



ARCHANGEL INVESTORS LIMITED

# MEMBER HANDBOOK

INVESTING  
*in innovation*

Our vision is to deliver outstanding returns for our investors, harnessing their experience and our network to fuel the success of Scotland's entrepreneurs and innovators

## WELCOME

**Archangel Investors ("Archangels") is recognised as the leading early-stage investment house in Scotland and the UK more generally.**

Established in 1992 by Barry Sealey CBE and Mike Rutterford, Archangels is the longest continuously operating business angel syndicate in the world.

We provide our members with carefully-curated opportunities to invest in the most innovative companies and to support their early stage development to fullest potential.

This handbook is intended for current Archangels members and individuals who are considering joining our syndicate. Its purpose is to provide:

- Background about Archangels
- Information on what you can expect as a member
- Information relative to how Archangels operates
- Information about angel investing in general

We're proud to have a diverse group of outstanding people in our membership, who are helping to grow businesses in Scotland's vibrant tech and life science sectors.

## DIRECTORS

Ian Macleod, Chair

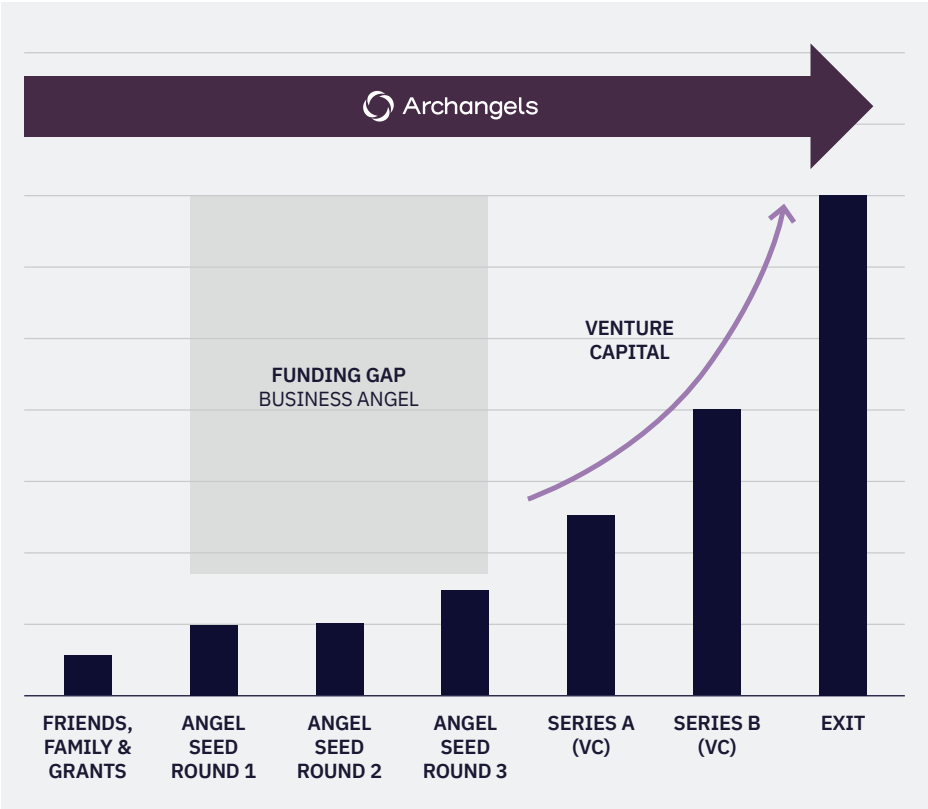
Tim Allan  
Neil Cunningham  
Maureen Kinsler  
Mike MacPhee  
Andrew Sealey



BACKGROUND

Since 1992, Archangels has invested in over 90 companies across Scotland. Our investing activities have generated in excess of £1.5bn of GVA to the Scottish economy and our portfolio companies have directly and indirectly created in excess of 5,000 skilled jobs.

Archangels occupies an area of the funding market which straddles traditional business angel funding and moves into the area occupied traditionally by venture capital.



## OUR VISION, MISSION AND VALUES

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### OUR VISION

Our business ethos is underpinned by our vision to deliver outstanding returns for our investors, harnessing their experience and our network to fuel the success of Scotland's entrepreneurs and innovators.

Our motivation is not just to make money or to finance a fund management business, but to make money as a consequence of broader objectives related to a genuine desire to create successful businesses in Scotland.

Our vision and values shape our investment strategy from a process and philosophical point of view and they also inform our investment criteria in terms of portfolio selection.

Through the way that we're structured, our ambitions and our objectives, we are aligned with the interests of both our member investors and our portfolio companies. We bring together the skills and experience of our members, our extensive network and our portfolio companies, to achieve the best outcome for the businesses we support.

#### **Our current core criteria are:**

- To invest as lead investor in businesses which are located and registered in Scotland;
- To focus on industries where scalability can be achieved without large capex requirements, i.e. B2B technology, software and healthcare;
- To focus on deep, disruptive, protectable technologies, which confer defensibility and where the disruptive nature would create market pull;
- To focus on technologies which are addressing very large, international markets and are therefore scalable; and
- To back high quality individuals who have credibility, emotional intelligence, capable of being coached, and who value what Archangels can bring to the table and really want to work with us.

Given our geographic focus on Scotland, there are a limited number of eligible opportunities which we see each year and therefore, within the constraints of our chosen industries (tech and life science) we are generalists rather than focused on specific themes.

Scalability, market size and pull, defensibility and the quality of the individuals we are backing are the overriding areas of focus.

## OUR MEMBERSHIP PHILOSOPHY

Archangels benefits from having a relatively small, but active and very engaged membership. Our members share a common approach to angel investing:

- They choose which of our companies they invest in, but they recognise the benefits of a portfolio approach to investment in terms of balancing and mitigating risk;
- Their objective is to build standalone businesses of scale, based in Scotland;
- They support our companies by offering their expertise and access to their networks, but they don't get actively involved in the running or governance of our companies (unless they are sector specialists, in which case it may be appropriate for them to be involved).
- They trust our office and independent Investor Directors to ensure that our companies are on the right track, but they are keenly interested in our companies;
- They understand that investing in an early stage company can be a long journey and that patience and the ability to offer continued financial support is fundamental. On average, the period from initial investment to exit is over eight years and can typically involve five or six funding rounds; and
- They have a desire to give something back and develop the next generation of entrepreneurs in Scotland.

**Our mission** is to provide our members with carefully-curated opportunities to invest in the most innovative companies, and to support their early stage development to fullest potential



**EARLY STAGE  
TECHNOLOGY AND  
LIFE SCIENCES**



**DEFENSIBLE IP**





## BENEFITS OF MEMBERSHIP

Archangels is currently constituted as an unincorporated association (“Club”). The Club is designed to engender a sense of ownership of the business amongst our members.

We charge members an annual fee, to cover some of the cost of running the office. This is currently set at £2,000 plus VAT.

### Membership of Archangels confers a number of benefits:

- Access to the Archangels’ office to source and manage your direct investments in early stage companies in Scotland. We act with integrity, we understand early stage investing and have an excellent track record;
- The right to participate in all new investment opportunities, in which Archangels proposes an investment on the same basis as all other members;
- Access to our online investor portal, which tracks all current and historic Archangels’ investments, giving you a full statement of your Archangels investment portfolio at any time.
- The opportunity to participate in follow on funding rounds for all of our portfolio companies, subject to pre-emption rights and any scaling back required (see our policy on scaling back on page 19 of this handbook);
- Regular updates on your investee companies;
- Invitation to Archangels’ events throughout the year, including Chorus (our annual portfolio company tradeshow and dinner) and AGM;
- The opportunity to engage with a group of people, who are collectively motivated by giving something back and making a real economic impact in Scotland.

Archangels members are also welcome to attend our New Deals Committee meetings, where our team discuss current opportunities they’re reviewing, and an Archangels Board meeting and lunch.



**Longest  
continuously  
operating  
syndicate in  
the world**



**Excellent track  
record in early  
stage investment**



## THE TAX BENEFITS

Most of the companies in which Archangels invest benefit from eligibility for significant tax reliefs for investors who pay tax in the UK. This is because the Government recognises the level of risk involved in angel investing and that it is an important source of finance for growing businesses.

### THE ENTERPRISE INVESTMENT SCHEME (EIS)

Under EIS investors can gain both income tax and capital gains tax relief when subscribing for eligible shares in small unquoted companies that qualify under the scheme.

- 30% income tax relief on up to £1,000,000\* of investment per tax year (plus the possibility of carrying back income tax relief to the previous tax year);
- Exemption from capital gains tax on disposal of EIS shares after the end of the three year qualifying period;
- Allowing losses on the disposal of the EIS shares to be offset against either income or capital gains;
- Unlimited capital gains tax deferral in respect of the disposal of other assets, on amounts reinvested in EIS shares; and
- Inheritance tax relief for EIS investments

### WHAT COMPANIES QUALIFY FOR EIS?

In order to access EIS relief, the business must:

- Not be listed on the stock exchange (except on AIM);
- Have a permanent establishment in the UK;
- Have gross assets of not more than £15m immediately pre-investment and £16m immediately afterwards;
- Have fewer than 250 employees at the time of investment;
- Not be under the control of another company; and
- Carry on a qualifying trade as defined by the EIS

Whilst the majority of the companies we invest in will be qualifying for EIS at the point of investment, the rules are complex and you should therefore seek professional advice in relation to your individual tax position.

The tax incentives our investors receive through EIS are an important aspect of our model.

### NOTES:

\* The annual limit was raised to £2,000,000 for investment into "knowledge intensive companies" in November 2017. Most of the Archangels' portfolio qualify as knowledge intensive companies.

# Blackford



RANGE OF INVESTMENT FROM  
£50K TO £2M



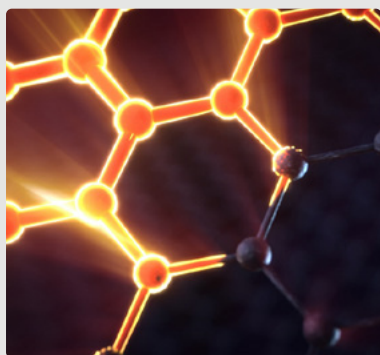
USE DOMAIN EXPERTISE IN  
NETWORK TO DILIGENCE  
OPPORTUNITIES



**HIGH GROWTH  
AND SCALABILITY**



**USE DOMAIN EXPERTISE IN  
NETWORK TO DILIGENCE  
OPPORTUNITIES**



## OUR INVESTMENT APPROACH

Since our establishment in 1992, we have developed a consistent and methodical approach to sourcing opportunities on behalf of our members.

### Our investee companies:

- Must have high growth and international sales potential;
- Should have defensible technology, with clear intellectual property;
- Must be based in Scotland; and
- Should be in a sector which qualifies under the Enterprise Investment Scheme.

Our clear preference is to invest in companies which are not capital intensive and are capable of achieving scale and generating revenues without significant capex.

The vast majority of our portfolio companies will ultimately employ a highly skilled workforce and will have extensive export sales markets.

The funding proposal may cover a range from 'proof of concept' through expansion capital and can include start-up or early stage. The range of our investment per funding round is typically from £500k to £2m but can be out-with this range for the right opportunities.

We prefer to lead all of our investment rounds but we regularly partner with Scottish Enterprise, British Business Investments, other business angel syndicates and occasionally venture capital



### NOTES:

\* The annual limit was raised to £2,000,000 for investment into "knowledge intensive companies" in November 2017. Most of the Archangels' portfolio qualify as knowledge intensive companies.



## ESG STATEMENT

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Environmental, Social and Governance (ESG) considerations are an important part of our investment process, corporate framework and culture and we believe the continuous assessment of ESG risk is intrinsically linked to our own vision, mission, and values.

Relevant issues pertaining to ESG are discussed regularly by the investment team and are raised, as required, at New Deals Committee, Audit and Risk Committee and the Archangels Board.

Our investment team will consider, evaluate and document ESG as part of our due diligence process and will seek to embed an ESG mindset within our investee companies.

Given the stage at which we invest, we do not expect our portfolio companies to have a fully- developed ESG strategy in place at the point of investment. Instead, we look for good corporate behaviours and over the life of our investment we expect this to mature into comprehensive ESG actions and reporting procedures.

Archangels is a leading early-stage investor whose vision is to deliver outstanding financial returns to our members, whilst managing and mitigating risk and, where possible, **making a positive social and environmental impact.**

The following areas are examples of practices we would expect our portfolio companies to implement:

### ENVIRONMENTAL

- responsible waste management procedures
- building out an environmentally friendly supply chain where commercially practicable
- limiting the pollution of greenhouse gases, wherever possible, and
- managing and using resources efficiently, such as energy, land, water and raw materials

### SOCIAL

- creating a positive and inclusive working environment
- ensuring adherence to laws and regulations regarding employee working conditions such as fair wages, working hours and the health and safety of the employees.

### GOVERNANCE

- Building an environment of trust and transparency across all aspects of the business

# THE BENEFITS OF AN EXPERIENCED EXECUTIVE TEAM

We are transparent in all our business dealings, applying a consistent approach to the investment process, which our investors and portfolio companies can rely upon.

**Our office facilitates and supports the investments by our members in the following ways:**

- By undertaking a systematic search for new opportunities, building on our strong contacts with universities, incubators, accelerators and intermediaries;
- By screening business plans;
- By conducting thorough pre-investment due diligence;
- By negotiating pricing of fundraisings;
- By appointing an Archangels Observer from our Executive Team who is responsible for monitoring, supporting and, where appropriate, intervening in investee companies;
- By ensuring that the financial controls and reporting in each company is professional and timely;
- By appointing a suitable Investor Director and influencing the appointment of the Chair in investee companies;
- By arranging networking opportunities and group training for investee company executives and employees;
- By identifying and managing exits; and
- By creating a strong bond with portfolio company management teams.

## NEW DEALS

The Archangels Board of Directors are substantial investors across the portfolio and invest at least £100,000 in any new Archangels' deal.

Therefore, prior to proposing any funding for a company, whether initial or follow on, our members will know that the funding proposition has been carefully due diligenced by our Executive Team and has the support of our Board. The Archangels' Board is not remunerated.

It is a fundamental principle that all members will have the opportunity to invest on the same terms as the Archangels' Board in new opportunities.

## RIGHTS ISSUES

Where a fundraising is proposed for an existing portfolio company in which some members may not already be invested, our approach is as follows:

- Existing shareholders have pre-emption rights to ensure that they will not be diluted by new investment if they choose to invest further.
- The Archangels' team will ask existing shareholders to consider whether or not they would like to take up a higher allocation than their rights, to cater for the situation where other shareholders elect not to take up their rights (e.g., it is often the case that founder/manager shareholders are not in a position to take up their rights).
- In parallel, potential new investors from our member base will be invited to give an indication of their level of interest.

When there is a modest oversubscription, it is generally speaking acceptable to all parties to close the round at a slightly higher level than planned. However, where there is a significant level of oversubscription, it may be necessary to scale back potential new investors.

**The Archangels' approach is generally as follows:**

- To achieve as broad a shareholder base as possible, which in the long run we consider to be beneficial to all stakeholders, while maintaining an acceptable level of investment for each of the individual investors.
- Larger new investors may therefore occasionally be scaled back proportionately more than smaller new investors.

## EMERGENCY FUNDING /CASH ADVANCES

Occasionally, companies may require funding at short notice. This may happen, for example, if a customer delays a significant payment or an unexpected payment becomes due. In these situations, the Archangels' team will:

- Firstly, ascertain whether the cash flow position of the company can be managed in such a way as to deal with the requirement.
- However, if the situation cannot be managed in that way, the Archangels team may request the Archangels' Board and other shareholders within the company to provide a cash advance, usually ahead of a wider funding round for all shareholders.

- Generally, emergency funding will be provided by way of equity, on pricing negotiated with the company.

## INTEREST

Occasionally, unforeseen delays in completion of a funding round mean investment funds are held by legal firms and interest accrues on those funds. The process of calculating the value of interest accrued on each investor's funds and then transferring a payment to the individual would be extremely onerous. We therefore distribute any interest income we receive to a selection of local charities. Our chosen charities align with our ethos of "giving something back."

## EXITS

Whilst we encourage our companies to identify and engage with potential purchasers at an early stage in their lifecycle, we usually let our companies drive the timing of the exit. Our members do not get involved in exit negotiations - that is the role of our Executive Team.

Our extensive experience ensures that our members get the best possible value, whether through managing a competitive process ourselves or appointing experienced advisers and we will always seek to minimise warranty exposure and deferred considerations.

HOW WE FUND OUR OFFICE

The Archangels’ office benefits from a variety of sources of income:

Income Source	Approximate Proportion of Total Income
Membership Fees	10%
Portfolio Company Monitoring Fees	25%
New Deal Research Fees	35%
Exit Warrants	10%
Exit Deal Management Fees	10%
Other	10%

The first three categories of revenue will generally cover Archangels’ staff costs and other overheads.

MEMBERSHIP FEES

The membership fee is currently set at £2,000 per annum plus VAT.

PORTFOLIO COMPANY MONITORING FEES

Monitoring fees are payable by individual investee companies to defray some of the costs incurred by Archangels in monitoring the investments on behalf of the investors and for support provided by the Archangels’ office to portfolio companies.

NEW DEAL RESEARCH FEES

The Archangels’ Executive Team and Board undertake significant screening and due diligence of all investments on behalf of investors to ensure that the company is investor ready and merits investment by our members. Archangels charges the investee company 5% of total funds raised in all new and follow on funding rounds.

EXIT WARRANTS

Archangels usually takes a warrant over 1% of the equity value of the investee company,

which is exercisable when the company is sold. The warrant, along with the exit deal management fees, makes a contribution to the costs which Archangels will incur throughout the period of investment and in managing the exit process.

EXIT DEAL MANAGEMENT FEES

Where our portfolio companies so request, Archangels will assist with advisory services on an exit. The knowledge of the business, assistance in meeting acquirers’ due diligence requests and negotiation of the deal tailored to the structure of the syndicate, can be done at significantly lower costs than third party advisers.

On joining the syndicate, members will be asked to sign a general power of attorney in favour of the Executive Team to allow the team to sign investment documents on each member’s behalf. This greatly increases the efficiency of the investment and exit processes. Management of exits is a regulated activity and is dealt with through Archangels’ regulated subsidiary, Archangel Investors (Management) Limited.

OTHER

Where an Investee Company has been subject to a successful, profitable exit (minimum 2x MoM), a discretionary 5% charge will be made by Archangels to the profit on exit of each Member who has invested in such Investee Company, to incentivise the management team of Archangels who have been involved in identifying the Investee Company and managing it through, and helping to negotiate, an 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.





## OUR TEAM

### COMPLEMENTARY TALENTS



#### NIKI MCKENZIE

E: [niki@archangelsonline.com](mailto:niki@archangelsonline.com)

##### Joint Managing Director

Niki is a Chartered Accountant with a strong background in Corporate Finance. Having trained with KPMG, she subsequently held various senior roles within Bank of Scotland International Division and Structured Finance as well as Lloyds Banking Group.

Niki joined Archangels in 2011 and has oversight of the portfolio. She has responsibility for portfolio issues and has worked with the management teams to deliver the exits of Blackford Analysis, CXR Biosciences, Bloxx, Touch Bionics and ZoneFox.

Niki has been an NXD Board Member of St Andrews Innovation, University of St Andrews since 2023.



#### DAVID OVENS

E: [david@archangelsonline.com](mailto:david@archangelsonline.com)

##### Joint Managing Director

David joined Archangels in 2014. He is an experienced corporate financier, having worked for Samuel Montagu & Company Limited, Noble Grossart Limited and Noble & Company Limited, before setting up Invercap, a corporate advisory boutique based in Edinburgh.

Throughout his career, he has advised, invested in and been involved operationally with a number of early stage companies.

David has responsibility for the management of the Archangels' business and a number of the portfolio companies. David recently worked with the management team of our portfolio business, Optoscribe to deliver the sale of the business to a large US corporation.

David has been Chair of Scottish Athletics since 2021 and an NXD on the Board of LINC Scotland since 2016.



#### SARAH HARDY

E: [sarah@archangelsonline.com](mailto:sarah@archangelsonline.com)

##### Director, Head of New Investments

Sarah obtained a BSc and then a PhD in Molecular Neuropharmacology from the University of Aberdeen. Following a brief spell with Parke-Davis, she joined the Wellcome Trust in 2001 and since then has moved through various senior life sciences roles, including a secondment to Advent Venture Partners. She was a Senior Business Analyst, Innovations, with the Wellcome Trust, between 2009 and 2016.

Sarah joined Archangels in 2016 and has direct responsibility for a number of the portfolio companies.



#### SHAOLEI MCKIE

E: [shaolei@archangelsonline.com](mailto:shaolei@archangelsonline.com)

##### Investment Executive

Shaolei is a Chartered Accountant who specialised in leveraged finance and fund investments within the private equity division of Bank of Scotland Corporate. Latterly, she was the financial controller at Corran Properties, responsible for all financial and management accounting functions and development and property portfolio cashflows.

Shaolei joined Archangels in 2017 and has responsibility for investment support, including management of share capital tables, due diligence and the investor portal.

## OUR TEAM

### COMPLEMENTARY TALENTS



#### DAN MCKIDDIE

E: [dan@archangelsonline.com](mailto:dan@archangelsonline.com)

##### Investment Manager

Dan is a Chartered Account and worked at PwC for eight years. Dan began his career in financial audit, before moving to the Transaction Services team. Latterly, Dan joined Inverleith LLP as an Investment Manager, before joining Archangels in 2023. He provides investment analysis and support for fund raisings and exits.

He holds a Masters degree in Mechanical Engineering from the University of Glasgow.



#### LINDSAY MILLER

E: [lindsay@archangelsonline.com](mailto:lindsay@archangelsonline.com)

##### Office Manager

Lindsay joined Archangels in 2015 and is responsible for finance, admin and event management activities, as well as the day to day running of the office.

She holds an honours degree in Immunology and Microbiology from Strathclyde University.



EARLY STAGE  
TECHNOLOGY AND  
LIFE SCIENCES



DEFENSIBLE IP



## OUR BOARD

Our Board is fundamentally important to the operation of Archangels. Not only does it set the strategic direction of the business, it also acts as the investment committee, vetting new opportunities and challenging the due diligence undertaken by the team. It also commits at least the first £100,000 of investment in any new opportunity. All investment opportunities presented to members will have already obtained the unanimous support of our Board.



**IAN MACLEOD, CHAIR**

Ian became Chair of Archangels in 2022, having joined the board in 2018. Ian had a long career as a financial analyst, specialising in electronics and telecoms, including decade long spells at NatWest Markets and Jefferies. He was recognised for several years as one of the leading European telecoms analysts. Latterly, Ian focused on smaller tech, cleantech and biotech companies, moving into fund management with 360 Asset Managers and more recently Accessible Clean Energy.



**TIM ALLAN**

Tim joined the Board of Archangels in 2019. He is a private equity and property entrepreneur with many outside philanthropic interests. Tim is a founder of Motor Fuel Group, the largest forecourt owner and retailer in the UK, and he owns Tricorn Capital, a diversified private investment company with venture capital, private equity and commercial property interests. He has been a member of Court at the University of St Andrews since 2016 and Chair of the V&A Dundee in 2019. Tim holds The Queen's Award for Enterprise, is a Fellow of the Royal Society of Arts and serves as a Deputy Lieutenant for Clackmannanshire. He was awarded a CBE for services to business, charity and the arts in the New Year Honours List for 2022.



**NEIL CUNNINGHAM**

Neil is Founder and Director of MatchPoint Hospitality Group, which creates events and acts for venues and sports bodies including the Sydney Cricket Ground, Hong Kong Rugby, the R&A, and the Asian Football Confederation. After 30 years, he recently sold the trading companies, whilst retaining the master license. He has invested in, and been Director of, various start-ups, JV's and SPV's in the hospitality and sports industries in the UK, Middle East, Asia, and Australia. Neil has been a member of Archangel for over 15 years and became a Board member in 2022.



**MAUREEN KINSLER**

Maureen has worked in the tech sector for over 25 years as a Patent Attorney at the global IP firm, Marks & Clerk (M&C), where she has been a Partner since 2004 and recently retired as Chair of their International Business. She has extensive experience of patent prosecution and handles many internationally diverse patent portfolios. She has also advised clients on due diligence and freedom-to-operate matters and provided infringement and invalidity opinions. Maureen has a degree in physics and a PhD in semiconductor devices from Glasgow University. She specialises in photonics, semiconductors, computer related inventions and business methods. Maureen joined the Board of Archangels in 2020.



**MIKE MACPHEE**

Mike joined the board of Archangels in 2015. Having been called to the English Bar in 1987, Mike joined Baillie Gifford & Co in 1989 and became a partner in 1998. He instigated investment in Latin America during the 1990s, headed the firm's European Department from 2003 to 2008 and thereafter co-managed a global investment strategy. From 1998, until his retirement from the firm in 2014, he was the manager of Mid Wynd International Investment Trust PLC.



**ANDREW SEALEY**

Andrew is CEO of Campbell Lutyens, a global private capital advisory firm focused on fund placement and secondary advisory activities in private equity, infrastructure, and private credit. He joined the firm in 1990 and took over responsibility for the management of the firm in 2003. The firm has grown to become one of the largest of its type with over 160 people operating from eight offices around the world. Before joining Campbell Lutyens, he worked for David Hume Investment Management, a specialist listed and unlisted investment fund manager. Andrew has been an investor with Archangels since its establishment in 1993 and joined the Board of Archangels in 2021.



## OUR APPROACH

It's difficult to benchmark Archangels against other institutions in the early stage investing market. As a consequence of our values and operating structure, the depth of our members' pockets and their willingness to invest over multiple rounds and long periods of time, we are a hybrid between business angel and VC.

Whilst this should mean the best of both worlds for our members and for our portfolio companies, it also means that our model diverges from both categories of investing in many fundamental regards.

- We have the philosophy and mindset of angels but adopt the professionalism of VCs in our processes; and
- Driven by our vision and mission, we straddle the ethos of business angels with the desire to make financial returns matching the best VCs;

The business angel approach allows for greater alignment with our portfolio companies. We invest in the same share class as our founders and get our returns at the same time. We don't take preferences or use complex share capital structures in the same way as VC investors. We acknowledge that building a successful technology business from scratch takes time and therefore we understand the need for patience and forbearance when some business milestones are not achieved as quickly as everyone would like. This

approach, along with the value of our networks and experience, means that we gain the respect and trust of founders. It also helps more of our companies to scale quicker. In the VC world a few companies will scale very quickly and the rest will wither. By contrast, we take a holistic approach rather than the easiest route to generating a return on invested capital, which may not align with the company's best interests.

Furthermore, because we are business angels and it is our own capital which we are putting at risk (whilst accepting the benefits of the tax system), we can invest earlier, we are less formulaic and we can be much more opportunistic. We generally have a greater appetite for risk than VCs.

However, notwithstanding the difference in philosophy and motivation which Archangels has relative to the VC community, we have nevertheless adopted the rigour of the VC approach to our processes, pre, during and post investment.

### This means:

- We are transparent about our investment criteria, this allows us to triage opportunities effectively and efficiently;
- Our executive team are experienced investment professionals who understand the risk appetite of our members, as well as the attributes which are required to maximise the prospect of a satisfactory financial return;
- Our investment process and domain expertise within our networks, provides proper governance as well as challenge to the due diligence process and the process and the investment thesis. This instils confidence in our investors that opportunities have been properly assessed before being presented to them for investment.
- We take a rigorous approach to portfolio management post investment, ensuring that there is proper governance, that the right individuals are in place at the board and senior management level and that we understand how the company is performing against plan.
- We draw upon our own experiences across the portfolio and allow our investees to benefit and learn from this.

This VC approach to process instils confidence in our investors and co-investment partners. Our insistence on greater governance provides transparency and develops and improves the professionalism of our management teams. All of this makes exits more likely.

This hybrid, "best of both worlds" approach to investing makes Archangels unique and is fundamental to our track record and reputation in the market.



**ENTERPRISE INVESTMENT  
SCHEME QUALIFYING**



**LEAD INVESTOR OVER  
MULTIPLE FUNDING  
ROUNDS**

## RULES OF MEMBERSHIP

Adopted on 26 October 2016

### 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.
12. Any company communications you receive by virtue of being a member of Archangels, are exempt from the general restriction in Section 21 of the Financial Services & Markets Act 2000, on the grounds that they are made to you on a self-certified high net worth individual or a certified sophisticated investor. Any decision by you to invest in a company is a personal decision and Archangels does not accept responsibility for the consequences of any decision by you to make an investment.

# SCHEDULE 1

## ARCHANGELS INVESTORS

### PRIVACY POLICY

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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:

- 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
- 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.

## SCHEDULE 1 ARCHANGELS INVESTORS PRIVACY POLICY CONTINUED

### 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](mailto: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/>).

## OUR PORTFOLIO

 **Administrate**

 **ARRAYJET**  
powered by inkjet technology™

 **bdd**

 **BIOCAPTIVA**

 **bioliberty**  
life independent

 **CALCIVIS**  
dental enlightenment

 **CYTOMOS.**  
SEE THE UNSEEN

 **EARTH BLOX**

 **fios**  
GENOMICS

 **Hearing Diagnostics**

 **INDIGO LIGHTHOUSE**  
EMPOWERING BRAND LOYALTY THROUGH SUBSCRIPTION

 **INHALER**

 **Integrated Graphene**

 **MGB Biopharma**  
Delivering Novel Anti-Infectives

 **nctech**  
reality imaging systems

 **PowerPhotonic**  
Enhancing Beam Performance

 **QUERYCLICK**

 **Reactec**

 **SPEECH GRAPHICS**

 **TRIG**

INVESTING  
in *innovation*





## ENQUIRIES

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GENERAL ENQUIRIES:

**0131 221 9876**

FUNDING APPLICATIONS:

**[investment@archangelsonline.com](mailto:investment@archangelsonline.com)**

MEMBERSHIP ENQUIRIES:

**[membership@archangelsonline.com](mailto:membership@archangelsonline.com)**

FOLLOW US ON TWITTER

**@ArchangelInvest**

Archangel Investors Limited

20 Rutland Square

Edinburgh

EH1 2BB

**[archangelsonline.com](http://archangelsonline.com)**

Member of

