

## Becoming a member of the Equity Gap investment syndicate

This pack provides information on joining the Equity Gap Syndicate (**Equity Gap**).

Should you have any questions about the joining process or Equity Gap more generally, please contact Jock Millican ([jock@equitygap.co.uk](mailto:jock@equitygap.co.uk)) or Fraser Lusty ([fraser@equitygap.co.uk](mailto:fraser@equitygap.co.uk)).

### Documentation

You will need to complete 3 documents:

1. An application form

This includes Equity Gap's rules and details of fees that you will be charged.

2. A high net worth individual certification form or a sophisticated investor self-certification form

All members of Equity Gap are required to sign one of these statutory forms to confirm that they meet the criteria of a high net worth individual or sophisticated investor, and that they understand and accept the nature and risks involved in any investment they may make as a member of Equity Gap.

The main risks are that you could lose some or all of the amount invested and would not have any recourse if that happened.

3. A power of attorney in favour of Equity Gap Limited

This appoints Equity Gap Limited as your attorney in relation to any investments made by you as a member of Equity Gap. Equity Gap Limited is a private company limited by guarantee (registered number SC378060) which looks after the administration of Equity Gap. Equity Gap Limited is not an authorised person within the meaning of the Financial Markets and Services Act 2000 and does not provide investment advice.

The power of attorney is necessary because investments are made by members of Equity Gap in their own names but not all members are available to sign investment documentation at a given time.

While the power of attorney does not have an expiration date, it can be revoked by you at any time by giving notice in writing to Equity Gap Limited.

The power of attorney needs to be signed by you in the presence of a witness (aged 16 years or older) who should also sign and add his or her name and address where indicated. It is acceptable for a spouse or civil partner to act as witness in this case.

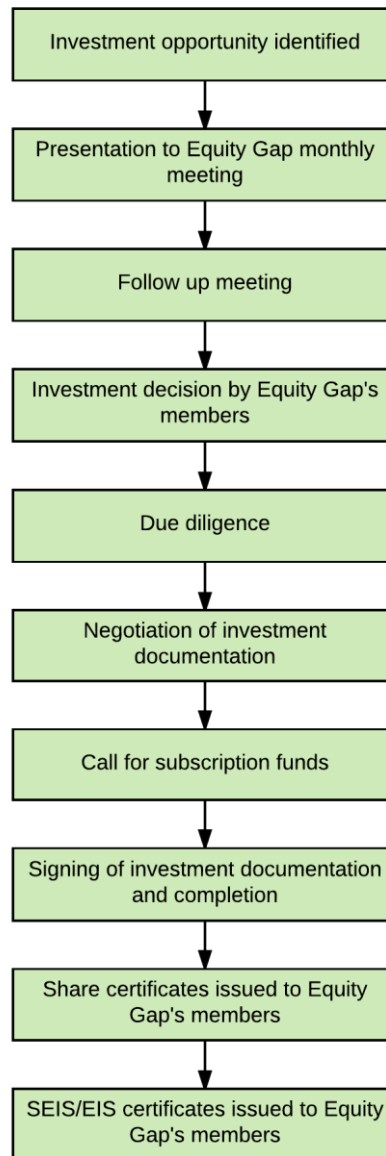
Once you have completed and signed the 3 documents, please send the signed documents to our lawyers, Wright, Johnston & Mackenzie LLP (**WJM**):

Wright, Johnston & Mackenzie LLP  
The Capital Building  
12/13 St Andrews Square  
Edinburgh EH2 2AF

As well as completing the documents, you will also need to undergo Anti-Money Laundering (**AML**) checks. WJM carries out the AML checks on behalf of Equity Gap.

### Investment process

The steps involved in a typical investment are as follows:



Each investment made through Equity Gap is intended to qualify for Enterprise Investment Scheme (**EIS**) relief. Some early stage investments may qualify for Seed Enterprise Investment Scheme (**SEIS**) relief in whole or in part. SEIS/EIS certificates are issued by the companies themselves rather than by Equity Gap.

Equity Gap is a co-investment partner of Scottish Enterprise. This means that the amount invested by Equity Gap's members will usually be matched by Scottish Enterprise.

## Anti-Money Laundering checks

If you decide to make an investment through Equity Gap, we will ask you to pay your subscription funds into WJM's clients' account.

AML checks are therefore necessary as part of your application for membership.

The most straightforward way to complete the AML checks is to arrange to call at one of WJM's offices. WJM has offices in Edinburgh, Glasgow and Inverness (<http://www.wjm.co.uk/contact-us>).

You will need to take along 2 forms of **original** identification documents:

1. Original photographic identification (usually passport or driving licence).
2. Separate original proof of your home address dated within the last 3 months (for example, a bank statement, utility bill, Council Tax bill or similar).

Please note that copies of documents are **not** acceptable.

You will also be asked to confirm the source of funds from which you will be investing. Depending on the source of funds, you may be asked to provide further information.

When making an investment, your subscription funds must be paid from a UK bank account or UK building society account in your name.

To arrange a time to carry out the AML checks, please contact Michael Drysdale of WJM ([mcd@wjm.co.uk](mailto:mcd@wjm.co.uk) or 0131 524 1505).

If Michael is out of the office, his colleagues Ken Long ([kbl@wjm.co.uk](mailto:kbl@wjm.co.uk)) and Sarah Linton ([scl@wjm.co.uk](mailto:scl@wjm.co.uk)) will be happy to help. They can also be reached on 0131 524 1500.

If it will be difficult for you to visit one of WJM's offices in person, please contact WJM to discuss alternative arrangements for carrying out the AML checks.

## EQUITY GAP SYNDICATE ("Equity Gap")

### APPLICATION FORM

#### Applicant Details:

|                |  |
|----------------|--|
| Full Name:     |  |
| Home Address:  |  |
| Home Tel:      |  |
| Mobile:        |  |
| Email Address: |  |

#### Criminal Convictions etc:

Have you ever been charged or convicted of fraud, false accounting or any other criminal offence (excluding non custodial traffic offences) or are you the subject of ongoing or pending criminal proceedings in the UK or elsewhere? **(please tick):**

No  Yes (please provide details)

Are you, or have you ever been, disqualified from holding a position as a director or under investigation by the DTI, HM Revenue & Customs or are you subject to ongoing or pending fitness to practise proceedings by a regulatory body in the UK or elsewhere? **(please tick):**

No  Yes (please provide details)

Have you ever been a director or shareholder in a business which has ceased trading or has been the subject of formal insolvency proceedings such as liquidation, receivership, administration or other formal arrangements or have you ever been adjudged bankrupt? **(please tick):**

No  Yes (please provide details)

#### Availability:

Please indicate your availability and willingness to become involved in investment opportunities and post-investment mentoring and monitoring.

Would you be interested in carrying out due diligence? **(please tick):**

Yes  No

Would you be interested in acting as a non-executive director? **(please tick):**

Yes  No

Would you be interested in acting as a non-executive chairman? **(please tick):**

Yes  No

Or would you prefer to be a passive investor? **(please tick):**

Yes  No

**Areas of Expertise (Finance/IT/Medical etc)**

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I apply to become a member of Equity Gap. I understand that my application, and continuing membership of Equity Gap, is subject:

- (a) to me confirming that I am a high net worth individual or sophisticated investor at the time of my application and annually thereafter; and
- (b) to satisfactory completion of Anti-Money Laundering checks to be carried out on behalf of Equity Gap.

**I understand that failure to comply with the above will result in my application for membership of Equity Gap being refused or lapsing.**

I certify that the information given in this application form is, to the best of my knowledge and belief, correct and I agree to be bound by the Membership Rules of Equity Gap, attached, which I have read and understand.

Signed \_\_\_\_\_

Date \_\_\_\_\_

## MEMBERSHIP RULES OF EQUITY GAP SYNDICATE

These are the rules under which opportunities may be offered to members of Equity Gap Syndicate ("**Equity Gap**") and the procedures adopted for the completion of investments by members.

Equity Gap is an unincorporated association consisting of its Office Bearers (the "**Board**") and a larger group of members ("**Members**"). The syndicate is administered by Equity Gap Limited, a company limited by guarantee (the "**Company**"). Jock Millican is the chairman of the administrative company and the "**Gatekeeper**" of Equity Gap.

The provisions of the Financial Services and Markets Act 2000 and the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (together "**FSMA**") have been taken into account in framing these rules.

1. A Gatekeeper or other advisor may be appointed or engaged by the Board to identify, assess and vet investment opportunities and carry out initial due diligence
2. All new business proposals and requests for further funding will be reviewed by the Gatekeeper. Members shall be entitled to send information memoranda to the Gatekeeper on behalf of companies seeking investment.
3. All written and oral information provided to Members shall be provided by or on behalf of the company seeking investment. No representation or warranty, express or implied, is or will be made and no responsibility or liability is or will be accepted by Equity Gap, the Gatekeeper or by any of its Members in relation to the accuracy or completeness of this information.
4. Each Member acknowledges that a decision to invest is a personal decision and that no responsibility for the consequences of that decision is accepted by Equity Gap, the Gatekeeper or by any of its Members. Dissemination of post-investment information is the responsibility of the investee company to the individual investor.
5. Equity Gap is not regulated by the Financial Conduct Authority and the Financial Services Compensation Scheme established for the protection of investors does not apply to it. The content of information memoranda and the terms of investment opportunities will not be approved by an authorised person within the meaning of the FSMA.
6. Investing in private companies is highly speculative and Members should be aware that no established market exists for the trading of shares in private companies. Members are recommended to seek independent financial advice from their stockbroker, solicitor, accountant or other independent financial adviser authorised for the purposes of the FSMA if they are resident in the United Kingdom or, if not so resident, from another appropriately authorised independent financial adviser.
7. All Members are required to comply with the certification requirements of the FSMA and the terms of the Money Laundering Regulations 2007. FSMA certification and money laundering requirements must be renewed every year and failure to comply with these requirements shall result in the immediate termination of membership.
8. The completion of investments will be co-ordinated by the Gatekeeper, who shall act as the agent for the investors. Members shall make their own investment decisions and the Gatekeeper shall obtain their consent to decisions which will affect any investment. Members will be asked to sign a Power of Attorney in favour of the Company appointing its

directors to execute investment agreements and ancillary documentation relating to any investment.

9. Members will fully disclose to the other Members any matter which might reasonably be considered to prejudice any investment by other Members or which might reasonably be considered to constitute a conflict of interest.
10. Members acknowledge that as a Member they will receive confidential information and they hereby agree to keep such confidential information secret and not to disclose such confidential information to any third party.
11. Membership of Equity Gap currently costs £300 per year, payable upon joining and annually thereafter. The membership fee shall be reviewed annually and set by the Board following consultation with the members.
12. Members who make investments will be charged a fee by Equity Gap of 3% of the total amount they invest.
13. The minimum investment by Members in any single investment shall be £5,000, unless an investment opportunity arises when the number of members wishing to invest will result in a figure more than the sum required. In this situation the minimum investment will be reduced to ensure all members wishing to invest will contribute an equal amount.
14. Equity Gap is a co-investment partner of Scottish Enterprise. This may mean that Scottish Enterprise invests alongside Equity Gap Members in particular investments. Such investment by Scottish Enterprise will be on the same terms as apply to individual Members.
- 15.1 Equity Gap may suspend or terminate the membership of any Member who, as determined by the Board (acting in its sole discretion):
  - (a) has breached any of these Membership Rules;
  - (b) has failed to disclose a material fact or makes a material misrepresentation in an application for membership;
  - (c) has engaged in conduct that reflects poorly on Equity Gap, or which is deemed to be against the best interests of Equity Gap; or
  - (d) has solicited or accepted any compensation for presenting an investment opportunity to, or for raising capital from, the Members of Equity Gap.
- 15.2 Decisions regarding the termination, suspension or non-renewal of membership are final and not subject to any appeal. The sole recourse any Member has over any disagreement with a decision of Equity Gap, regardless of its scope or nature, is to withdraw from membership of Equity Gap.
16. Members hereby agree to indemnify Equity Gap and the Members against any claims made as a result of their failure to comply with these Membership Rules.
17. Members agree that the Membership Rules may be varied from time to time by the Board and that Members shall be bound by the terms of any such variation. Members may from time to time propose variations of the rules for the Board to consider.

18. The Company is registered as a data controller under the Data Protection Act 1998. Equity Gap and the Company make use of services such as Gust (<http://gust.com>) that may require Members' personal data to be transferred to a country or territory outside the European Economic Area. Members hereby consent to such transfer provided that such country or territory ensures an adequate level of protection for the rights and freedoms of data subjects in relation to the processing of personal data.
19. Rules 10, 16 and 18 shall survive the termination of membership of Equity Gap and shall continue to be binding upon former Members in any question with Equity Gap, the Board or their former co-Members.



## Statement for Certified High Net Worth Individual

I declare that I am a certified high net worth individual for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

I understand that this means:-

- (a) I can receive financial promotions that may not have been approved by a person authorised by the Financial Conduct Authority;
- (b) the content of such financial promotions may not conform to rules issued by the Financial Conduct Authority;
- (c) by signing this statement I may lose significant rights;**
- (d) I may have no right to complain to either of the following:-
  - (i) the Financial Conduct Authority; or
  - (ii) the Financial Ombudsman Scheme;
- (e) I may have no right to seek compensation from the Financial Services Compensation Scheme.

I am a certified high net worth individual because **at least one of the following applies:-**

- (a) I had, during the financial year immediately preceding the date below, an annual income to the value of £100,000 or more;
- (b) I held, throughout the financial year immediately preceding the date below, net assets to the value of £250,000 or more. Net assets for these purposes do not include:-
  - (i) the property which is my primary residence or any loan secured on that residence;
  - (ii) any rights of mine under a qualifying contract of insurance within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001; or
  - (iii) any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependants are), or may be, entitled.

**I accept that I can lose my property and other assets from making investment decisions based on financial promotions.**

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print name

## Statement for Self-Certified Sophisticated Investor

I declare that I am a self-certified sophisticated investor for the purposes of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005.

I understand that this means:

- (a) I can receive financial promotions that may not have been approved by a person authorised by the Financial Conduct Authority;
- (b) the content of such financial promotions may not conform to rules issued by the Financial Conduct Authority;
- (c) by signing this statement I may lose significant rights;**
- (d) I may have no right to complain to either of the following –
  - (i) the Financial Conduct Authority; or
  - (ii) the Financial Ombudsman Scheme;
- (e) I may have no right to seek compensation from the Financial Services Compensation Scheme.

I am a self-certified sophisticated investor because **at least one of the following applies** -

- (a) I am a member of a network or syndicate of business angels and have been so for at least the last six months prior to the date below;
- (b) I have made more than one investment in an unlisted company in the two years prior to the date below;
- (c) I am working, or have worked in the two years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises;
- (d) I am currently, or have been in the two years prior to the date below, a director of a company with an annual turnover of at least £1 million.

**I accept that I can lose my property and other assets from making investment decisions based on financial promotions.**

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

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print name

## Equity Gap Syndicate

### GENERAL POWER OF ATTORNEY

I,

\_\_\_\_\_  
(Full name)

residing at

\_\_\_\_\_  
(Address)

(“Grantor”), CONSIDERING THAT

- (ONE) I am of sufficient means to meet the criteria for either a “Certified High Net Worth Individual”, “Certified Sophisticated Investor” or a “Self-Certified Sophisticated Investor” as defined in The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended);
- (TWO) I wish to make various private equity investments and reinvestments from time to time in various companies (“**my Investments**”); and
- (THREE) I wish to appoint an attorney in respect of only my Investments introduced by Equity Gap Syndicate, an unincorporated association consisting of its office bearers and a larger group of members administered by Equity Gap Limited, a company limited by guarantee;

DO HEREBY APPOINT **EQUITY GAP LIMITED**, a company limited by guarantee (registered number 378060) and having its registered office at 302 St Vincent Street, Glasgow, G2 5RZ, (“**my Attorney**”) to be my lawful attorney from the date hereof, acting by any of its directors from time to time, with full power and authority in its absolute discretion in my name and on my behalf to consider, negotiate, vary, agree, and execute all acts and documents (including, but not limited to, any articles of association, share application form, members’ resolution, board minute, disclosure letter, deed, non-disclosure agreement, heads of agreement and investment agreement) relating to my Investments, or do anything ancillary thereto, on such terms as I may direct, including without limitation:

- (i) to consider, negotiate, vary, agree, and execute any documents involving syndicated investments with other members of Equity Gap Syndicate;
- (ii) to acknowledge and accept in writing the terms of any disclosure letter, business plan or accounts (or anything ancillary thereto) in relation to any investment agreement;
- (iii) to attend and vote at all meetings (including but not limited to general meetings, annual general meetings, class meetings and investors meetings), agree, grant and execute, retrospectively if appropriate, any consents, variations, agreements, waivers,

resolutions, written resolutions, forms of proxy, consents to short notice of any meetings, requisitions, notices, waiver of claims or waiver of pre-emption rights that may be required and/or may be necessary under the terms of any investment agreements which I am a party of, and/or the articles of association of any company that I am a shareholder of, and which I may competently do as a shareholder and/or as a party to the relevant investment agreement(s); and

- (iv) to submit any share certificate for cancellation subject to the issue of a balancing certificate.

And I HEREBY UNDERTAKE to ratify, allow and confirm any act or documents whatsoever my Attorney shall do or purport to do or lawfully cause to be done in my name or on my behalf pursuant to this Power of Attorney; and all acts, deeds, documents, agreements and things done, executed or granted by my Attorney pursuant to this Power of Attorney shall be valid and binding as if done, executed or granted by me; and my Attorney shall incur no responsibility in respect of the acts and management of my Attorney or any omission or error attributable to my Attorney, except by virtue of my Attorney's negligence or fraud.

This Power of Attorney shall be governed by and construed in accordance with the Law of Scotland and I hereby prorogate the non-exclusive jurisdiction of the Scottish Courts and agree that service of any proceedings pursuant to this Power of Attorney may be served on me at the address specified above or such other address as I may intimate in writing to my Attorney:

IN WITNESS WHEREOF these presents consisting of this page and the preceding page only are executed as follows:

.....  
Witness

.....  
Grantor

.....  
Full name of witness

.....  
Date of signing

.....  
Address of witness

.....  
Place of signing

.....