



# Lacomp Risk Managed EIS Fund

Offering tax breaks and tax free upside potential with sound risk management through the provision of services and investment in visual media productions

Lacomp plc is Authorised and Regulated by the Financial Services Authority

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# Objective

**The objective of the Lacomp Risk Managed EIS Fund (the Fund) is to combine sound risk management with a view to protecting capital whilst retaining the potential for substantial tax free growth.**

The Fund has been established by Lacomp to allow investors to utilise the significant tax benefits available for EIS investment in a carefully risk managed environment.

It achieves this through investment in the film and TV sector. Whilst traditionally viewed as risky and speculative, there are nevertheless specific elements of film and TV productions which Lacomp believe lend themselves particularly well to creating a risk managed fund whilst allowing the investors to benefit from the generous EIS tax breaks.

This is because only 20% of the amount invested in a potential film or TV opportunity is intended to be at risk of loss.

By combining the tax benefits of EIS with these risk managed features, Lacomp believes it is possible to create a fund capable of achieving a positive return for investors in all reasonably foreseeable circumstances whilst still retaining the potential for substantial tax free growth over a 3 to 5 year period.

We do not charge any fees to investors as 100% of investors' subscriptions are invested thus maximising the applicable tax breaks.

***Please note this investment is not guaranteed or capital protected. Please consult with your independent financial adviser or other specialist adviser before proceeding.***

# About Film and TV

Investing in individual film and TV productions is generally regarded as high risk as no one can predict with absolute certainty whether a production will be successful.

As a basic rule of thumb, 40-50% of film productions lose money, 20-30% break even and 20-30% make a profit.

**However, there are elements of film and TV production that lend themselves to a risk managed environment whilst qualifying under EIS rules.**

In reality, much of the risk can be passed to other participants in the film-making process. For example, it is possible to pre-sell the rights to a film before it is made. Amounts vary but pre-sales would typically account for 10-20% of the budget of a film. An even more significant source of revenue is government tax credits (whether UK or overseas) and/or regional subsidies.

**The Fund will be targeting film and TV productions where up to 80% of production costs have already been met by sources that are not subject to success at the box office.**

The Fund will aim to supply the final equity investment and seek favourable participation under the “last in first out” principle.

In very simple terms, for example, if a film costs £1m to produce then £800,000 would come from other sources with the Fund providing the final 20% (£200,000).

If the film then performs poorly and only generates revenue of £200,000 (a loss of £800,000) the Lacomp Risk Managed EIS would still receive its capital returned in full (i.e. the first 20% of revenue received). Another way of putting this would be to say that the investment is 5 times covered. As soon as there is certainty that all or part of the capital will be returned, investment may be made in further films, provided that the total of all such commitments does not exceed 20% of the Fund’s assets.

***Investors should note that each production will be subject to negotiation and the figures above are purely illustrative. However, the Fund will only invest alongside established production teams (for example, no new or unknown directors) who have already obtained committed funding.***

The Lacomp Risk Managed EIS Fund will commit only 20% of the Fund’s assets to equity participation in film and TV productions, and the remaining 80% of funds are committed to services that constitute the ‘risk managed’ element of the fund.

Any film or TV production requires considerable executive producer services. Film and TV productions invariably require specialist assistance to arrange and manage pre-sale agreements. They also need assistance such as technical support, script supervision, managing payroll and performing other duties essential to bring the project to fruition.

The Lacomp Risk Managed EIS Fund is able to provide a ‘turn-key’ solution by providing many of the associated professional services required. In return for this it charges a fee to the production company.

Importantly, these fees are extremely predictable and payable regardless of success at the box office or through other media outlets.

Credit and counterparty risks are considered to be low. Pre-sales agreements will be negotiated with established and known distribution agents. Monies will usually be held in escrow accounts pending completion of a production. Counterparties frequently are governmental agencies. Other counterparty risks may be covered by insurance contracts.

**In essence, whilst 20% of the Fund’s assets are put at risk through equity participation in various film and TV productions, the remaining 80% are committed to these “risk managed” elements. The fees derived from the latter plus the EIS relief of 30% should ensure investors receive a positive return on their original investment regardless of the success or otherwise of the film and TV projects. Nevertheless, the equity participation offers a very real upside potential.**

# About Lacomplc

Authorised and regulated by the Financial Services Authority, Lacomplc was founded in 1985 for the purpose of providing a professional discretionary portfolio management service to an international clientele.

Lacomplc is headed by its Swiss founder and Managing Director Peter Buxtorf who was educated in Switzerland and has a background in private banking and fund management.

Lacomplc enjoys a first class reputation among financial institutions both in the UK and abroad. The company has rarely advertised, mostly relying on word of mouth and introductions from accountants and solicitors to increase its clientele.

This is the thirteenth EIS fund established by Lacomplc who is best known for its series of generalist, non-sector specific EIS funds. In managing its EIS funds, Lacomplc throughout has been ably assisted by its Investment Advisory Panel in the form of Simon Pannett, Paul Finnigan and Nigel Milton who between them have a proven and successful track record in the fields of investment management, corporate finance, fund raising and mergers and acquisitions, with emphasis on the smaller unquoted sector.

However, due to the nature of film and TV production, Lacomplc has extended its body of expert advisers by including specialist media advisers, namely Douglas Abbott and John Wolstenhome, to assist in the management of the Lacomplc Risk Managed EIS Fund.

Doug Abbott is a Chartered Accountant and venture capital investment manager with a history in film and TV investment stretching back to the early 1980s. He first got involved in this sector as fund manager with the National Coal Board Pension Funds, and subsequently for CIN Industrial Investments (now CINVer), Gartmore Venture Capital and UK insurer Sun Life, and he now provides professional services to the independent film sector. In addition, Doug has served as financial accountant and advisor to the British Screen Advisory Council since 1987.

John Wolstenhome was Managing Director of United Media and now works as an executive producer. Having worked in the film and TV industry on both sides of the Atlantic, his experience is extremely wide-ranging, from cutting rooms to production and distribution, film finance as well as screenplay writing.

Between them, Doug and John have been involved in many high profile UK films such as Gandhi, The Killing Fields, Educating Rita and The Krays.

However, it should be noted that all fund management decisions are made by Lacomplc. The Investment Advisory Panel and the media advisers are merely advising the Fund Manager.

# About EIS

The Enterprise Investment Scheme (EIS) was first launched in 1994 and replaced the previous Business Expansion Scheme (BES).

EIS investments should be regarded as high risk. However, the reward for this higher risk is in the form of the most complete set of tax benefits attached to any UK investment today, subject to qualifying investments remaining invested for a minimum of three years.

1. EIS relief (income tax relief) at 30% on up to £500,000 against your income tax bill for 2011/2012.

For example, a gross investment of £10,000 would result in a net cost of £7,000.

2. Carry-back option granting income tax relief at 20% on up to a further £500,000 for the tax year 2010/2011.

3. Capital gains on investments which have attracted EIS relief are completely tax free.

For example, a tax free capital gain of 10% is equivalent to a taxable return of 16.67% for a 40% taxpayer and 20% for a 50% taxpayer.

4. Unlimited capital gains tax deferral in respect of gains up to the amount invested arising within 36 months before the investment and 12 months following the investment.

5. IHT relief after two years under the “relevant business property” rules.

6. Loss relief can be claimed on individual investments that lose money. Any loss is calculated net of EIS relief and can be offset against gains made that year or carried forward to offset future capital gains. Alternatively it can be offset against income in that tax year or the preceding tax year.

**Please see Appendix 1 for some examples of how the tax treatment applies.**

# Fund Charges, Commissions, Cost Efficiency and Performance Fee

Investors will not suffer any charges on their subscriptions thus ensuring that they can claim EIS relief on 100% of their investment.

Instead, the Fund Manager will levy an arrangement fee of 5.25% and an annual charge of 2% (for the first three years only) on the investee companies.

All other charges or fees (set up, legal, accountancy, custodial and dealing) will be borne by the Fund Manager.

The Fund Manager will pay up to 3.25% initial commission and a trail commission of 0.5% (for the first three years only) to authorised intermediaries.

Whilst the Fund Manager may appoint a chairman, executive or non-executive directors to an investee company's Board of Directors, the Fund Manager does not otherwise intend to require the appointment of external or corporate advisers to any of the investee companies, believing it will be more practicable and cost-efficient to rely upon its own expertise with the assistance of the members of the Investment Advisory Panel and the media advisers.

A performance fee of 30% of the overall profit at exit will be shared by the Fund Manager, the members of the Investment Advisory Panel and the media advisers.

# Technical Status and Structure

As a result of the Finance Act 2009, the Fund Manager has decided for the Fund to be an “Unapproved Fund” rather than an HM Revenue & Customs (HMRC) Approved Investment Fund under Section 251 of the Income Tax act 2007. The Fund Manager prefers the non-approved status as it offers investors more flexibility when claiming EIS relief.

The Lacomp Risk Managed EIS Fund comprises a number of discretionary managed investment portfolios. These portfolios are managed on a discretionary basis and so an investor cannot command the Fund Manager to dispose of one particular portfolio holding or any one production within any such portfolio. Each investor in the Fund, for legal and tax purposes, is the beneficial owner of a specific number of shares in each investee company which comprises his portfolio, and his portfolio is managed on the terms of the Investor’s Agreement. The Investor’s Agreements for the Fund are all in identical terms. Lacomp is responsible for safe custody of portfolio investments. Although the investors are the beneficial owners of the investments, the nominee, Lacomp Nominees Ltd., will be the registered holder of all investments of the Fund.

The Fund has been established by Lacomp for the purpose of making majority investments in one or more investee companies. It is intended that each investee company will, over a three year period, coordinate up to four film and TV productions, and that each production will be managed by either the investee company or through a wholly owned subsidiary. Please note that each investee company and each subsidiary will be a newly established ‘purpose built’ special purpose vehicle (SPV) established for the purpose of the specific project, which the Fund Manager believes will be an EIS qualifying company thus affording investors the opportunity to avail themselves of the same tax advantages as investing in a single EIS qualifying company.

# Risk Factors

**Tax Issues** – The taxation notes are merely a brief summary and should not be viewed as constituting tax advice, and it is strongly recommended that investors seek the advice of their financial advisers or other appropriately qualified professionals. The currently available tax advantages might change in the future.

**Not Readily Realisable Investments** – The Fund will invest in unquoted, unlisted private companies who in turn invest in film and TV productions. Therefore, these investments are not readily realisable.

**Partial withdrawals** from the Fund are not permitted, and although it is the Fund Manager's intended exit strategy to sell the investments of the Fund after they have been held for three years, in practice this period could be extended. Therefore, you should think carefully whether you can afford it and whether it is right for you.

**Production problems** – During production, a film may overrun its budget, may lose its director or leading actor(s) and may not be completed. Such predicaments are relatively rare with properly managed projects, but to counter these problems the Fund will only invest in productions that carry appropriate insurances to cover such eventualities and/or are produced by experienced teams with a proven track record of delivering on schedule and on budget. The Fund will never invest in the development stage of any film or TV production, and the Fund will only invest in projects that are already substantially funded by reputable third parties. The Fund will offer investors diversification by investing in a number of film and TV productions. Furthermore, the Fund will only invest in lower budget (£0.5-£3m) productions where there is less to recoup.

**Counterparty Risk** – Post production and also during distribution, the Fund could be exposed to counterparty risk by not receiving payment for work carried out or payments pledged. The debtors often are governmental or regional authorities where the risk of default is small. In the event of pre-sales it is typical for the funds to be placed in an escrow account (a third party account on behalf of the transacting counterparties) or backed by letters of credit. Counterparty risk can never be fully discounted but given proper due diligence regarding the quality and credit worthiness of the counterparties involved the Fund Manager believes this risk to be relatively low.

**Inability to identify sufficiently attractive projects** – There are always more films requiring finance than there are available funds to finance them, and the equity element of any funding is always the hardest to find. As a potential equity investor the Fund should be extremely attractive to those seeking the final investment that will allow a project to go ahead. This should also facilitate the provision of ancillary production services that constitute the risk managed elements. Typically, funding the liquidity gap has been provided by banks and the specialist associated work handled by other entities. By incorporating both elements, the Fund is able to offer an attractive 'turn-key' solution at commercially attractive, fixed terms. It is considered unlikely that the Fund will have trouble identifying good commercial projects and the Fund should be well positioned to 'cherry pick' from a wide choice of available projects.

**Diversification** – Any single production, regardless of the previous track record of the production team, is typically high risk and should be considered as a speculative investment.

The Fund addresses this in two ways. Firstly, 80% of the Fund is invested in the risk managed elements which are not dependent on box office success to provide a return. Secondly, the 20% film and TV equity is invested across a number of projects thus affording a degree of diversification and mitigating much of the risk associated with investing in a single film.

Moreover, films and TV historically have been relatively recession proof.

**Please see Appendix 2 which further explains the various risks involved.**

# Questions and Answers

## **Is my capital guaranteed?**

No. The Fund seeks to combine sound risk management with a view to protecting, so far as is practicable, investors' capital while retaining the potential for significant tax free capital growth. Your capital is not guaranteed or capital protected in any way, and you should not consider subscribing if you cannot afford a loss in the portfolio.

## **How long do I need to tie my money up for?**

The Fund should be viewed as a three to five year investment. No partial withdrawals are allowed within that time frame. Investors should note that in any event the EIS Relief only applies on investments held for a minimum period of three years.

## **When can I claim the EIS Relief?**

As the investee companies will be newly established SPVs, they have to be trading for four months before Lacomp can ask HMRC for their approval for us to send you EIS Form 3 which you can use to claim your income tax relief and/or capital gains deferral from HMRC.

## **Why is the Fund IHT efficient?**

An investment in an EIS Qualifying Company normally is treated as "relevant business property" for the purposes of IHT where the investment in the investee company has been held for two years. Please note that, even if an investor dies within the two year period and his or her spouse inherits the investment, the holding period of both the late investor and the surviving spouse can be combined to qualify for IHT relief.

## **This sounds too good to be true. Does the Fund fully comply with EIS rules?**

Lacomp is a very traditional and conservative company. As a manager of numerous EIS funds, it has always stayed well clear of any form of "financial engineering". The Lacomp Risk Managed EIS Fund has been established to be very much within the spirit as well as the letter of the existing EIS regulations. Investors in the Fund will be playing an important role in creating employment and providing essential services to support the UK film and TV sector.

Before launching the Lacomp Risk Managed EIS Fund, Lacomp sought the advice of two highly respected City firms (lawyers Field Fisher Waterhouse and accountants H W Fisher) as well as directly from HMRC.

## **Other Film EIS often allow investors to visit the set, participate as 'extras' or witness other production activities. Do you intend to do the same?**

Lacomp has deliberately chosen not to make a big feature of this aspect as it wants investors to consider the Fund purely on its merits. However, such activities may be possible on request.

## **How do I check the progress of my investment?**

Investors will receive a six monthly report from the Fund Manager. Reporting will commence on the first anniversary following closure of the Fund. In addition, investors will be kept informed of any interim significant events concerning the investee companies.

## **What happens to the film and TV rights after the investment has finished?**

It is the Fund's intention to sell all its interests in the complete catalogue of past productions as a single entity. This is done to avoid potential buyers 'cherry picking' the best. Needless to say, all proceeds received from this will form part of the investors' final return.

# How to apply

Minimum investment is £5,000. There is no maximum although you can only receive Income Tax Relief (EIS Relief) on the first £500,000 of any investment.

Cheques made payable to "*Lacomp Client Acct./EIS/Initials and Surname of Investor*".

Private investors' applications must be in individual names only (but spouses can apply separately).

Trustees must use the Trustee Application form. All Trustee names must be listed and you must give details on the Trust's tax district and tax reference. Cheques should be made payable to "*Lacomp Client Acct./EIS/Name of Trust*".

Money Laundering Requirements must be met (see Application Forms).

**For any queries, please contact us on 01276 475123 or [info@lacomp.co.uk](mailto:info@lacomp.co.uk)**

# Appendix 1 – EIS Taxation and Examples

Each Investor will receive certificates in form EIS 3, either in his own name or in the name of the Nominee in respect of the Investor's Portfolio shareholdings in EIS Qualifying Companies. Once an individual Investor holds a certificate in form EIS 3, he can claim EIS relief through his self assessment tax return for the relevant tax year. If an individual investor receives a certificate in form EIS 3 following submission of his tax return for the relevant tax year (which might arise for example where the individual Investor wishes to carry back all or part of his Investment and treat it as arising in the preceding tax year) he can claim relief by completing the relevant section in the form EIS 3 and sending it to the appropriate tax office. Claims must be made no later than five years after the first 31st January following the tax year to which the claim relates.

Claims for Capital Gains Deferral Relief can be made by completing the relevant section in the form EIS 3 and sending it to the appropriate tax office.

Claims for loss relief can generally be made through an individual Investor's self assessment tax return for the tax year in which the disposal giving rise to the loss arises, but must in any event be made in writing within twelve months from the first 31st January following the tax year in which the disposal giving rise to the loss arises.

## EIS Tax Relief

Individuals (including husbands and wives separately) can each claim 30% income tax relief on the costs of investment in EIS Qualifying Companies (up to £500,000 per annum) against their individual income tax liability for the tax year during which a Fund closes. From tax year 2011-12, an investor can elect to carry back an EIS investment for the purpose of claiming EIS income tax relief in the previous tax year (at 20%). This carry back facility is capped at £500,000 in line with the annual EIS allowance. The shares in the EIS Qualifying Companies must be held for at least three years. Furthermore, neither the Investor (nor the spouse) must be connected with the Qualifying Company (broadly, as an employee, partner or director or as a 30% shareholder other than through the Fund) either within two years before or three years after the Fund invests in the EIS Qualifying Company. Any breach of these conditions would mean that EIS Relief would not be available.

### Example

	£
Initial Investment	50,000
Less EIS relief at 30%	(15,000)
Net cost of Investment	<u>35,000</u>

## Capital Gains Tax Exemption

There is no CGT payable on gains in respect of Investments made through a Fund (on which EIS Relief has been obtained and not withdrawn) where the Investments have been held for at least three years from the date of Investment (please note that it is the date of Investment which is important here, and NOT the earlier date of Subscription, and please note also that there may be more than one date of Investment where the Fund invests in more than one Investee Company) or from the date of commencement of the EIS Qualifying Company's trade if later.

### Example

	£
Realised value of Investment after 3 years	80,000
Less initial Investment	(50,000)
Tax free gain	<u>30,000</u>

## Capital Gains Deferral Relief

There is a deferral of unlimited capital gains that have arisen within thirty-six months before or will arise within twelve months of the Investment in an Investee Company made through a Fund. In other words, although the amount on which EIS Relief and the Capital Gains Tax Exemption are available is limited to £500,000, there is no limit on the amount of capital gains that can be deferred. The Investor needs to invest an amount equivalent to the capital gain in Investments

made through the Fund. Investors should note that generally the Capital Gains Deferral is only a deferral of the original liability to CGT and that liability will crystallise on a disposal of the Investment unless there is a further Capital Gains Deferral. The gain is deferred until there is a chargeable event, such as a disposal of shares.

*The following examples (Capital Gains Deferral Relief and Loss Relief) assume that the capital gains deferred would have been taxed at 40%.*

*Example*

	£
Investment	50,000
EIS Relief	(15,000)
Capital Gains Deferral	(20,000)
	<hr/>
Net cost of Investment	15,000
	<hr/> <hr/>

### **Loss Relief**

Any capital loss on the sale of shares in Investee Companies made through a Fund can be offset against either capital gains in the tax year when the loss occurs or can be carried forward against capital gains in subsequent tax years or can be offset against income of that tax year or of the preceding tax year. Where an Investor has been granted EIS Relief, the capital loss is calculated *net* of EIS Relief.

*Example*

	£
Realised Value	Nil
Investment	50,000
EIS Relief	(15,000)
Loss Relief (£35,000 x 40%)	(14,000)
	<hr/>
Net loss on Investment	21,000
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### **Inheritance Tax (IHT) Business Property Relief**

An investment in an EIS Qualifying Company is normally treated as “relevant business property” for the purposes of IHT where the Investment in the Investee Company has been held for two years. In this case, an IHT exemption for 100% of the value of the Investment will be obtained in the event of the death of an Investor. Please note that, even if an Investor dies within the two year period and his or her spouse inherits an Investment, the holding period of both the Investor and the spouse are combined in order to determine whether the two year holding period condition has been satisfied on the death of the spouse.

*Example*

	£
Investment	50,000
EIS Relief	(15,000)
Capital Gains Deferral (at 40%)	(20,000)
IHT Relief (at 40%)	(20,000)
	<hr/>
Net cost of Investment	Nil
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### **Trustees**

Trustees (where on certain conditions the beneficiaries are individuals) will usually qualify for unlimited Capital Gains Deferral Relief, Loss Relief (limited to capital gains) and business property relief for IHT purposes.

*However, it must be remembered that neither EIS Relief nor Capital Gains Tax Exemption are available to trustees.*

# Appendix 2 – Risk Warnings

**The taxation notes are merely a brief summary and should not be viewed as constituting tax advice. In addition, Investors should be totally aware of the risky nature of this type of unquoted investment. If in any doubt whatsoever, Investors should not consider subscribing. In any case, it is strongly recommended that Investors seek the advice of their financial adviser or other appropriately qualified professional.**

## **Investment Issues**

- The Fund is a high volatility fund and the value of shares can go down as well as up, and if the Investor cannot afford a loss in the Portfolio, he or she should not consider subscribing. No guarantee is given of a return of the Investor's capital, or of the investment performance of the Portfolio.
- Non-Readily Realisable Investments: The Investments of the Fund will be in unquoted companies. The Fund will therefore be invested in shares of private companies which are unlisted. The Fund will include non-Readily Realisable Investments for which there is a restricted market and it may therefore be difficult to deal in the Investments or to obtain reliable information about their value. You should be aware that there may be difficulty in selling such Investments at a reasonable price and, in some circumstances; it may be difficult to sell them at any price. You should not invest unless you have carefully thought about whether you can afford it and whether it is right for you.
- Unquoted securities will be held. Unquoted securities have more risks than quoted securities or shares. They potentially may be difficult to sell. Market makers may not be prepared to deal in them. The Portfolio will include Investments in private companies and restrictions may apply to the transfer of these private company securities. Proper information for working out the current value of the Investments may not be available.
- There are no specific diversification requirements set out in the Investor's Agreement. However, the Fund Manager expects that investments will be made in at least two Investee Companies, and each Investee Company may itself have a number of underlying Production Companies so that, overall, there will be some degree of diversification in a number of commercial ventures and productions, albeit limited to the film and TV sector.
- Subscription to the Fund should not be viewed as a short-term investment. Any withdrawals within three years of Investments into Investee Companies will result in the loss of EIS Relief. Furthermore, due to the relative lack of liquidity – particularly during the early years of the investments – the shortfall versus the original investment could be large. The intended exit strategy of the Fund Manager is to sell the Investments of the Fund after they have been held for at least three years, but in practice this period is likely to be extended.

## **Tax Issues**

- The Investor should be aware that the various Tax Advantages, whilst currently available, might change in future. This Information Memorandum is based on our understanding of the relevant law and HM Revenue & Customs practice as at the date of this information memorandum.
- The Fund Manager will take all reasonable steps to ensure that EIS Relief is attracted by Investments made by the Fund.
- The Fund Manager will not normally take into account individual tax positions, and therefore actions of the Fund Manager could give rise to partial loss of the Investor's overall EIS Relief.
- The amount of relief an Investor may gain from an investment through the Fund depends on the Investor's individual circumstances. Future changes to taxation laws may adversely affect the performance of the Fund and, therefore, the return to the Investor.
- Any loss of status of an EIS Qualifying Company, whether through actions taken by the Investee Company or otherwise, may lead to the loss of the Tax Advantages for the Investor on that particular Investment. No guarantee can be given that all Investments will qualify, or continue to qualify, for the Tax Advantages.

### **Fund Issues**

- Investee Companies will pay the Fund Manager an Initial arrangement fee of 5.25% and an annual charge of 2% (for three years only). Investors should be aware of the impact these will have when assessing the returns they can expect from the Investment.
- The Fund Manager reserves the right to cease to offer the Fund in certain circumstances set out in the Investor's Agreement in which event it will try to transfer the Portfolios to another fund manager or terminate the Fund in an expeditious way but there is a possibility that the Tax Advantages may be lost.
- The Fund Manager will seek to terminate the Fund in an orderly fashion over a four to five year period, but it cannot be guaranteed that the Investments made can be easily realised within this period.

**Notwithstanding the intended exit strategy of the Fund Manager to sell the Investments of the Fund after they have been held for at least three years, it must be understood that, if considered appropriate, an Investment could be sold before such time has elapsed. In such a case, EIS Relief relating to that particular Investment would be lost. The Fund Manager will not normally take into account individual tax positions, and therefore such actions could give rise to a partial loss of the Investor's overall EIS Relief.**

# Appendix 3 – Investor’s Agreement

This investment management agreement sets out the terms and conditions for The Lacomp Risk Managed EIS Fund.

## 1. Definitions, Construction and Interpretation

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 Fund Manager;
“Closing Date”	in respect of a Fund, the date on which the final Subscription may be made by the Investor to the Fund, which shall be a date determined by the Fund Manager and notified to the Investor;
“EIS”	the Enterprise Investment Scheme as set out in the Tax Act;
“EIS Qualifying Company”	a company which is a qualifying company for the purposes of EIS;
“EIS Relief”	relief from income tax under EIS;
“the FSA Rules”	the rules contained in the FSA’s Handbook of Rules and Guidance;
“FSA”	Financial Services Authority;
“Fund Manager” or “Lacomp”	Lacomp plc or such other fund manager as may be appointed under Clause 15.2;
“Fund”	a Lacomp Risk Managed EIS Fund which describes a number of separate investment management arrangements for investors each being provided pursuant to an agreement in the form of this Agreement, with aggregation of deals for those arrangements for investment in EIS Qualifying Companies;
“Investment”	an investment acquired for the Fund;
“the Investment Objective”	the investment objective for the Fund as set out in paragraph 1 of Schedule 1 to this Agreement;
“the Investment Restrictions”	the investment restrictions for the Fund as set out in paragraphs 2, 3 and 4 of Schedule 1 to this Agreement;
“Investor(s)”	a person whose Application Form is accepted and who becomes an investor in the Fund;
“the Nominee”	Lacomp Nominees Limited (which is an associate of the Fund Manager) or such other nominee as may be appointed from time to time to be the registered holder of Investments;
“Portfolio”	the investments made through the Fund which are allotted to the Investor;

“Readily Realisable Investment”	<p>a government or public security denominated in the currency of the country of its issuer or any other security which is:</p> <ul style="list-style-type: none"> <li>– admitted to Official Listing on an Exchange in an EEA State,</li> <li>– regularly traded on or under the rules of such an Exchange,</li> </ul> <p>or</p> <ul style="list-style-type: none"> <li>– 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,</li> </ul> <p>or a newly issued security which can reasonably be expected to fall within the above categories when it begins to be traded.</p> <p>Note that this term does not include AIM listed or PLUS traded investments, nor does it include unlisted securities;</p>
“Realised Gain”	the Realised Value less the aggregate Subscriptions to that Fund;
“Realised Value”	<p>the realised value of the Investments of the Fund which shall be the aggregate of:</p> <ul style="list-style-type: none"> <li>– the value of Investments held at termination which, in the case of Investments which have a market price on AIM or PLUS at the time of termination, shall be their mid-market price and, in the case of other Investments shall be valued on the same basis as for the purposes of statements, reports and other information provided pursuant to Clause 8.4;</li> <li>– the cash sums obtained on realisation of Investments prior to termination, plus interest on such cash sums, (calculated, in the case of each such Investment, for the period from the date of realisation of the relevant Investment to the date of termination, assuming that such cash sums had been placed in an interest bearing account with a clearing bank at a good commercial rate); and</li> <li>– dividends received or accrued on Investments in the period for which they are held by the Fund plus interest on such dividends (calculated on the same basis as that in respect of cash sums obtained on realisation of Investments);</li> </ul>
“the Services”	the services provided under Clause 4 of this Agreement;
“Subscription”	a subscription to a Fund pursuant to Clause 3 of this Agreement;
“Tax Advantages”	the various tax advantages, including EIS Relief, arising from subscriptions for shares in EIS Qualifying Companies;
“Tax 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 in a Fund

2.1 This Agreement comes into force on the date of this Agreement.

2.2 This Agreement enables the Investor to invest in the Lacom Risk Managed EIS Fund for which the Investor submits a valid Application Form which is accepted by the Fund Manager.

2.3 If an Investor submits an Application Form which is accepted and makes Subscriptions to the Fund, the Investor hereby appoints the Fund Manager to fulfil its role in managing the Portfolio for the Investor on the terms set out in this Agreement. The Fund Manager agrees to accept its appointment and obligations on the terms set out in this Agreement.

2.4 The Fund Manager is authorised and regulated by the FSA, whose address is 25 The North Colonnade, Canary Wharf, London E14 5HS. The Fund Manager is entered on the register of authorised firms with number 115020. The Investor is classified as a retail client. (The Fund Manager does not offer reclassification to a lower level of protection.)

2.5 You have the right to cancel this Agreement within fourteen days of your receipt of the cancellation notice.

## 3. Subscriptions

3.1 The Investor

- (a) shall make a Subscription of not less than £5,000 at the same time as submitting his Application Form to invest in the Fund;
- (b) may make further Subscriptions to the Fund up to and including the Closing Date for that Fund which will be determined by the Fund Manager. The total Subscriptions made to the Fund by the Investor shall be the initial value of the Investor's Portfolio for the Fund; and
- (c) may not make any Subscription after the Closing Date.

3.2 The Investor may terminate the Agreement pursuant to Clause 15 below.

3.3 The Fund Manager shall deposit Subscriptions received in an interest bearing client account pursuant to Clause 7.7 pending their investment.

## 4. Services

4.1 The Fund Manager will manage the Fund as from the relevant Closing Date on the terms set out in this Agreement. The Fund Manager will exercise all discretionary powers in relation to the selection of, or exercising rights relating to, Investments of the Portfolios of the Fund on the terms set out in this Agreement.

4.2 The Fund Manager shall not, however, except as expressly provided in this Agreement or unless otherwise authorised, have any authority to act on behalf of, or in respect of, the Investor or to act as the agent of the Investor.

4.3 The Fund Manager is managing investments under the terms of this Agreement. The Fund Manager has not made, and will not make, any personal recommendation as to whether or not an Investor should subscribe to the Fund, and has not assessed, and will not assess, the appropriateness of a subscription to the Fund for a particular Investor.

## 5. Investment Objectives and Restrictions

5.1 In performing its Services, the Fund Manager shall have regard to and shall comply with, the Investment Objective and the Investment Restrictions.

5.2 The Fund Manager shall at all times have regard to:

- (a) the need for the Fund to attract the Tax Advantages;
- (b) all Applicable Laws.

5.3 In the event of a gradual realisation of Investments prior to termination of the Fund under Clause 15.1, the cash proceeds of realised EIS Investments may be placed on deposit or invested in government securities or in other investments of a similar low risk profile.

## 6. Terms Applicable to Dealing

6.1 In effecting transactions for the Fund, the Fund Manager acknowledges its duty to obtain best execution for its clients and confirms that it will seek to achieve best execution in accordance with its policy in this connection described in this clause 6. The Investor also acknowledges and confirms his agreement to the Fund Manager dealing in securities for the Portfolio which may not be directly traded on a regulated market or a multilateral trading facility (as defined in 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 Fund 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.

The Investor should however be aware that the Portfolio will be invested in a range of unlisted securities and, although some may ultimately be traded on AIM or PLUS, there is generally no relevant market or exchange and consequent rules and customs and there will be varying practices for different securities. Transactions in shares of such securities will be effected on the best commercial terms which can be secured.

6.3 Subject to the FSA Rules, transactions for a Portfolio may be aggregated with those of other clients, and of its 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 should be aware that the effect of aggregation may work on some occasions to the Investor's disadvantage.

6.4 Where deals are aggregated for funds of other EIS Investors in a particular Fund, the number of shares in an EIS Qualifying Company held as an Investment for the Fund allocated to the Investor shall be calculated with reference to the proportion which the Investor's Subscription of the Fund applied to such share purchase bears to the total Subscriptions by all Investors in the Fund, provided that Investors shall not have fractions of shares. Minor variations may be allowed to prevent Investors having fractions of shares but only in circumstances in which there can be minor variations. Entitlement to shares will be to the nearest whole share rounded down and the aggregate of fractional entitlements may be held by the Nominee for the Fund Manager.

6.5 The Fund Manager may make use of Soft commission arrangements in respect of deals undertaken for the Fund only as may be disclosed to the Investor from time to time.

6.6 The Fund Manager will act in good faith and with due diligence in their 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 Fund Manager will be responsible for the safe keeping of Investments and cash comprised in the Fund from time to time, including the settlement of transactions, collection

of income and the effecting of other administrative actions in relation to the Investments.

7.2 Investments will be registered in the name of the Fund Manager's appointed Nominee. Portfolio Investments will therefore be beneficially owned by the Investor at all times but the Nominee will be the legal owner of the Portfolio Investments.

7.3 The Nominee will hold any title documents or documents evidencing title to the Investments.

7.4 The Fund Manager may not lend Investments or title documents to a third party and may not borrow against the security of the Investments or such documents.

7.5 The Fund Manager has discretion to exercise any conversion, subscription, voting or other rights (such as may arise in takeover situations, other offers and capital reorganisations) relating to Investments held in the Portfolio.

7.6 The Fund Manager will hold cash of the Portfolio in accordance with the Client Money Rules of the FSA. The cash balance held for an Investor in a Fund (other than amounts which are deemed to be sizeable amounts and for which the Fund Manager arranges for them to be put on deposit or in money market instruments in order to obtain a better rate of interest) will be deposited with an authorised banking institution in the UK in the name of "Lacomp client account/EIS/initial and name of Investor" and with customer trust status. The Fund Manager may give instructions to the relevant bank regarding such an account. Interest on credit balances on such a client bank account is credited to the Investor's Portfolio. Details of the rates and other policies in relation to such accounts are available from the Fund Manager on request.

7.7 The Fund Manager may decide to cease to treat as client money any unclaimed cash of the Portfolio if there has been no movement in the balance in the bank account in a period of six years (notwithstanding any payments or receipts of charges, interest or similar items) and the Fund Manager has taken reasonable steps to contact the Investor and to return the balance.

#### **8. Reports and Information**

8.1 In respect of the Fund in which an Investor subscribes, the Fund Manager shall send the Investor a report relating to the Fund, complying with the FSA Rules, every six months, in respect of the periods ending on around 30 April and 31 October. Reporting will commence following the first anniversary of the Closing Date of the Fund. In particular, reports will include a measure of performance in the later stages of the Fund once valuations are available for the Investments.

8.2 The Fund Manager will seek to establish an appropriate method of evaluation and comparison so as to enable the Investor to assess the Fund's, and so his Portfolio's, performance.

8.3 Details of dividends which are received in respect of the Investments will be provided in respect of each tax year ending 5 April and appropriate statements sent to the Investor within Sections 234A(4) and (5) of the Income & Corporation Taxes Act 1988.

8.4 Contract notes will be provided for each transaction for the Investor's Portfolio.

8.5 The Fund Manager 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.

8.6 Any statements, reports or information so provided by the Fund Manager to the Investor will state the basis of any valuations of Investments provided.

#### **9. Fees and Expenses**

9.1 The Fund Manager shall receive fees for its Services, and reimbursements of its costs and expenses, as set out in Schedule 2 to this Agreement.

9.2 Details of any arrangements which involve the payment or receipt by the Fund Manager of any fee, commission or non monetary benefit to or from any person other than the Investor in connection with services provided under this Agreement are set out in Schedule 2.

9.3 The Investor's attention is however drawn to the fact that he may incur and be required to pay other taxes or costs as a result of the performance of this Agreement which are neither paid through, nor imposed by, the Fund Manager.

#### **10. Management and administration obligations**

10.1 The Fund Manager shall devote such time and attention and have all necessary competent personnel and equipment as may be required to enable it to provide its Services properly and 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 Fund Manager shall not take any action which may prejudice the tax position of the Investor insofar as it is 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 This Agreement to participate in the Fund is set up on the basis of the declaration made by the Investor in his Application Form which includes the following statements by the Investor in relation to his Portfolio of that Fund:

- (a) the fact as to whether or not the Investor wishes to seek EIS Relief for the Investments;
- (b) agrees to notify the Fund Manager if any Investment by the Fund in any company is in a company with which the Investor is connected within Sections 167, 170 or 171 of the Tax Act;
- (c) to notify the Fund Manager if, within three years of the date of issue of shares in an EIS Qualifying Company which are an Investment, the Investor becomes connected with the company or receives value from such company; and
- (d) the Investor provides the Fund Manager with his tax district, tax reference number and National Insurance number.

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.

11.2 The Investor must immediately inform the Fund 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.

11.3 In addition, the Investor must provide the Fund 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 Fund Manager may, where reasonable, employ agents, including associates, to perform any administrative, custodial or ancillary services to assist the Fund Manager in performing 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 Manager under the terms of this Agreement.

#### **13. Potential Conflicts of Interest and Disclosure**

13.1 The Fund Manager and any Associate may provide similar services or any other services whatsoever to any other person and the Fund Manager shall not 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 Fund Manager, however, it will use all reasonable endeavours to ensure fair treatment as between the Investor and other customers in compliance with the FSA Rules.

13.2 The Fund Manager, and any Associate may, subject to the overriding principle of suitability and best execution and in accordance with the FSA Rules, and without prior reference to the Investor, recommend and/or effect 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. The Fund Manager will ensure that the terms upon such transactions are recommended or are effected are not materially less favourable to the Investor than if the conflict or potential conflict had not existed. A conflict which has been identified by the Fund Manager as one which it is not able to manage effectively and which is likely to have a material adverse effect on the Investor shall be disclosed. Neither the Fund 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:

- (a) the Fund Manager or any Associate may receive remuneration or other benefits by reason of providing corporate finance advisory services or involvement in similar transactions in respect of Investee Companies or Production Companies;
- (b) the Fund Manager may take an equity stake in a company whose securities are held in a Fund at a price not below the issue price available to the Fund;
- (c) the Fund Manager or an Associate provides investment services for other customers;
- (d) any of the Fund 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 Fund;
- (e) the transaction is in securities issued by an Associate or the customer of an Associate;
- (f) 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;
- (g) the Fund Manager deals on behalf of the Fund with an Associate;
- (h) the Fund Manager may act as agent for the Fund in relation to the transaction in which it is also acting as agent for the account of other customers and Associates;
- (i) the Fund Manager may, in exceptional circumstances, deal in investments as principal in respect of a transaction for the Fund;
- (j) the Fund Manager may have regard, in exercising its management discretion, to the relative performance of other funds under its management;
- (k) the Fund Manager may effect transactions involving placings and/or new issues with an Associate who may be acting as principal or receiving agent's commission. Associates may retain any agent's commission or discount or other benefit (including directors' fees) that accrues to them;
- (l) the transaction is in the securities of a company for which the Fund Manager or an Associate has underwritten, managed or arranged an issue within the period of 12 months before the date of the transaction; and
- (m) the transaction is in securities in respect of which the Fund Manager or an Associate, or a director or employee of the Fund Manager or an Associate, is contemporaneously trading or has traded on its own account or has either a long or short position.

#### 14. Liability

14.1 The Fund Manager 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 under the FSA Rules.

14.2 The Fund Manager shall not be liable for any loss to the Investor arising from any investment decision made in accordance with the Investment Objective and the Investment restrictions 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 Fund Manager or of its Associates or any of their respective employees.

14.3 Subject to Clauses 6.6 and 12, the Fund 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.

14.4 In the event of any failure, interruption or delay in the performance of the Fund Manager'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 Fund Manager shall not be

liable or have any responsibility of any kind to any loss or damage thereby incurred or suffered by the Investor.

14.5 The Fund Manager gives no representations or warranty as to the performance of the Portfolio. EIS Investments are 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. Investors should consider the suitability of investment in EIS Investments carefully and note the description of the nature of the Investments and the risk warnings set out in the information memorandum about the Fund.

#### 15. Termination

15.1 The Fund Manager shall set a date, which it shall notify to the Investor, on which a particular Fund will terminate. This will usually be three to five years after the Closing Date for the Fund. On termination of the Fund, all shares for the Investor's Portfolio in the Fund 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.

15.2 If:

- (a) the Fund Manager gives to the Investor not less than three months' written notice of its intention to terminate its role as Fund Manager under this Agreement; or
- (b) the Fund Manager ceases to be appropriately authorised by the FSA or becoming insolvent the Fund Manager shall endeavour to make arrangements to transfer the funds to another fund manager in which case that fund manager shall assume the role of the Fund Manager under this Agreement, failing which the Agreement shall terminate forthwith and, subject to Clause 16, the Investments in the Investor's Portfolio shall be transferred into the Investor's name or as the Investor may otherwise direct.

15.3 Provided Clause 15.2 does not apply, this Agreement shall terminate when the Fund in respect of which Portfolios held by the Investor terminates.

#### 16. Consequences of Termination

16.1 On termination of this Agreement pursuant to Clause 15, the Fund 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 Fund Manager up to and including the date of termination and payable under the terms of this Agreement.

16.3 On termination, the Fund Manager 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 to this Agreement.

#### 17. Confidential Information

17.1 Neither the Fund Manager nor the Investor shall disclose to third parties or take into consideration information either:

- (a) the disclosure of which by it would be or might be a breach of duty or confidence to any other person; or
- (b) which comes to the notice of an employee, officer or agent of the Fund Manager or of any Associate but properly does not come to the actual notice of the individual of the Fund Manager providing services under this Agreement.

17.2 The Fund Manager will at all times keep confidential all information acquired in consequence of its activities pursuant to this Agreement except for information which

- (a) is in the public knowledge; or
- (b) which they may be entitled or bound to disclose under compulsion of law; or
- (c) where requested by regulatory agencies; or

- (d) is given to their professional advisers where reasonably necessary for the performance of their professional services; or
- (e) which is authorised to be disclosed by the other party and shall use all reasonable endeavours to prevent any breach of this subclause.

#### 18. Complaints and compensation

18.1 The Fund Manager has established procedures in accordance with the FSA Rules for consideration of complaints. If a complaint is not satisfactorily resolved, the Investor has the right to complain directly to the Financial Ombudsman Service.

18.2 We are obliged to notify you that an investor may have a right to compensation under the Financial Services Compensation Scheme if the Fund Manager is unable to meet any of its liabilities to the Investor. The amount of compensation payable under the Financial Services Compensation Scheme varies according to the business undertaken but, for most investment business, it is 100% of the first £50,000 of loss. Details of these procedures and of the Investor's particular rights to compensation under the Financial Services Compensation Scheme if it is unable to meet any of its liabilities to the Investor are available from the Fund Manager on request.

#### 19. Notices, Instructions and Communications

19.1 Notices of instructions to the Fund Manager should be in writing and signed by the Investor, except as otherwise specifically indicated.

19.2 The Fund Manager 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.

19.3 For instructions and other communications to the Fund Manager, please write to Lacomplac at 77 High Street, Bagshot, Surrey, GU19 5AH. All communications between the Fund Manager and the Investor shall be in English.

#### 20. Unsolicited real time financial promotion

The Fund 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 Fund Manager may amend these terms and conditions in this Agreement by giving the Investor not less than ten business days written notice. The Fund 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.

#### 22. Data Protection

All data which the Investor provides to the Fund Manager is held by the Fund Manager subject to the Data Protection Act 1998. The Investor agrees that the Fund Manager 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 Manager 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 each Fund

#### Investment Objective of each Fund

To offer a wide range of investors the opportunity to invest in a diversified pool of lower budget film and television productions, with the added bonus of obtaining the Tax Advantages associated with EIS investments.

#### Investment Restrictions for each Fund

1. In carrying out its duties hereunder in respect of each Fund, regard shall be had to, and all reasonable steps taken to comply with, such policies or restrictions as are required in order to attract the EIS Relief as may be prescribed by HM Revenue & Customs from time to time.

2. In particular, but without prejudice to the generality of the above statement, the restrictions for each Fund are as follows:

- (a) No Investment of the Fund capital shall be made prior to the Closing Date.
- (b) Each Investment shall be in shares of an EIS Qualifying Company.
- (c) So far as is practicable, the Portfolio shall be fully invested (subject to an Appropriate Cash Retention to meet fees, costs and expenses).

3. Investors should be aware that a Fund's Portfolios will include non-Readily Realisable Investments. There is a restricted market for such Investments and it may therefore be difficult to deal in the Investments or to obtain reliable information about their value.

4. The intention is to disinvest over years 3-5. In the event of a gradual realisation of Investments prior to termination of the Fund under Clause 15.1, the cash proceeds of realised EIS investments may be placed on deposit or invested in fixed interest government securities or other investments of a similar risk profile. Proceeds will be paid out on termination of the Fund or in instalments in advance of termination, as determined by the Fund Manager.

### Schedule 2: Fees and Expenses in respect of the Fund

#### Initial Arrangement Fee and Annual Charge

1. An Initial Arrangement Fee of 5.25% of investments in Investee Companies will be paid to the Fund Manager by the Investee Companies (for the Fund Manager's services of making investments in Investee Companies). Any commission paid to introducing intermediaries will be met by the Fund Manager from the Initial Arrangement Fee. In addition, Investee Companies pay the Fund Manager an Annual Charge of 2% for the duration of the first three years of the investment.

2. The Fund Manager shall also receive a performance fee, if the Realised Gain is a positive amount on termination of a Fund under Clause 15.1 of the Investor's Agreement. The performance fee shall be 30% of the Realised Gain on the portfolios comprising the Fund. On an early termination of the Investor's Agreement, an amount shall be deducted from an Investor's Portfolio as if his Portfolio were a Fund and it had been terminated under Clause 15.1 and so a performance fee were to accrue under the above provision.

#### General

3. Charges and Fees are exclusive of any applicable VAT.

4. Normally the costs of making an Investment (for example, the costs of due diligence and advisers' fees) are borne by Lacomplac and Lacomplac is reimbursed in part or in whole for such costs by the Investee Company in which the Investment is made in the form of the Initial Arrangement Fee and the Annual Charge.

On termination, pursuant to Clause 16, the Investor's liability in respect of the Performance Fee shall be payable from the Portfolio of the Fund and, if there is insufficient cash, Investments may be retained and/or realised in order to meet such an outstanding liability.

**Fund Manager**

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