course 5 of the investments fail, two return the investment, two return 5 times the investment and one returns 15 times the investment.

CGT to offset	Income tax 2013-2013	SEIS IT relief	EIS IT relief	CGT rate	INVESTMENT OUTCOMES													
yes	40%	50%	30%	28%					Exit			Multiplier						
					S2013	E2013	2014	2015	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
					£3	£0	£9								F			
					£3	£0	£9				F							
					£3	£0	£9							5				
					£3	£0		£9						1				
					£3	£0		£9								1		
					£2	£0		£9									5	
					£2						F							
					£2													
					£1						F							
						£6												15
									£0	£0	£0	£0	£0	£72	£0	£12	£55	£90

In the table an F indicates a failure while a number indicates an exit multiplier

year	Investment in Fund	Interest contributes to fees	Fees	Available to invest	SEIS income tax relief	EIS income tax relief	SEIS Capital gain exemption	EIS Capital gains relief	Exits £	Total tax benefit in year	Tax benefit on failure	Loss of CGT deferral	Cumulative tax return	Net of tax cost of investment	Cumulative investment	Cumulative Return	Cumulative tax returns	Cumulative returns net of carry	Carry
2013	100	2	7.35	95	11.0	1.8	6.2	1.7	0.0	20.8	0.2	0.0	20.8	79.2	0	20.8	20.8	0.0	
2014		1	2.35	65		8.1		7.6	0.0	16.1	0.4	0.0	36.9	63.1	0	36.9	36.9	0.0	
2015		0.5	2.35	36		8.1		7.6	0.0	15.7	0.0	0.0	52.6	47.4	0	52.6	52.6	0.0	
2016			1.85	8				0.0	0.0	0.6	3.1	-2.5	53.2	46.8	0	53.2	53.2	0.0	
2017			1.85	6				0.0	0.0	0.4	0.4	0.0	53.6	46.4	0	53.6	53.6	0.0	
2018			1.85	4				72.0	-5.0	0.0	-5.0	0.0	48.5	51.5	72.0	120.5	120.5	0.0	
2019			1.55	2				0.0	0.0	0.6	3.1	-2.5	49.1	50.9	72.0	121.1	121.1	0.0	
2020			1.25	1				12.0	-2.5	0.0	-2.5	0.0	46.6	53.4	84.0	130.6	130.6	0.0	
2021			0.95	0				55.0	-2.5	0.0	-2.5	0.0	44.1	55.9	139.0	183.1	172.0	11.0	
2022			0.3	0				90.0	-1.7	£0.0	-1.7	0.0	42.4	57.6	229.0	271.4	242.4	29.0	
Total	100	4	22		11	18	6	17	229	42	7	-17		58	229				

NB. This is not a forecast. It is only intended to show the costs, tax reliefs and outcomes for an investor who invests £100,000 in OT(S)EIS, given the assumptions in the table. These are: that the measures announced in the budget will be incorporated unchanged into the finance acts; that 9 SEIS and 1 EIS investment are made in 2012/2013; that 3 EIS investments are made in each of 2013/2014 and 2014/2015; that in due course 5 of the investments fail, two return the investment, two return 5 times the investment and one returns 15 times the investment.

no	CGT to offset	Income tax 2013-	SEIS IT relief	EIS IT relief	CGT rate	INVESTMENT OUTCOMES														
	40%	50%	30%	28%		S2013	E2013	2014	2015	2013	2014	2015	Exit 2016	Multiplier 2017	2018	2019	2020	2021	2022	
						£3	£0	£9		F										
						£3	£0	£9		F										
						£3	£0	£9		5										
						£3	£0	£9	£9	1										
						£3	£0	£9		1										
						£2	£0	£9		5										
						£2				F										
						£2				F										
						£1				F										
							£6													15
										£0	£0	£0	£0	£0	£72	£0	£12	£55	£90	

In the table an F indicates a failure while a number indicates an exit multiplier

year	Investment in Fund	Interest contributes to fees	Fees	Available to invest	S£15 income tax relief	EIS income tax relief	S£15 Capital gain exemption	EIS Capital gains relief	Exits £	Total tax benefit in year	Tax benefit on failure	Loss of CGT deferral	Cumulative return	Net of tax cost of investment	Cumulative investment	Cumulative Return	Cumulative exits + tax returns	Cumulative returns net of carry	Carry
2013	100	2	7.35	95	11.0	1.8	0.0	0.0	0.0	13.0	0.2	0.0	13.0	87.0	0	13.0	13.0	0.0	
2014		1	2.35	65		8.1	0.0	0.0	0.0	8.5	0.4	0.0	21.5	78.5	0	21.5	21.5	0.0	
2015		0.5	2.35	36		8.1	0.0	0.0	0.0	8.1	0.0	0.0	29.6	70.4	0	29.6	29.6	0.0	
2016			1.85	8				0.0	0.0	3.1	3.1	0.0	32.7	67.3	0	32.7	32.7	0.0	
2017			1.85	6				0.0	0.0	0.4	0.4	0.0	33.1	66.9	0	33.1	33.1	0.0	
2018			1.85	4				72.0	0.0	0.0	0.0	0.0	33.1	66.9	72.0	105.1	105.1	0.0	
2019			1.55	2				0.0	0.0	3.1	3.1	0.0	36.2	63.8	72.0	108.2	108.2	0.0	
2020			1.25	1				12.0	0.0	0.0	0.0	0.0	36.2	63.8	84.0	120.2	120.2	0.0	
2021			0.95	0				55.0	0.0	0.0	0.0	0.0	36.2	63.8	139.0	175.2	164.2	11.0	
2022			0.3	0				90.0	0.0	£0.0	0.0	0.0	36.2	63.8	229.0	265.2	236.2	29.0	
Total	100	4	22	11	18	0	0	229	36	7	0	0	64	229					

NB. This is not a forecast. It is only intended to show the costs, tax reliefs and outcomes for an investor who invests £100,000 in OT(S)EIS, given the assumptions in the table. These are: that the measures announced in the budget will be incorporated unchanged into the finance acts; that 9 SEIS and 1 EIS investment are made in 2012/2013; that 3 EIS investments are made in each of 2013/2014 and 2014/2015; that in due course 5 of the investments fail, two return the investment, two return 5 times the investment and one returns 15 times the investment.

	CGT to offset	Income tax 2013-	SEIS IT relief	EIS IT relief	CGT rate	INVESTMENT OUTCOMES														
yes	20%	50%	30%	28%		S2013	E2013	2014	2015	2013	2014	2015	Exit 2016	Multiplier 2017	2018	2019	2020	2021	2022	
						£3	£0	£9												
						£3	£0	£9					F			F				
						£3	£0	£9					F							
						£3	£0	£9	£9					5						
						£3	£0	£9	£9					1						
						£3	£0	£9	£9								1			
						£2	£0	£9	£9									5		
						£2	£0	£9	£9					F						
						£2	£0	£9	£9											
						£1	£6													15
										£0	£0	£0	£0	£0	£72	£0	£12	£55	£90	

In the table an F indicates a failure while a number indicates an exit multiplier

year	Investment in Fund	Interest contributes to Fees	Available to Invest	£15 income tax relief	EIS income tax relief	£15 Capital gain exemption	EIS Capital gains relief	Exits £	Total tax benefit in year	Tax benefit on failure	Loss of CGT deferral	Cumulative tax return	Net of tax cost of investment	Cumulative investment	Cumulative Return tax returns	Cumulative exits + net of carry	Carry
2013	100	2	7.35	95	11.0	1.8	6.2	1.7	20.7	0.1	0.0	20.7	79.3	0	20.7	20.7	0.0
2014		1	2.35	65		8.1	7.6	0.0	15.9	0.2	0.0	36.6	63.4	0	36.6	36.6	0.0
2015		0.5	2.35	36		8.1	7.6	0.0	15.7	0.0	0.0	52.3	47.7	0	52.3	52.3	0.0
2016			1.85	8				0.0	-1.0	1.6	-2.5	51.3	48.7	0	51.3	51.3	0.0
2017			1.85	6				0.0	0.2	0.2	0.0	51.5	48.5	0	51.5	51.5	0.0
2018			1.85	4				72.0	-5.0	0.0	-5.0	46.5	53.5	72.0	118.5	118.5	0.0
2019			1.55	2				0.0	-1.0	1.6	-2.5	45.5	54.5	72.0	117.5	117.5	0.0
2020			1.25	1				12.0	-2.5	0.0	-2.5	43.0	57.0	84.0	127.0	126.9	0.0
2021			0.95	0				55.0	-2.5	0.0	-2.5	40.5	59.5	139.0	179.5	168.4	11.0
2022			0.3	0				90.0	-1.7	£0.0	-1.7	38.8	61.2	229.0	267.8	238.7	29.0
Total	100	4	22	11	18	6	17	229	39	4	-17	61	229				

NB. This is not a forecast. It is only intended to show the costs, tax reliefs and outcomes for an investor who invests £100,000 in OT(S)EIS , given the assumptions in the table. These are: that the measures announced in the budget will be incorporated unchanged into the finance acts; that 9 SEIS and 1 EIS investment are made in 2012/2013; that 3 EIS investments are made in each of 2013/2014 and 2014/2015; that in due course 5 of the investments fail, two return the investment, two return 5 times the investment and one returns 15 times the investment.

	CGT to offset	Income tax	2013- SEIS IT relief	EIS IT relief	CGT rate	INVESTMENT OUTCOMES														
no	20%	50%	30%	28%	S2013				E2013				Exit				Multiplier			
					2013	2014	2015	2016	2017	2018	2019	2020	2021	2022						
	£3	£0	£9												F					
	£3	£0	£9							F										
	£3	£0	£9								5									
	£3	£0	£9				£9			1										
	£3	£0	£9				£9						1							
	£2	£0	£9				£9							5						
	£2	£0	£9							F										
	£2	£0	£9																	
	£1									F										
		£6																		15
					£0	£0	£0	£0	£0	£72	£0	£12	£55	£90						

In the table an F indicates a failure while a number indicates an exit multiplier

year	Investment in Fund	Interest contributes to Fees	Fees	Available to Invest	SEIS income tax relief	EIS income tax relief	SEIS Capital Gain exemption	EIS Capital Gains relief	Exits £	Total tax benefit in year	Tax benefit on failure	Loss of CGT deferral	Cumulative tax return	Net of tax cost of investment	Cumulative Investment	Cumulative Return	Cumulative exits + tax returns	Cumulative returns net of carry	Carry
2013	100	2	7.35	95	11.0	1.8	0.0	0.0	0.0	12.9	0.1	0.0	12.9	87.1	0	12.9	12.9	0.0	
2014		1	2.35	65		8.1	0.0	0.0	0.0	8.3	0.2	0.0	21.2	78.8	0	21.2	21.2	0.0	
2015		0.5	2.35	36		8.1	0.0	0.0	0.0	8.1	0.0	0.0	29.3	70.7	0	29.3	29.3	0.0	
2016			1.85	8				0.0	1.6	1.6	0.0	0.0	30.9	69.1	0	30.9	30.9	0.0	
2017			1.85	6				0.0	0.2	0.2	0.0	0.0	31.1	68.9	0	31.1	31.1	0.0	
2018			1.85	4				72.0	0.0	0.0	0.0	0.0	31.1	68.9	72.0	103.1	103.1	0.0	
2019			1.55	2				0.0	1.6	1.6	0.0	0.0	32.6	67.4	72.0	104.6	104.6	0.0	
2020			1.25	1				12.0	0.0	0.0	0.0	0.0	32.6	67.4	84.0	116.6	116.6	0.0	
2021			0.95	0				55.0	0.0	0.0	0.0	0.0	32.6	67.4	139.0	171.6	160.6	11.0	
2022			0.3	0				90.0	0.0	£0.0	0.0	0.0	32.6	67.4	229.0	261.6	232.6	29.0	
Total	100	4	22	11	18	0	0	229	33	4	0	0	67	229					

NB. This is not a forecast. It is only intended to show the costs, tax reliefs and outcomes for an investor who invests £100,000 in OT(S)EIS, given the assumptions in the table. These are: that the measures announced in the budget will be incorporated unchanged into the finance acts; that 9 SEIS and 1 EIS investment are made in 2012/2013; that 3 EIS investments are made in each of 2013/2014 and 2014/2015; that in due course 5 of the investments fail, two return the investment, two return 5 times the investment and one returns 15 times the investment.

Please see below a summary of the fees and tax reliefs shown in the tables above. Please note neither the tables above nor this summary table are a forecast. The numbers have been picked to clarify the effect of fees and tax reliefs on returns.

Capital gains tax to pay	Income tax bracket	Total Tax Relief	Total fees	Total carry	Total tax free returns (including tax reliefs)
Yes	45%	43.3	22	29	243.3
No	45%	37.1	22	29	237.1
Yes	40%	42.5	22	29	242.4
No	40%	36.2	22	29	236.2
Yes	20%	38.8	22	29	238.7
No	20%	32.6	22	29	229

For comparison a table showing the outcomes if all the investments made according to the schedule were to fail.

Capital gains tax to pay	Income tax bracket	Total Tax Relief	Total fees	Total carry	Total tax free returns (including tax reliefs)
Yes	45%	59	22	0	59.0
No	45%	52.9	22	0	52.9
Yes	40%	56.4	22	0	56.4
No	40%	51.5	22	0	51.5
Yes	20%	45.8	22	0	45.8
No	20%	39.6	22	0	39.6

If all the investments OTM makes fail you stand to lose 41-60.4% of your initial investment depending on your initial tax status.

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 FSA;

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;

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

FSA Financial Services Authority;

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

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 FSA 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 FSA'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 FSA. 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 FSA Rules. Certain of the FSA 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 FSA 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 FSA Rules, transactions for the Portfolio may be aggregated with those of other customers, and of the Fund Providers' employees and associates and their employees. In particular, but without prejudice to the generality of the foregoing, the transactions in Investments for Investors in the Fund will be aggregated. Investments made pursuant to such transactions will be allocated on a fair and reasonable basis in accordance with the FSA Rules and endeavours will be made to ensure that the aggregation will work to the advantage of each of the investors, including the Investor, but

the Investor acknowledges that the effect of aggregation may work on some occasions to the Investor's disadvantage.

- 6.4 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 FSA 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 FSA. 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 FSA Rules.

10.2 Except as disclosed in any Information Memorandum issued in relation to the Fund and as otherwise provided in this Agreement (for example on early termination), the 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 FSA 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 FSA Rules, and without prior reference to the Investor, recommend transactions in which it or an Associate has, directly or indirectly, a material interest or a relationship of any description with another party, which may involve a potential conflict with its duty to the Investor. Neither 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

12.2.12 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 FSA 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 FSA 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 FSA Rules for consideration of complaints. Details of these procedures are available from them on request. Should an Investor have a complaint, they should contact either the 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 FSA 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 FSA.

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 FSA 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 FSA and any regulatory authority which regulates them and in accordance with all other Applicable Laws.

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

A fee on subscription of 5% of all capital committed to the Fund. This is intended to cover the costs of establishing the Fund including paying a fee of 3% to intermediaries who introduce Investors. If the costs exceed 5% then Oxford Technology Management Ltd will bear the excess costs. Investors who subscribe before 30 June 2012 will receive a reduction of 1% in this initial fee (i.e. they will pay 4% instead of 5%).

Annual Management Fee

For the first three years, an annual fee of 2% of the gross amount invested in the Fund, reducing to 1.5% of the net asset value (not to exceed the amount invested) in subsequent years.

Custodians Fee

There will be a custodian's fee of 0.35% per annum.

Performance Fee

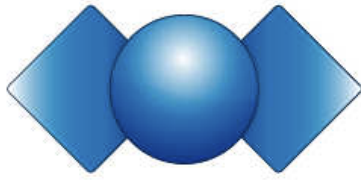
A performance fee will be calculated on the following basis: when the returns, net of all fees, are such that a notional Investor in the Fund who is a 40% income tax payer with no CGT to offset has received back 120% (after all fees and taking into account the maximum SEIS and EIS income tax relief available 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.



**oxford
technology**

Application Pack

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

OT(S)EIS

May 2012

**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 FSA.**

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Please return to: Woodside Corporate Services Limited
7th Floor,
52-54 Gracechurch Street,
London, EC3V 0EH

If you have any questions, please contact:
Oxford Technology Management Ltd
The Magdalen Centre
Oxford Science Park
OX4 4GA
Tel 01865 784466 or by
email : otseis@oxfordtechnology.com

Important Notice in respect of professional client categorisation and the resulting Loss of Protections

To be able to invest in OT(S)EIS fund, OTM will need to be able to categorize you as a “professional investor”. This will result in you losing the protection afforded to “retail investors”.

The Information Memorandum relating to the Oxford Technology (S)EIS Fund describes arrangements for the appointment of Oxford Technology Management Limited (“OTM” or the “**Manager**”) of Magdalen Centre, Oxford Science Park, Oxford OX4 4GA, as a discretionary investment fund manager to act on behalf of Investors who wish to make venture capital investments in EIS Qualifying Companies and SEIS Qualifying Companies and to manage those investments in common on behalf of all such Investors. These arrangements together constitute the **OXFORD TECHNOLOGY (S)EIS FUND** (the “**Fund**”). OTM is authorised to act as an Investment manager by the UK Financial Services Authority (“FSA”) and their FSA registration number is 121929.

As venture capital investments can be higher risk OTM only acts for individuals who, in accordance with FSA rules, can be assessed as understanding the risks of investing in the Fund. These are set out in section Risk Factors on page 7 of the Information Memorandum. Therefore participation in the Fund is restricted to those whom OTM can categorise as elective professional clients.

This means that OTM will owe you an obligation to ensure that the venture capital investments which they make comply with the investment policy and parameters set out in the Information Memorandum but not that they are suitable for your particular financial circumstances and portfolio; an obligation that would need to be discharged if OTM were to classify you as under FSA rules as a ‘retail client’. This would require you to disclose to OTM personal details about your income, expenses, liquidity and assets. There are some additional differences between these two FSA classifications. They are set out in below.

Please note that the fact that an adviser will treat you as a ‘retail client’ under FSA rules for the purposes of his client relationship with you, does not prevent that adviser from carrying out an assessment that you have the experience, expertise and knowledge required to understand the risks of investing in the Fund and of being categorised as an elective professional client for the purpose of your relationship with OTM.

You can be categorised as an elective professional client if:

- (i) OTM undertakes an adequate assessment of your expertise, experience and knowledge that gives reasonable assurance, in the light of the nature of the transactions or services envisaged, that you are capable of making your own investment decisions and understanding the risks involved;
- (ii) OTM has given you a clear written warning of the protections and investor compensation rights you may lose; and
- (iii) You have stated in writing, in a separate document from the Investor Agreement, that you are aware of the consequences of losing such protections. Such a statement is contained within the Application Form.

Once you have been classified as an elective professional client you will lose the protections applicable exclusively to retail clients under the FSA rules. Certain of the FSA rules will automatically be limited or modified in their application to you. Certain of the FSA rules will be capable of modification in their application to you in relation to any business carried out by the OTM under the terms of the Information Memorandum.

The following protections will not apply to you as an elective professional client and an Investor in the Fund:

- (i) The Manager will not be obliged to warn you of the nature of any risks involved in any potential investments in the Fund. The Key Risks of investing in the Fund are set out on page 7 of the Information Memorandum.
- (ii) The Manager will not be obliged to disclose the basis or amount of its charges for any services the Manager provides to you or on your behalf or the amount of any other income that the Manager may receive from third parties in connection with such services. The basis and amount of the Manager's charges are set out in Fees section on page 13 of the Information Memorandum.
- (iii) The Manager will not be obliged to set out any of the prescribed contents, disclosures or risk warnings needed for retail customers in prospectuses, marketing brochures and other non-real time financial promotions material, nor will the Manager be subject to the restrictions that apply to a retail client in relation to unsolicited real time communications.
- (iv) The Manager will not be required to give you the warnings required for retail clients in relation to material which may lead you to deal with or use overseas firms which are not regulated by the Financial Services and Markets Act 2000 nor will the Manager have to satisfy itself that the overseas firm will deal with you in an honest and reliable way.
- (v) The Manager will also not be required to comply with the FSA rules relating to restrictions on and the content of direct offer advertisements.

The following rules will be limited or modified in their application to you as a professional client and an investor in the Fund.

- (i) The majority of the FSA rules in relation to the form and content of financial promotions will not be applicable in respect of any financial promotion communicated or approved by the Manager.
- (ii) The Manager will not be required by the FSA to provide you with a periodic statement on the value and composition of your Portfolio in the Fund where you have requested the Manager not to do so or where the Manager has taken reasonable steps to establish that you do not want it. We would however draw your attention to [clause 8] of the Investor Agreement, pursuant to which, in particular you will be provided with contract notes for each Investment transaction by the Manager and the Manager will send you a report relating to the Fund, complying with the FSA rules, every six months. Reports will include a measure of performance in the later stages of the Fund once valuations are available for the investments. Investments will be valued by the Manager in accordance with appropriate IPEVC Guidelines from time to time prevailing.
- (iii) The Manager will comply with FSA conduct of business rule 11.2 and, to the extent applicable, take all reasonable steps to obtain, when making Investments, the best possible result for you taking into account the following execution factors: price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to making investments. In doing this, the Manager will take into account the following criteria for determining the relative importance of these execution factors: your categorisation as an elective professional client (rather than as a retail client); the characteristics and investment objectives of the Fund as described in the Information Memorandum and the rules of the EIS and the normal commercial practice of the counterparties and strategic partners with which the Investee Companies will do business. In particular, factors such as the suitability, expertise and market position of counterparties and strategic partners may be more important than price in obtaining the best possible execution result in the context of achieving the investment objective.

If you are reclassified as a retail client, the Manager shall be entitled to terminate the Investor Agreement pursuant to Clause 15.

If you have a complaint regarding the services provided under the Investor Agreement you may raise the complaint with your independent financial adviser or directly with the Manager by writing to the address shown in the Information Memorandum and the Manager shall endeavour to resolve the complaint speedily and efficiently and will reply to you in writing. As an elective professional client you may lose the right to access the financial ombudsman service.

The Manager may have regard to your expertise when complying with the requirements under the regulatory system that communications must be clear, fair and not misleading.

Under FSA rules you are responsible for keeping the Manager informed of any change, which may affect your categorisation as an elective professional client.

About the Application Form

IMPORTANT NOTE

This Application Form incorporates by reference the Information Memorandum published by Oxford Technology Management Limited, a company registered in England and Wales with company number 1069573 whose registered office is Magdalen Centre, Oxford Science Park, Oxford, Oxfordshire OX4 4GA (“OTM” or the “Manager”) in connection with the Oxford Technology (S)EIS Fund (the “Fund”) and all other documents published by OTM which are expressed to be supplemental thereto (the “Information Memorandum”). Unless otherwise stated or as the context shall otherwise require, defined terms and expressions used in this Application Form have the meanings ascribed to them in the Information Memorandum.

BEFORE YOU INVEST

Before completing this Application Form, you should carefully review and understand the Information Memorandum and Investor Agreement. Remember that the proposal may NOT be suitable for you, the information in the offer documents does NOT constitute tax, legal or investment advice and you should seek your own independent advice.

MINIMUM INVESTMENT

The minimum investment is £15,000 and thereafter in multiples of £1,000.

WHO CAN APPLY?

You can apply for an investment in the Fund if you can be categorised by OTM as an elective **professional client** under the FSA rules.

You can be categorised as an elective professional client if:

- OTM is satisfied that you can be assessed as a person who is capable of making his/her own investment decisions and understanding the risks involved by participating in the Fund;
- you have received a clear written warning of the protections and investor compensation rights you may lose by doing so; and
- you have stated in writing, by signing this Application Form, that you are aware of the consequences of losing such protections.

To do this, you should complete the **Investor & AML Certificate on page 11** .

Alternatively, you can be assessed as an elective professional client by your authorised financial adviser completing the **Adviser & AML Certificate** on page 15. This does not mean that your financial adviser needs to treat you as an elective professional client if he has categorised you as a retail client in relation to the services and advice which he provides to you.

INSTRUCTIONS FOR COMPLETING THE APPLICATION FORM

Before completing this Application Form, please carefully review the Information Memorandum and Investment Management Agreement on page 42, and in particular the risk factors on page 7, and then follow the steps listed 1 – 3 below.

1. Please complete the **Application Form. (Personal Details, and Acknowledgements and Representations)** on pages 8-10 in black/blue permanent ink, and sign any changes you make. Do not erase any text or use whiteout.
2. Please **either** complete and sign the **Investor & AML Certificate on pages 11-14**, **or** arrange for an independent financial adviser, authorised by the Financial Services Authority, to complete and sign the **Adviser & Anti-Money Laundering (AML) Certificate on page 15**.
3. Please send the following documents to:
Woodside Corporate Services Limited
7th Floor,
52-54 Gracechurch Street,
London, EC3V 0EH

1. Application Form (completed, executed and **dated**) **(pages 8-10)**;
2. **Either** The Investor & Anti Money Laundering (AML) Certificate (pages 11-14)
or The Adviser & AML Certificate (if you apply through an IFA - page 15)
3. **Either** Your cheque ~~or banker's draft~~ made payable to **Woodside Corporate Services Limited OT (S)EIS Fund Client Account** for the amount you wish to invest.
~~**or** transfer your investment directly to the following account:~~

~~**Account name:** Woodside Corporate Services Limited OT(S)EIS Fund Client Account~~

~~**Account number:** 11094325~~

~~**Sort Code:** 16 10 29~~

If applying by means of the **Investor and AML Certificate**, two further documents:

1. **Proof of identify:** a certified copy of one of; current passport, national identity card, or national driving licence (both parts)
2. **Proof of address:** a certified copy of one of; recent bank statement less than 3 months old, credit reference agency report, utility bill less than 3 months old or full driving licence (both parts), if not used for proof of identity.

Please keep a copy of the completed application form for your records.

OTM may decide, in its absolute discretion, to accept or reject the Application Form and will notify you of its decision.

If you do not receive an acknowledgement of your application within 10 days of sending it to the address above, please contact OTM.

Please ensure that you have read the important information starting on page 2 of the application pack.

1 Application Form - PERSONAL DETAILS

Title: Mr / Ms / Mrs / Miss / Dr / Other	Surname:
Forename(s):	
Nationality:	National Insurance no.
Permanent Address: _____ _____	
Postcode:	Email:
If length of occupation is not more than 3 years then please provide your previous residential address: _____ _____	
Telephone (mobile):	Telephone (home):
Date of birth (DD/MM/YYYY):	Town and country of birth:
For most taxpayers, their National Insurance number is also their Tax Reference Number. But some taxpayers also have a UTR (Unique Tax Reference) number. Please provide this if known.	
UTR (if relevant)	

2 APPLICATION TO INVEST IN THE OXFORD TECHNOLOGY (S)EIS FUND

I hereby apply to invest in the Oxford Technology (S)EIS Fund the following amount:

£.....

I enclose a cheque, made payable to **Woodside Corporate Services Limited OT (S)EIS Fund Client Account** ~~or bankers draft~~

~~I have transferred funds directly to WCS (Acct: 11094325 Sort Code: 16 10 29) See page 7~~

3 ACKNOWLEDGEMENTS AND REPRESENTATIONS

- a I confirm that I am 18 years of age or older, and personally possess sufficient knowledge, experience and expertise in financial and business matters (including experience with investments of a similar nature to an investment in the Fund) to be capable of evaluating the merits and risks of an investment in the Fund. I acknowledge that OTM is not providing advice on this investment and confirm that I have taken such independent advice (including from an independent financial adviser) that I deem necessary or desirable.
- b I confirm that I have read and understood the Information Memorandum (and in particular the section headed Risk Factors) and the Investor's Agreement. I confirm that, in making my application, I am relying solely on the information contained in the Information Memorandum, the Investor's Agreement, the Adviser & AML Certificate, or, as the case may be, the Investor & AML Certificate and my own enquiries, and not on any information or representation in relation to the proposal.
- c I agree and undertake, if my application is accepted, to observe, perform and be bound by the provisions of the Investor's Agreement.
- d I confirm that I wish to invest as an elective professional client under the FSA rules and that I am aware of the consequences of losing the protection and investor compensation rights that I lose by participating in the Fund as an elective professional client. I confirm that I have read and understood the Important Notice in respect of profession client categorisation in my Investor & AML Certificate and I confirm that the information set out in my Adviser & AML Certificate (or, as the case may be, Investor & AML Certificate) is true and accurate and OTM may rely on it.
- e I waive the protections conferred by the client money rules in respect of any money which the Manager or the Custodian holds for me. In doing so I acknowledge that the Manager and/or the Custodian will not be required to segregate my money from that of the Manager/Custodian and that in the event of insolvency I would rank only as a general creditor of the Manager/Custodian in respect of any uninvested money. Notwithstanding the foregoing I acknowledge that it is the policy of the Manager and the Custodian to segregate investors' money from funds held for and on behalf of the Manager/Custodian.
- f I acknowledge that this application form is not transferable or assignable.
- g I confirm my agreement that this Application Form be governed by and construed in accordance with the laws of England and that the courts of England shall have exclusive jurisdiction to hear and determine any suit, action or proceedings and to settle any disputes which may arise out of or in connection with this Application Form and, for such purposes, I irrevocably submit to the jurisdiction of such courts. In addition, I irrevocably waive any objection which I might now or hereafter have to the courts of England being nominated as the forum to hear and determine any such suit, action or proceedings and to settle any such disputes, and agree not to claim that any such court is not a convenient or appropriate forum.
- h I agree that the foregoing representations, warranties, agreements and acknowledgments shall survive the date of my admission to the Fund and this Application Form shall be binding upon and inure to the benefit of all parties and their successors and permitted assignees.

i I agree that any term or provision of this Application Form which is invalid or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms or provisions of this Application Form or affecting the validity or enforceability of any of the terms or provisions of this Application Form in any other jurisdiction.

j I undertake to notify the Manager immediately if there are ever any relevant circumstances of which the Manager should be aware in relation to managing my Portfolio(s).

k I confirm, in relation to my investment in the Fund, that:

- I wish to seek SEIS and EIS Relief;
- I am applying on my own behalf;
- I will notify the Manager where any investment made by the Fund is made in a company with which I am connected within the meaning of section 163 and sections 166 to 177 of the Income Tax Act 2007 and part 5A of the Income Tax Act 2007 (e.g. where I am an employee, a director or an existing shareholder of that investee company or its subsidiary);
-
- I will notify the Manager if, within three years of the date of issue of shares by an EIS Qualifying Company or SEIS Qualifying Company, I become connected with that EIS Qualifying Company or SEIS Qualifying Company or receive value from it.

This Application Form is executed and delivered as a deed on the date mentioned below

Investor Signature:	Print name:
Witness Signature:	Print witness name and address:

Date:

by completing and signing this application form, you confirm that your identity may be verified by electronic means such as the use of data held by specialised data agencies.

Please ensure that you have read the important information on page 2 of the application pack.

There are two documents which relate to the Oxford Technology Combined Seed Enterprise Investment 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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OX4 4GA
01865 784466
otseis@oxfordtechnology.com**

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