

ARCHANGELS INVESTORS

RULES OF MEMBERSHIP

Adopted on 26 October 2016

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Name and administration

Archangels Investors ("**Archangels**") is an unincorporated association consisting of a Management Board (as defined below) and a larger group of members (together with the Management Board, the "**Members**") that was formed by its founder Members on 26 October 2016.

Archangels is administered by Archangel Investors Limited ("**AIL**") (company number SC209206). AIL has been nominated by the Management Board to assess and vet investment opportunities and to carry out initial due diligence on such opportunities before passing them on to the Management Board. If the Management Board considers it appropriate, they will then contact Members to provide the Members with details of any potential investment opportunity and the terms on which an investment in the proposed investee company is to take place (the "**Investment Proposal**").

All regulated activities in connection with the business of Archangels are carried out by Archangel Investors (Management) Limited (company number SC490050), a subsidiary of AIL which is authorised and regulated by the Financial Conduct Authority.

Archangels does not carry on any business or undertake any regulated activities.

Membership arrangements

Membership

Members will be invited to join Archangels on an annual basis at the discretion of the Management Board. The membership year shall run from 1 January to 31 December unless changed at the discretion of the Management Board.

All Members must, as a condition of their annual membership, enter into (and agree to update as and when reasonably requested by the Management Board): (i) a power of attorney appointing a representative of AIL to enter into relevant documentation in relation to the acquisition or disposal of any investments which the Member decides to make; and (ii) a financial promotion certificate, confirming that they are a sophisticated investor or a high net worth investor and as such can lawfully receive information relating to the Investment Proposals. **All investment decisions are made entirely by Members individually and AIL does not provide investment advice or recommendations.**

Members acknowledge and agree that investment in an entity which is the subject of an Investment Proposal (an "Investee Company") involves risk and a summary of certain of the key risks is set out at the end of these rules.

Fees

All Members will be invoiced an annual membership fee in advance. The membership fee is set at a rate to make a contribution to the running costs of the Archangels' office, but **not** to make a profit. AIL may issue invoices on behalf of Archangels. All fees will be reviewed annually by the Management Board.

Where an Investee Company has been subject to a successful, profitable exit, a discretionary 5% charge will be made by AIL to the profit on exit of each Member who has invested in such Investee Company to incentivise the management team of AIL who have been involved in identifying the Investee Company and managing it through to exit. This is not a mandatory payment, but will be deducted from the Member's proceeds unless the Member notifies the Archangels' office in writing otherwise.

Investment

Members shall be entitled to participate in any Investment Proposal on the same terms as the other Members. AIL shall allocate each Member's entitlement based on their indication of interest and Members shall be entitled to indicate their interest in taking an excess entitlement above their *pro rata* entitlement provided that entitlements may in certain circumstances be adjusted at the Management Board's discretion in order to facilitate a fair allocation of entitlements in an Investee Company or to address legal or practical considerations.

There may be certain exceptional circumstances where members of the Management Board invest in investee companies that the Management Board do not consider appropriate to offer to Members as a result of the size or stage of development of such company and Members may be offered the opportunity to invest during a later round of investment. Where possible, the Management Board will endeavour to ensure that Members are not disadvantaged in these circumstances.

In the case of any Investment Proposal in respect of an Investee Company in which Members have previously made an investment as individuals, those Members having previously made an investment shall be offered priority to make the follow-on investment in that Investee Company and remaining Members shall be entitled to invest as individuals on the same terms in any unallocated investment.

All Members will receive the following in their capacity as Members:

- regular updates on the Investee Companies in respect of which they have an investment, including an annual report;
- access to the investment portal hosted by AIL;
- invitations to the Chorus event organised by AIL, including the annual dinner, showcase and training half day;
- an invitation to the Convocation event organised by AIL;
- invitations to the various social events organised by AIL for the Members; and
- access to such further information relating to Investee Companies as the Management Board decides to make available to Members.

The Management Board may also offer the management team of AIL the opportunity to invest in Investee Companies on the same terms as Members. There are no obligations on the management team of AIL to invest and they may do so at their discretion.

Management Board

The Management Board shall be responsible for the management, affairs, promotion and control of Archangels and shall have the power and authority to do all things

necessary to carry out the purpose of Archangels. The Management Board currently consists of five Members and the Management Board may supplement or reduce in size as the then members of the Management Board think fit. Members of the Management Board currently receive no remuneration for their services.

Meetings of the Management Board and its various sub-committees shall be held regularly and in any event at least four times per year. All decisions of the Management Board shall be taken by simple majority and the chairman shall not have a casting vote.

The members of the Management Board shall not be liable, responsible or accountable in damages or otherwise to any of the Members, their successors, or assigns, except by reason of acts or omissions due to bad faith, negligence or wilful default, material breach of these rules, or for not having acted in good faith in the reasonable belief that the Management Board's or their actions were in, or not opposed to, the best interests of the Members of Archangels.

Meetings of Members

Meetings of the Members shall be held at least once per calendar year.

No transfer of membership

Members are not permitted to sell or transfer their memberships.

Cessation of membership

Any Member may cease to be a Member at any time during the annual membership term by giving not less than one month's written notice (or such shorter period as is accepted by the Management Board) to the Management Board of their intention to cease to be a Member. The obligations in respect of confidentiality set out below continue after the cessation of membership.

The annual membership fees are non-refundable.

The Articles of Association of all Investee Companies contain "drag" provisions, which allow minority shareholders to be swept up on an exit event, even where they have ceased to be Members of Archangels.

Confidentiality

Each Member undertakes that he shall not at any time, either during the term of their membership of Archangels or thereafter, disclose to any person any Confidential Information concerning the business or affairs of Archangels or the other Members or of any Investee Company.

Each Member may disclose Confidential Information as may be required by law, a court of competent jurisdiction or any governmental or regulatory authority.

No Member shall use any Confidential Information for any purpose other than to perform their obligations under these rules or to make any decision in relation to an investment in or a disposal of their interest in an Investee Company.

All Confidential Information shall, as between each Member, and Archangels, be deemed to be the property of the Management Board on behalf of Archangels.

Each Member shall immediately inform the Management Board if they become aware of the possession, use or knowledge of any Confidential Information by any person who is not authorised to possess, use or have knowledge of it.

For the purposes of these rules "**Confidential Information**" means any of the following information, documents, papers or property which, at any time, comes into the Management Board's or any other Member's possession or under their control in the course of the business and which the Management Board regards or could reasonably be expected to regard as confidential, whether or not such information is, in itself, confidential, marked as "confidential" or reduced to tangible form:

- any information relating to the Members, Archangels, AIL or the Investee Companies;
- any information relating to the prospective business, technical processes, computer software, intellectual property or finances of Archangels or AIL, including potential Investee Companies;
- any information relating to the affairs of any Member or any director, employee, agent or sub-contractor of AIL;
- all documents, papers and property which may have been made or prepared by, or at the request of, the Management Board, AIL or any Member or which come into the Management Board's, AIL's or any Member's possession or under their control in the course of the business; and
- compilations of two or more items of such information and all information which has been, or may be, derived or obtained from any such information.

Data Protection

We will process your personal data in line with our privacy policy. Please find a copy attached as a Schedule to these rules.

Amendment

The Management Board shall be entitled to amend these rules at its entire discretion provided that Members shall be given 30 days' prior written notice of any amendment.

Summary of Key Risk Factors

1. The typical Investee Companies that the Management Board may provide Members with information on are smaller, early-stage companies, usually with no or a limited trading record and so generally are at a stage where they are not profitable and may not have any revenue stream or turnover.
2. Investments in unquoted securities are highly speculative, carrying high risk. Members should only consider investing if they understand the risks associated with such investments and are able to suffer any losses that may be incurred and are recommended to seek independent financial advice. There is no ready market for the realisation of investments in unquoted securities.
3. Investee Companies are likely to carry substantially higher risks than would an investment in larger or longer-established businesses. The early stage nature of the Investee Companies, and the fact that many are in high-risk sectors or developing potentially untested or unproved business ideas and/or intellectual property, may mean a number of them may fail and Members who invest in some only of the Investee Companies may find themselves invested in transactions with a higher failure rate than the average over all the Investee Companies available. Investee Companies will often have limited product lines, markets or financial resources and may be dependent for their management on a smaller number of key individuals.
4. Investee Companies are likely to require multiple investment rounds, possibly at higher or lower valuations, and should Members not commit further funds to such future investment rounds they may find their shareholding is diluted. Investee Companies may also be more difficult to accurately value than more established businesses.
5. While AIL may look for certain rights in respect of Investee Companies, it will not control the companies or their boards of directors and may not always be in a position to fully protect members' interests and its influence over the Investee Company may be restricted. Where AIL appoints an investor director then such investor director will not owe any duty to Members and will be a non-executive board member. The ability of the director to influence a board may therefore be restricted.
6. The market for stock in Investee Companies is likely to be less liquid than that for stock in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such stock. Shares in Investee Companies may also be subject to restrictions on the transfer and/or disposal of shares which may limit a Member's ability to dispose of them for valuable consideration.
7. Certain assumptions may be made in the calculations and analysis and projections in any information provided on an Investee Company. No representation is made that the projections, estimates or description of prospects detailed will be achieved in the future. Any information provided on an Investee Company is based upon information which AIL considers reliable but no representation is made that it is accurate or complete and nor should it be relied upon as such. Certain economic and market information contained in it may have been obtained from sources prepared by other parties. While such sources are believed to be reliable, neither AIL, nor any of its advisers, assumes any responsibility for the accuracy or completeness of such information.
8. Where AIL undertakes any due diligence on an Investee Company then such due diligence shall be limited compared with the scope of due diligence carried out by institutional investment funds. This is due to resource and the size of deals and is

therefore unlikely to catch every issue which might otherwise surface and/or may not identify all or any material factors which may influence a Member's decision to invest.

- 9. Any information provided on an Investee Company does not purport to provide a complete description of that company or its future prospects or performance. No representation or warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information or opinions or projections contained therein. All expressions of opinion are subject to change without notice and do not constitute advice and should not be relied upon. To the fullest extent permitted by law, neither AIL nor any of its directors, shareholders, partners, employees, consultants, advisers or representatives shall have any responsibility or liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document, or any information provided pursuant to this document, whether in the form of due diligence reports or otherwise.
- 10. Members are required to confirm that they are experienced in business matters, understand the risks and are able and willing to suffer losses that will result from such early stage investing.
- 11. Members acknowledge that Archangels, the Management Board and AIL, its shareholders, directors and investment officers (i) do not owe Members a duty of care and (ii) will not and are not permitted to provide any investment advice or recommendation as to any investment or investment decision (including whether Members should invest or not invest or whether a person should become a Member), and Members will not regard any correspondence or communication as constituting investment advice.

PLEASE DETACH AND RETURN

I have read and confirm acceptance of the Rules of Membership of Archangels Investors and Schedule 1: Archangels Investors Privacy Policy.

.....

Signature

.....

Date

.....

Print Name

SCHEDULE 1
ARCHANGELS INVESTORS
PRIVACY POLICY

Archangels Investors Limited ("**We**", "**Archangels**") are committed to protecting and respecting the confidentiality, integrity and security of personal information about individuals whose data we hold.

This policy sets out the basis on which any personal data we collect from you, or that you provide to us, will be processed by us, and how Archangels complies with its responsibilities under applicable data protection laws, including, when and to the extent in force, the Data Protection Act 1998, the General Data Protection Regulation (Regulation (EU) 2016/679) and the Privacy and Electronic Communications Regulations 2003 ("**Data Protection Laws**"). Please read this policy carefully.

Data Controller

For the purpose of the Data Protection Laws, the data controller is Archangels Investors Limited of 20 Rutland Square, Edinburgh, EH1 2BB and the Data Protection Officer is David Ovens.

Personal data collection

We hold personal data about you which you provide to us in the course of meetings or correspondence between you and us, or (where you are a member or potential member) via our membership forms. We may, on occasion, be provided with information by your or our solicitor or by an existing member or board member. We will promptly notify anyone whose data we receive that we are holding that data.

We may collect the following information from you:

- name;
- address;
- contact details;
- date of birth;
- financial information (including details of funds invested in); and
- bank account details.

Use of personal data and legal basis for processing

All personal data we hold about you will only be used for the purposes set out below or for any other purpose specifically permitted by the Data Protection Laws or which you may authorise (which may include direct marketing, if you authorise us to do so).

If you are a member or a shareholder, we may use information you provide to us to:

- update you on investee companies in which you have an investment;
- provide you with access to our investment portal;
- send you a copy of our email newsletter (if you agree);
- pay you any returns on your investment;
- inform you of investment opportunities;
- facilitate the entering into of investment agreements; and
- invite you to Archangels' events.

If you are an investee company or are seeking investment for your business, we may use information you provide to us to:

- communicate with you regarding the management of the company and/or investment proposals;
- invite you to Archangels events; and
- send you a copy of our email newsletter (if you agree).

Where you provide personal information to us, we are processing it in order to perform our obligations under our contract with you or in order to take steps at your request prior to entering into a contract or you becoming a member.

Where you provide personal information to us, you will be asked if you consent to us adding you to our distribution list for our email newsletter. If you give your consent, we are processing your information for that purpose on the basis of your consent.

Access and other rights

You may request to view records held about you at any point by making a request in writing to us at 20 Rutland Square, Edinburgh, EH1 2BB. This request will be responded to within 30 working days. If we require more time to respond fully to any request, we will notify you in writing within the 30-day period referred to. Any additional copies of any information we provide to you may be subject to a reasonable fee.

You also have other rights under Data Protection Laws in relation to your personal data. In particular, you may have (i) the right to request that we rectify or erase information we hold about you in certain circumstances, (ii) the right to ask us to limit our processing of your information, (iii) the right (if we are processing information based on your consent, such as for marketing purposes) to withdraw your consent, (iv) the right to object to certain processing of your information (including the right to object to processing of your personal data for direct marketing purposes at any time), (v) the right to ask us

to move, copy or transfer your personal information to another organisation. If you wish to exercise any of these rights, please contact us at 20 Rutland Square, Edinburgh, EH1 2BB.

Accuracy of personal data

Archangels tries to ensure that personal data we hold about you is accurate and kept up-to-date. If you believe that any information we are holding about you is inaccurate, out-of-date or incomplete, please notify us at 20 Rutland Square, Edinburgh, EH1 2BB as soon as possible. We will promptly correct or delete any information found to be incorrect.

Security

We have put in place what we consider to be appropriate security measures against unlawful or unauthorised processing of personal data, and against the accidental loss of, or damage to, personal data.

Disclosure and sharing of your personal data

We may disclose personal data to third parties for the purposes of finance, IT, professional advice, portal development/support, or for any other purposes specifically permitted by the Data Protection Laws or for any other purpose which you may authorise.

We may also disclose personal data we hold to third parties:

- a) in the event that we sell or buy any business or assets, in which case we may disclose personal data we hold to the prospective seller or buyer of such business or assets; and/or
- b) if we are under a duty to disclose or share your personal data in order to comply with any legal obligation. This includes exchanging information with other companies and organisations for the purposes of fraud protection and credit risk reduction.

To the extent we transfer any personal data to any third party, we will only do so if that third party agrees to put in place appropriate security measures against unlawful or unauthorised processing of personal data, and against the accidental loss of, or damage to, the personal data.

Transferring personal data outside the EEA

We may transfer personal data we hold about you to a country outside the European Economic Area ("**EEA**") where we engage suppliers located in jurisdictions outside the EEA.

As at the date of this policy, we transfer personal data to some IT service providers located in the United States of America ("**US**"); these are Microsoft, Insightly and Mailchimp. We have not taken steps to protect any of your personal data which we send to the US, as we believe the entities themselves have sufficient measures in place.

If we transfer any data to any other jurisdiction outside the EEA, we will provide you with details of the country to which data is being transferred, along with details of the measures we have put in place to protect it (which you may see a copy of, on request).

Retention of personal data

Archangels will destroy records of shareholders and individuals who cease to be members after the companies they invested in have been sold or dissolved.

Archangels will retain records of potential members for 2 years, after which they will be destroyed.

We will take all reasonable steps to destroy, or erase from our systems, all personal data which is no longer required.

Please note that you may contact us at any time at 20 Rutland Square, Edinburgh, EH1 2BB and ask for your details to be removed (please refer to the section headed "**Access and other rights**" above). We may not be able to continue to provide you with our services in the event you request that your details are removed.

Profiling

We use a third-party service provider, which, as part of its service to us, identifies the geographic location of individuals who open our email newsletter, how many times the newsletter is opened and what items were clicked on.

Changes to this policy

We may make changes to this data protection policy at any time. Any changes we make will be notified to you in writing.

Contact

If you have any queries about this policy or your data, or you wish to submit an access request or raise a complaint about the way your personal information has been handled, please do so in writing and address this to David Ovens at 20 Rutland Square, Edinburgh, EH1 2BB or by email to david@archangelsonline.com.

If you are not satisfied with our response to any queries or complaints you raise with us or believe we are not processing your personal data not in accordance with the Data Protection Laws you can complain to the Information Commissioner's Office (<https://ico.org.uk/>).