RIVER CAPITAL

FUELLING AMBITION

fund:AI THE NORTH'S FIRST DEDICATED AI, MACHINE LEARNING AND DATA SCIENCE FUND

RIVER CAPITAL EIS AI Fund

Investment Memorandum

Important information

All abbreviations, acronyms or designations used in this disclaimer are as defined in the section on definitions and in the body of the document where appropriate. Reference to the Fund means the River Capital EIS AI Fund.

This confidential information memorandum ("Memorandum") constitutes a financial promotion pursuant to Section 21 FSMA and has been issued by Alliance Fund Managers Limited trading as River Capital (the "Manager") as an AIFM authorised and regulated by the Financial Conduct Authority in the UK,180891, Company number 03099944, Suite 6C, The Plaza, 100 Old Hall Street L3 9QJ.

The Fund is an Alternative Investment Fund for the purposes of AIFMD (as defined herein). The Fund is not a separate legal entity and is not considered to be a collective investment scheme as defined in section 235 FSMA. The Manager is authorised to act as AIFM to the Fund.

This document is important and requires your immediate attention. It is recommended that you seek independent personal financial advice from your stockbroker, solicitor, accountant or other Adviser specialising in advising on investments of this type, on whose advice you should rely.

This Memorandum is confidential and is approved only for distribution and direction to those who are classified as being one or more of the following:

- **A professional client by reference to the client categorisation in the FCA Rules COBS 3.5.1;**
- **A client of an authorised firm, whereby such firm is regulated and authorised by the FCA, that will confirm that this investment is suitable for them within the meaning of COBS 4.7.8 (2) R;**
- **An eligible counterparty within the meaning of COBS 3.6.1R;**
- **A certified high net worth individual within the meaning of Article 48 FPO and self-certifies as such in the form set out in Schedule 5 Part I FPO;**
- **A certified sophisticated investor within the meaning of Article 50 FPO and certifies as such in the form set out in Article 50(1)(b) FPO; and**
- **A self-certified sophisticated investor within the meaning of Article 50A FPO and self-certifies as such in the form set out in Schedule 5 Part II FPO,**

(together, the "**Prospective Investor Criteria**").

By accepting this Memorandum, you represent and warrant to the Manager that you are a person who falls within the above description of firms and/or individuals in respect of whom the Manager has approved it as a financial promotion.

This Memorandum is not to be disclosed to any other person, except where appropriate to your Adviser or as required by law or used for any other purpose. Any other person who receives this Memorandum outside of the above categories of firms and/or individuals should not rely on its contents.

You should not regard the contents of this Memorandum or any associated documents as constituting advice relating to legal, taxation or investment matters and you are advised to consult your own professional advisers before contemplating any investment to which this Memorandum relates. No such advice has been given to you by the Manager.

Investment in the Fund may not be suitable for all recipients of this document. You should consider carefully whether an investment in the Fund is suitable for you, considering your personal circumstances and the financial resources available to you.

Neither this Memorandum nor any associated documents constitute, and may not be used for the purposes of, an offer or invitation to subscribe for any investment to which they relate, by any person in any jurisdiction outside the UK. This Memorandum and any associated documents and the information contained within them are not for publication or distribution to persons outside the United Kingdom.

No representation is made, or warranty given as to the accuracy, completeness, achievability or reasonableness of any projections, views, statements or forecasts, which are illustrative and rely on assumptions which the Directors consider to be reasonable. You must determine for yourself what reliance (if any) they should place on such statements, views, projections or forecasts.

All statements, other than statements of historical facts, included in this document may be forward looking statements. Forward-looking statements may include, without limitation, statements relating to future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects, etc.

These forward-looking statements do not guarantee positive future performance. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of any such person, or industry, to be materially different from any results, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on assumptions regarding the present and future business strategies of such persons and the environment in which each will operate in the future. You should not place undue reliance on such forward-looking statements and, save as is required by law or regulation.

The Manager does not undertake any obligation to update publicly or revise any forward-looking statements (whether to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based). All subsequent oral or written forward-looking statements attributed to the Manager or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statements above. All forward-looking statements contained in this document are based on information available to the Directors at the date of this document, unless some other time is specified in relation to them, and the posting or receipt of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date.

Reliance on this Memorandum for the purpose of engaging in any investment activity may expose a you to a significant risk of losing all your capital or other assets invested. Any investment by you in the Fund may be difficult to value and is likely to involve an above average level of risk. You should consider all risks associated with the type of investment described in this Memorandum, including the risk factors as set out in the Memorandum.

You must rely on your own investigation of the Fund and examination of the risks involved, including the legal, taxation, financial and other consequences of investing in the Fund.

This Memorandum is dated 2nd June 2023

The risks of investing

There are risks involved with this type of investment. Your attention is drawn to Appendix 2 where these are documented.

Don't invest unless you're prepared to lose all the money you invest. This is unlikely to be protected if something goes wrong.

RIVER CAPITAL

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River Capital Fund introduction

We are delighted to be able to introduce you to the River Capital EIS AI Fund. ***fund*:AI**

fund:AI is an 'Evergreen' EIS fund. River Capital expects to invest in circa 15 exciting high-growth Artificial Intelligence ("AI"), machine learning and data science companies from the North over the first 5 years of Fund:AI.

The UK AI market is expected to grow significantly (at a compound annual growth rate of 35.9% from 2019-2025) and the UK is now recognised as being in an admirable position to become a global super-power in AI. This market is supported by UK government which launched the national AI strategy in 2021 with the aims of reflecting and protecting society whilst transforming the economy and our personal lives.

fund:AI is the first Northern dedicated AI fund - targeting the underfished waters of the North for high-growth AI investment opportunities.

It is our view that a majority of venture capital investments in the UK are highly concentrated in London and the South East, which accounts for the lion's share of venture capital activity. In an AI context, this leaves the North underserved, despite Manchester, Leeds, and Birmingham being in the top 10 AI UK cities and the North having produced at least 2 data Unicorns

We are particularly interested in identifying and investing in the next generation of AI companies who are developing platforms, applications and services. These companies will exist to improve society, business and our own personal lives.
We categorise these companies as:

- For good
- For business
- For everyone

Pleasingly, most of our current pipeline companies solve important impactful real life problems, in such disciplines as health care, education, and sustainable agriculture. This means that fund:AI will inevitably and routinely be investing in "tech for good" and will be naturally aligned with the environmental, social and governance agenda.

Our investment team includes managers with deep operational experience in AI, machine learning and data science - people who have led AI companies and are recognised within the UK data industry as amongst the leading experts. Combined with experienced tech investors and an advisory network from organisations including Alder Hey Hospital and the University of Manchester, the Fund offers deep subject matter expertise to help originate, support and grow our AI investments.

River Capital, its team and advisors have over 15 years experience in investing, advising and founding exceptional AI and tech companies. This includes early investment into Blue Prism which is now a £1.25bn valued Unicorn in the North.

fund:AI will have two soft closes a year and we will target full deployment of capital within 6-12 months of each soft close.
The fund is s targeting a return profile of 2x return on capital which does not include tax reliefs from the EIS structure and offers investors an opportunity to invest into a high growth UK tech sector.

We look forward to welcoming you as an investor in our fund!

Mark Borzomato,
CEO, River Capital

KEY FACTS

Fund Type	AIF
Soft Close	31st March and 30th September each year
Minimum Subscription	£25,000
Capital Deployment Horizon	Target 90% capital deployment into Investments within 12 months of the relevant Soft Close
Investment Focus	Early-stage AI enabled or tech enabled with big data and potential for high growth
Geographical Focus	80% investment into the The North
Exit Horizons	5-7 years
Investment Sizes	£200k-£2m (including follow investments)
Target Returns	2 x return on capital from investments
Solicitors	Brabners LLP
Custodian	Mainspring Nominees Limited

We will make selective Investments in early- stage Investee Companies who are either AI enabling companies or tech enabled businesses with as yet untapped big data sets. These early- stage Investee Companies will have a high growth potential.

fund:AI will have a geographic bias towards the North. Circa 20% of our Investments may originate from further UK geographies but only where they qualify for EIS. Year 1 of the Fund will seek to co-invest alongside other funders, either institutional or angel syndicates.

ABOUT THE FUND

fund:AI is an EIS fund that will aim to provide Investors with access to a unique selection of innovative AI companies that have an established proof-of-concept and commercial viability. It is intended for investors who want to achieve capital growth (rather than income) by investing in early-stage, unquoted companies which have the potential to increase in value significantly.

As an 'Evergreen' fund, fund:AI will have two Soft Closes per annum. The Fund will take advantage of the Enterprise Investment Scheme ("EIS") which was introduced by the UK government via the Finance Acts 1994 to 2022 ("FA").

Subject to an Investor's personal circumstances it is anticipated that Investors will be able to claim (S) EIS Reliefs in the tax year in which an Investment take place into the underlying Investee Companies. (S)EIS Reliefs include upfront income tax relief, tax-free capital gains, and loss relief on each Investment that returns less than you put in. These tax reliefs make investments in EIS qualifying businesses distinctly different from those in most other businesses. Typically, when you own shares in a business you risk losing up to the full amount you invest, while any gains you make are taxed. By investing in an EIS-qualifying early-stage business, any growth that you achieve should be tax-free and the tax reliefs can provide some additional relief if an investment doesn't work.

The Manager aims to fully deploy the Fund in 3-4 EIS eligible investee companies within 6 months to 12 months of each Soft Close, targeting a 2x return on capital. The Manager invests on behalf of Investors, whereby the Investors are the beneficial owners of the shares in the Investee Companies. Each Investor will have an account administered by our Nominee with the Nominee being the registered holder of the shares.

EIS Introduced via the Finance Act

1994

Investment range

Up to £2m

Target minimum return

2.0x capital

To be raised over the next 5 years

£20m

Number of companies for deployment

15

Co-investment fund partners to be sought alongside

fund:AI

Investment objectives

- To offer a wide range of Investors the opportunity to invest in a diversified portfolio of AI, data science and machine learning venture capital investments in the North, with high-growth potential, in order to provide them with capital to assist in and accelerate their growth. Companies who have a lot of data ("data-rich companies") and who do not currently use it but who are interested in AI, data science and machine learning venture capital shall also be in scope.

- Up to 20% may be invested in companies the rest of the UK, i.e. outside of the North.

- Up to 20% may be invested in companies active in areas outside of AI, data science and machine learning or data rich companies wish to go on an AI journey.

- AI, data science and machine learning and the North shall be interpreted widely, such that if there is a reasonable argument that a company qualifies, it shall be deemed to qualify. The Manager acting reasonably shall be the sole arbiter of whether acompany qualifies.

- The Manager's aim is to manage the money subscribed by Investors to produce capital gains within a period of three to seven years, whilst managing risk and to provide Investors with the tax advantages associated with EIS-Qualifying Investments.

Investment restrictions

- Each Investment will be in a company into which the Manager has conducted appropriate due diligence in order to establish whether it meets the Fund's Investment Objectives and in respect of which the Manager subsequently wishes to invest.

- In carrying out its duties under this Memorandum in respect of the Fund, regard shall be had, and all reasonable steps will be taken, by the Manager to comply with such policies or restrictions as are required in order to attract (S)EIS Reliefs and CGT Relief/ Deferral due to CGT Exemption as may be prescribed by HM Revenue & Customs from time to time in relation to the EIS Qualifying Companies.

- In particular, but without prejudice to the generality of the above statements, the criteria for the Fund are as follows:

  - so far as practicable, each Investment shall be in shares of an EIS Qualifying Company;

  - so far as is practicable, each Portfolio shall be fully invested (subject to cash retention to meet fees, costs and expenses); and

  - generally, the Manager reserves the right to return a small surplus of cash if it concludes that it cannot be properly invested for the Investor or considers it to be in the interests of the Investor, having regard to (S)EIS Reliefs for the Investor.

- The intention is to disinvest between approximately three and six years after the final Investment in an Investee Company. In the event of a gradual realisation of Investments prior to termination of the Fund under Clause 15 of the Investment Management Agreement the cash proceeds of realised Investments will be distributed amongst the Investors in accordance with Clause 5.4 of the Investment Management Agreement.

Fund leadership

Our team have deep sector experience in data-rich businesses having invested in or advised some of the North's 'Unicorn' AI companies

David Walters

Investment Director

David is recognised nationally as a member of the DataIQ100 – the most influential data and analytics practitioners in the UK and has operationally led Norther AI practices.

David was one of the first UK private equity Digital and Data Directors when appointed by Northedge Capital in 2016 helping their Portfolio companies to unlock the value in their data assets.

Prior to his Venture Capital career David was part of several PE backed management teams that successfully exited to trade by placing data at the heart of their organisations

Steve Charnock

IC Chair

A successful investor and entrepreneur Steve co-founded Cenkos Fund Managers and specialist SME investment business Seneca Partners.

Steve is a qualified chartered accountant who brings a wealth of experience in investing and growing organisations and was recognised for his analytical skills by Reuters.

Mark Borzomato

CEO

Mark is CEO at River Capital. With over twenty five years experience in delivering and driving value from corporate transactions, Mark has spent the last 15 years in a variety of institutional mid market equity investment roles supporting early stage and SME businesses across a broad range of sectors.

Mark was part of the River Capital team who backed the Warrington based Robotic Process Automation business Blue Prism via the MLEF fund. Blue Prism were floated on AIMS in 2016 and were valued at $1.1bn in November 2021.

Dr Marc d'Abbadie

Head of Venture

Marc is a highly-experienced venture capitalist with more than 15 years' experience. A published Ph.D scientist and named inventor on revenue generating patents,

Marc led management buy-out of SPARK Impact in September 2016, which was subsequently operationally merged with River Capital. He has managed several funds and has been involved with multiple exits, including trade sales, IPOs and to Private Equity.

Advisory Team

Our advisory team members provide world class support, resource and thought leadership from their respective sectors and areas of expertise including HealthTech academia, super-computing and go to market NED resource.

Claire Liddy
MD of Innovation
Alder Hey Hospital

Claire is an expert in health and life sciences technology and innovation with over 20 years healthcare senior leadership track record. A qualified accountant with a commercial skill set and a member of various advisory boards and expert groups. Claire currently leads the UK's largest health led Innovation Centre based at Alder Hey Children's Hospital, Liverpool.

John Leake
Business Growth Director
Sci Tech Daresbury

John is Business Growth Director for Sci-Tech Daresbury where he led the establishment of the national science and innovation campus. The campus is home to a community of 150 science and technology companies from start-ups to international corporates like IBM and Hitachi. John is Chair of the UK Science Park Association, and has been a Board member for over 3 years.

Dr Richard Almendinger
Senior Lecturer in Data Science
Manchester University

Richard is Professor of Applied AI and School Business Engagement Lead at the Alliance Manchester Business School, The University of Manchester, and is a Fellow of the Alan Turing Institute.

John Lord
Founder
TruNarrative

John is a Founder and Investor with experience in both scaling to flotation and exiting to Trade Buyers. John was founder and CEO of Leeds based TruNarrative who were acquired by LexisNexis in August 2021. John has a deep knowledge of SaaS and DaaS with expertise in go to market.

Investment criteria

Fund:AI will invest capital (including seed or development capital) to Investee Companies seeking to accelerate their growth or build out their platform. This includes but is not limited to:

- Launch and expansion of products
- Creation and expansion of data science teams
- Creation of IP/Product from un-tapped big data sets

Sectors include:

HealthTech, AgriTech, EdTech MarTech, Internet Of Things, Robotics, Cyber Security and Data Science as a Service (DSaaS)

Investments across the life of the Fund typically range from:

£200k - £2m

Profile of Investments

fund:AI will invest in early stage, high growth opportunity businesses that are or have the potential to become rich in Data Science, Machine Learning and/or Artificial Intelligence.

- This includes tech enabled companies using
- Machine Learning and ML Ops
- Robotics
- Robotic Process Automation (RPA)
- Computer Vision
- Data Science as a Service (DSaaS)
- Natural Language Processing (NLP)

Typical problems can be solved by data rich companies adopting AI include:

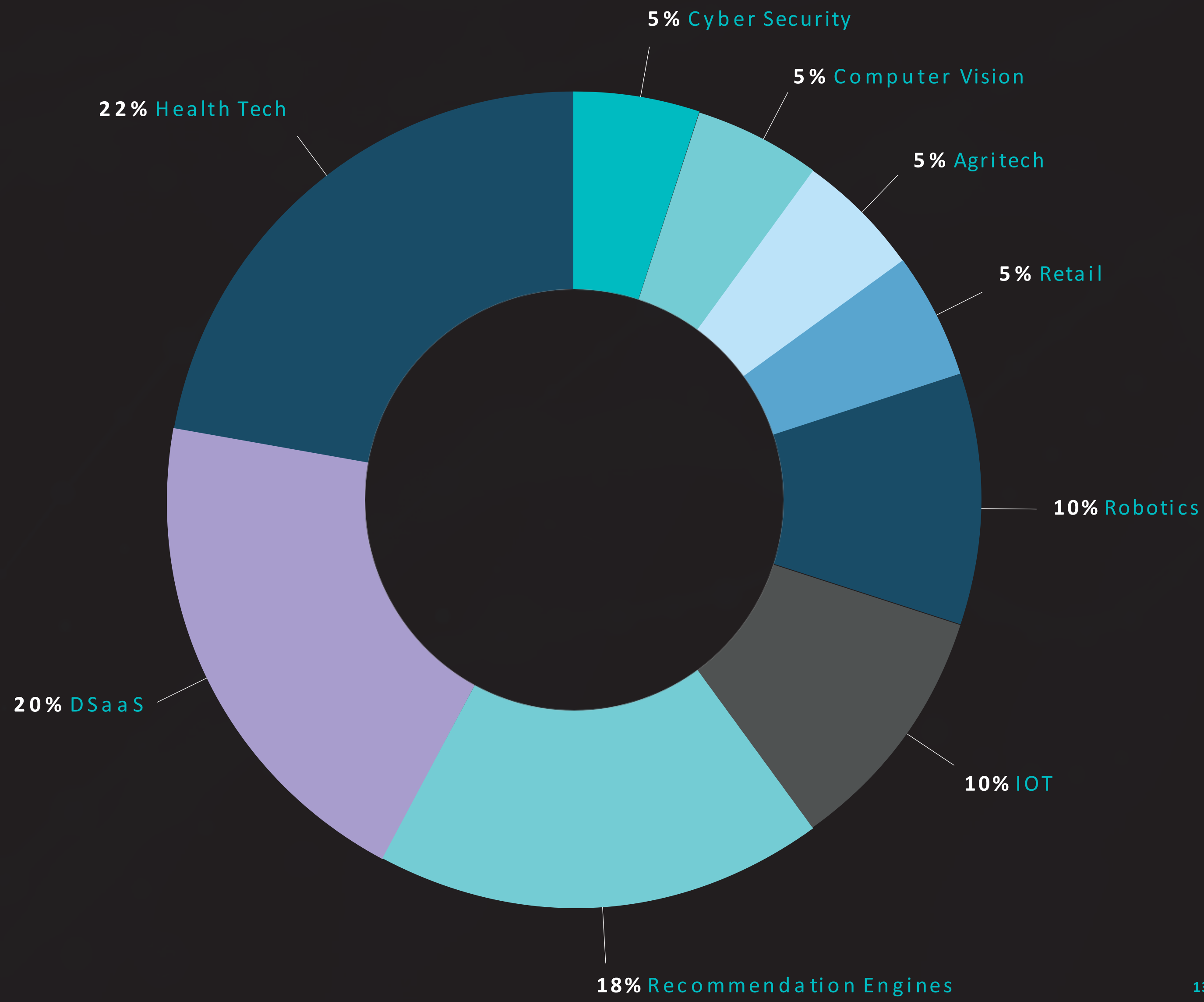
- Recommendation Engines
- Price Optimisation
- Inventory Optimisation
- Churn Prediction
- Demand Forecasting

Pipeline sector breakdown

We have a strong pipeline of AI investment opportunities driven from across our Northern territories.

The majority of our new investments come from our network of advisors and our co-investment community.

We also see target investments from our work on various judging panels including Tech Nation Rising Stars.



River Capital believes that **Artificial Intelligence** is one of the most significant emerging trends in the UK.

The UK's AI market is estimated to grow significantly (at a compound rate of 35.9% from 2019 – 2025) and is expected to add $880bn to the UK economy by 2035. In 2021 UK AI investment reached record highs with UK AI scaleups raising almost double that of France, Germany and the rest of Europe combined.

In 2021 the UK ranked first in Europe and third globally, behind the USA and China in developing AI technologies with AI spending by UK business estimated to rise from £16.7bn in 2020 to between £27.2bn and £35.6bn by 2025.

The UK AI Market

In September 2021 the UK government launched its National AI Strategy.

"Over the next ten years, the impact of AI on businesses across the UK and the wider world will be profound. New discoveries and methods for harnessing the capacity of machines to learn, aid and assist us in new ways emerge every day from our universities and businesses."

"This National AI Strategy will signal to the world our intention to build the most pro-innovation regulatory environment in the world; to drive prosperity across the UK and ensure everyone can benefit from AI; and to apply AI to help solve global challenges like climate change."

Presented to UK Parliament in September 2021 by the Secretary of State for Digital, Culture, Media and Sport

THE WORLD'S BIGGEST COMPANIES RECOGNISE THE IMPORTANCE OF AI

It is our view that the worlds biggest companies seem to recognise the importance of AI. Google bought British startup Deepmind, for $500m in 2014 underlining the UKs deep expertise in the sector.

The impact of the sector shows no sign of abating with the UK governments 2021 National AI strategy describing Artificial Intelligence as the fastest growing deep technology in the world.

Values achieved recently confirm the potential of the sector, for example Manchester based data company Matillion raised $150m in a deal that valued the company at $1.5bn in 2021.

Geography

The UK AI sector is high growth but with strong capacity to nurture and develop future unicorns. It is our opinion that the North lags behind London and South East of England in terms of AI investment.

The British Business Banks' Small Business Equity Tracker 2022 report shows that London & the South attracts 81% of English equity deals and 90% of investment by value. 2019 data from Beauhurst shows that 69% of high-growth companies in England are based in London & the South.

It is our view that companies based in the North attract less capital than those based in London & the South, despite the undoubted strengths of Northern companies.

With Manchester, Leeds, and Birmingham being in the top 10 AI UK cities, and the North having produced at least 2 Data Science Unicorns in 2021, it is the Manager's belief that this presents an excellent opportunity to invest in "underfished AI waters".

The map above shows AI companies by city that the manager is specifically aware of as of the date of the Information Memorandum

About River Capital

River Capital has deployed £195m of capital between January 2002 and Sept 2021 in equity and debt products supporting over 2,300 SME businesses in the process. In that time we have created or safeguarded over 15,900 jobs. Alongside investments made by the Manager, we have helped companies we have invested in to raise another £350m of leveraged 3rd party funds illustrating our strong co-investment network.

Recently relocating to grade 1 office space in the heart of the vibrant Liverpool city commercial district, today the Manager employs 18 staff and is responsible for the management of £131m(as at Sept 2022) across the North West of England. We manage a blend of private and public funds, with funding sourced from the British Business Bank, MSIF, COOP Bank, Unity Bank, Mersey Pension Fund, EIB and Barclays Bank.

We have a diverse product offering of Venture Capital, Private Equity Capital and Debt. Supporting early stage, high growth business is a particular strength of the investment team and in the year to March 2021 our Equity book increased by 105% despite the impact of Covid-19, followed by a 23% increase in the year to March 2022. During the calendar year of 2021 we deployed £8.7m of which £3m was in equity investments.

River Capital formed an operational alliance with Spark Impact in 2019 as part of our continuing desire to grow funds under management supporting early-stage companies.

In the last 12 months we have received over £110,000,000 in funding requests and up to 300 introductions to new companies looking for capital. Opportunities come to us from a wide range of sources, including legal and financial advisors, accelerators, our professional networks and our venture partners.

Value creation

The Management team provide more than capital. Our AI eco-system in the North provides support to our Investee Companies from some of the world leaders in their fields including **Alder Hey innovation lab, the Hartree Centre** and the **University of Manchester**.

The Manager is also a member of a number of technology platforms that provide free credits to companies it has invested in. This includes **CRM** platform **Hubspot** and the **Amazon Web Services (AWS)** activate programme. All of our seed investments can enjoy up to £25,000 credits from **AWS** to support their **Data Science, Machine Learning** and **AI programmes.**

HubSpot Certified Partner | UKRI Science and Technology Facilities Council Hartree Centre | Alder Hey Innovation | Manchester 1824 The University of Manchester Alliance Manchester Business School | aws partner network

Our Team

John Walker

Non Exec Chairman

John was a founding partner of leading European Private Equity Firm Equistone. John has chaired the River Capital Board since 2019.

Helen Pitaway

Non Exec Director

20 years experience in leveraged finance. M&A track record with N M Rothschild and Director at Alcentra, Europe's leading CDO fund manager, with strong tech focus and €20bn under management. Board roles in finance, social housing and property development.

Steve Charnock

Chair of Venture IC

Steve is a qualified chartered accountant who brings a wealth of experience in investing and growing organisations. A successful investor and entrepreneur he was recognised for his analytical skills by Reuters and he co-founded Cenkos Fund Managers and Seneca Partners.

Dr Rob Toomey

Chair of PE IC

An experienced Venture Capitalist with 3i, Rensburg VCT plc and River Capital. A qualified accountant having been the Finance director of a large independent food group and non executive director of a number of companies in various sectors.

Mark Borzomato

CEO and Head of Equity

A 1st class Statistics graduate and a qualified accountant, Mark is CEO at River Capital. With over twenty five years experience in delivering and driving value from corporate transactions, he has worked in global industry, 'big 4' and regional advisory practices, and has spent the last 15 years in a variety of institutional mid market equity investment roles supporting early stage and SME businesses across a broad range of sectors. He was also part of the management team that acquired SPARK Impact, which was subsequently operationally merged with River Capital in 2019, creating the current organisation

Dr Marc d'Abbadie

Head of Venture

Marc is a highly-experienced venture capitalist with more than 15 years' experience. A published Ph.D scientist and named inventor on revenue generating patents, Marc led management buy-out of SPARK Impact in September 2016, which was subsequently operationally merged with River Capital. He has managed several funds and has been involved with multiple exits, including trade sales, IPOs and to Private Equity.

Paul Humphray

Head of Debt

Experienced lender to the SME sector across the NW Former Senior Business Bank Manager now leading the Debt Team at River Capital.

Sarah Moss

Head of Finance

ACMA CGMA with over 25 years experience across a number of industries and sectors. 26 Supporting businesses to achieve long term success.

Equity Team

David Walters

Investment Director

David has deep AI and Data sector operational experience having established and exited Data and AI practices and companies.

A member of the DataIQ100, Data Director at NorthEdge Capital and now Investment Director at River Capital, David has been a CTO for PE backed companies for over 15 years.

Jonathan Newton

Investment Manager

Jonathan is a chartered accountant and investment manager at River Capital focusing on identifying and assessing opportunities and supporting them through the investment journey.

Jonathan joined River Capital from Mazars M&A team where he spent over five years advising owner managers and private-equity houses on a range of transactions including equity investments, disposals and acquisitions.

Martin Sutton

Venture Partner

Martin is a commercially focussed leader with extensive experience in scaling VC-funded SaaS businesses from the seed stage onwards.

Martin recently spent 6 years at **Peak AI** as CRO joining pre-seed through to series C having raised $125m of funding.

Prior to this Martin lead the sales team at Israeli start-up XtremIO which generated $1b of revenues in 18 months from product launch following its acquisition by Dell EMC.

Marion Savill

Portfolio Director

Marion has over 25 year's experience working with the boards of private equity backed companies in a wide range of sectors and from early stage through to trade sale and flotation.

Marion was an Investment Director at 3i plc prior to joining River Capital.

Jerry Mobbs

Portfolio Director

Jerry has over 30 years' experience of investing in, managing and exiting investments in SMEs across the North of England and Wales.

He has previously worked with Finance Wales having spent many years with Merseyside Special Investment Fund, following five years with a regional venture capital fund in Yorkshire.

Support Team

Ethan Dent - Marketing Manager

Emma Rogers - Investment Support Manager

Rebecca Starkings - Compliance

Technology companies River Capital and/or our team have been involved with.

Springpod

River Capital invested £550,000 and led our £2m growth round in June 2021. Springpod are a data rich careers platform helping young people to access virtual and remote work placements in the UK and USA.

River Capital bring more than capital to Springpod and have created true impact investing through their data and technology operational expertise and breadth of AI eco system, helping us to make important technology and data growth decisions. ”

Oliver Fisher, Co-founder Springpod

Supply Well

River Capital led our seed round in Sept 2021 and have invested £700,000 to help us get ready for a Series A round. Supplywell are a tech first marketplace platform to help schools find supply teachers using our innovative data led services.

During our growth phase River Capital have been key in supporting the management team with introductions to advisors and operational experts as well as strategic AI and data workshopping. ”

Raina Heverin, Co-founder Supplywell

Carebeans

Carebeans is a SaaS based technology platform providing leading software services to the care industry in the UK. River Capital led a co-investment round and invested £350,000 in December 2022 to help us to scale our tech platform and to acquire a sales organisation.

During the investment phase the River Capital team provided critical strategic thinking that helped us to fashion our tech and AI strategy as well as introducing us to experienced Non Executive directors and chair candidates. ”

Nick Lawford, CEO and Co-founder Carebeans

Northern Data/AI exits

Example Data/AI company exits the Manager and/or its team has been involved with

- Warrington based Robotic Process Automation (RPA) industry leader
- A River Capital investment in 2006 with a series of follow investment from River Capital
- Floated on AIM in 2016
- Valued at $1.5bn in November 2021 creating a true Northern 'Unicorn'

- Manchester based Data Science as a Service business developing decision intelligence for its clients.
- fund:Ai venture partner Martin Sutton was Chief Revenue Officer and part of the management team that led its fund raising and international growth to Europe and USA
- Peak have so far raised $119 million dollars with its latest Series C Round valuing the business at an estimated $250million following Softbank investment.

- Leeds based Identity fraud platform using data science and machine learning to automate
- Founded by fund:AI advisory team member John Lord in 2016.
- Trade deal to LexisNexis in Aug 2021 for c£130m

EIS Tax Reliefs

Income Tax Relief

Investors can obtain income tax relief up to a maximum of 30% on the amount invested in EIS Qualifying Companies. The claimable amount is capped at £1,000,000 per annum or £2,000,000 provided that the additional £1,000,000 is invested into Knowledge Intensive Companies.

This equates to a maximum relief of £300,000 (£600,000 if the additional £1,000,000 is invested in Knowledge Intensive Companies) and is limited to the Investors' tax liability in the tax year in which the funds are invested into each Investee Company. Shares must be held for at least three years from the date of issue or the tax relief will be withdrawn.

While we expect these to conditions to be met as EIS investments are intended to be long term investments, we cannot guarantee this. For example, there may be an attractive offer to buy a company in your Portfolio before the minimum holding period has ended. Or a company may need to be restructured to maximise its chances of success.

While we expect such cases to be unusual, you will need to pay back the relief you claimed in respect of that company if it ceases to meet qualifying conditions or is sold within the minimum holding period.

Capital Gains Tax Exemption

Investors are exempt from capital gains tax realised on the disposal of EIS-qualifying shares providing the shares were held for at least three years and initial Income Tax Relief has been awarded but not withdrawn.

Inheritance Tax Relief

Under Business Property Relief, shares which have been held for at least two years may qualify for 100% Inheritance Tax Relief providing the shares are in a trading company and are still owned at the date of death. No upper limit is applied to the claimable amount of Inheritance Tax Relief.

Loss Relief

If shares are disposed of at a loss, the investor can elect that the amount of the loss, less Income Tax relief given, can be set against income of the year in which they were disposed or, on income of the previous year instead of being set off against any capital gains.

Claiming Gains Tax Relief

Investors will be able to claim tax relief with an effective date matching the date the funds are invested into the individual Investee Companies. It is the Manager's intention to invest 100% of the funds raised within six months of the relevant Soft Close date. In order to claim the reliefs, the Manager will provide all Investors, via the Fund Investor Portal, an EIS3 certificate in respect of each Investment completed.

Claiming Tax Relief

Investors will be able to claim tax relief with an effective date matching the date the funds are invested into the individual Investee Companies. It is the Manager's intention to invest 100% of the funds raised within six months of the relevant Soft Close date. In order to claim the reliefs, the Manager will provide all investors, via the Fund Investor Portal, an EIS3 certificate in respect of each investment completed.

Further detail on EIS Taxation Reliefs are provided within Appendix 1 of this Memorandum.

SNAPSHOT

- 30% INCOME TAX RELIEF
- CAPITAL GAINS TAX EXEMPTION
- UP TO 45% INCOME TAX RELIEF ON LOSSES
- INHERITANCE TAX RELIEF QUALIFYING
- CGT DEFERRAL AVAILABLE

What are the fees and charges?

River Capital fees

Fee	Individual Investor	Advised Client	Description
Initial Charge	3%	2%	An initial fee as a percentage of the Subscription amount, will be charged by the Manager upon acceptance into the Fund. This fee is to cover all initial legal, professional and transaction costs.
Annual Management Charge (AMC)	2.0%	1.5%	An AMC as a percentage of the Subscription, will be charged and taken one year in advance for each year of the life of the Fund. This fee is to cover ongoing management of the Fund Portfolio and the costs of administering the Fund. In circumstances where there are insufficient funds available to meet the AMC, these will roll up and will be deducted at a later date when sufficient funds are available from the sale of shares in the Fund Portfolio.
Performance Fee	20% of profits above a hurdle of 110% of Subscription		In order to align interests between the Manager and the Investor, the Manager will be entitled to a performance fee of 20% of the profits above the hurdle rate of 110% of the subscription amount.

Charges payable by the Investee Company. A one-time arrangement fee of up to 3% of funds invested will be payable to the Manager by the Investee Companies upon Investment. An annual monitoring fee will be payable by an Investee Company at a rate of 2% of funds invested.

What are the fees and charges?

Adviser & Custodian Fees

Fee	Individual Investor	Advised Client	Description
Adviser Initial Charges	NA	Up to 3%	If an investor requests that a payment be made to their adviser for the advice they received, this will be deducted from the investor's subscription amount and paid to their adviser.
Adviser Annual Management Charge (AAMC)	NA	Up to 1% for 4 years	If an investor requests that a payment be made to their adviser for the advice they received, this will be deducted from the investor's subscription amount and paid to their adviser.
Annual Custodian Fees	0.25%		An annual fee is charged quarterly in arrears which covers all Custodian and administration duties.
Custodian Dealing Charge	0.25% of monies paid by investors on sale of shares		A 0.25% charge paid to the Custodian by the Investor upon each sale of shares in Investee Companies.

Fees payable to the Custodian may be deducted by the Custodian at source, upon presentation of an invoice to the Manager.

To the extent that an Investor's funds remain uninvested (but above the 90% minimum), the Manager will use such funds to pay ongoing Fund charges, such as the AMC and Annual Custodian fees and any Investor-agreed ongoing Advisor remuneration. All fees and charges levied by the Fund are subject to VAT.

Illustrative example

Example Fees

	Individual Investor	Advised Client
Subscription Amount	£100,000	£100,000
Initial Charge	(£3,000)	(£2,000)
AMC	(£2,000)	(£1,500)
Annual Custodian Fee	(£250)	(£250)
Max available for company investment	£94,750	£96,250
Adviser Initial Charge (if applicable, assumes 1.5%, up to 3% possible)	NA	(£1,500)
AAMC (if applicable, assumes 0.5%, up to 1% per annum for 4 years possible)	NA	(£500)
Max available for investment into Investee Companies (post optional charges)	£94,750	£94,250
Minimum Investment into Investee Companies	£90,000	£90,000

River Capital commits to investing a minimum of 90% of an Investor's net Subscription after the deduction of any Adviser initial charge(where applicable) into EIS Qualifying Companies, with a maximum investment into EIS Qualifying Companies of c. 95%.

The exact amount invested is subject to the amounts required by each Investment. Total amounts will be confirmed once the Fund is fully invested (pursuant to Soft Close).

Investors should note that the (S)EIS Relief available will be determined by the net amount invested into EIS Qualifying Companies and not by the Subscription. Accordingly, Investors will not receive 30% of the Subscription in respect of (S)EIS Relief.

Illustrative example

Returns Scenarios

Performance	2x Value	1x Value	Loses all value
Total Investment	£100,000	£100,000	£100,000
Net Investment*	£95,000	£95,000	£95,000
Less Income Tax Relief	(£28,500)	(£28,500)	(£28,500)
Net Cost of Investment	£71,500	£71,500	£71,500
Performance	2x Value	1x Value	Loses all value
Sale of Shares	£190,000	£95,000	£-
Less Net Cost of Investment	(£71,500)	(£71,500)	(£71,500)
Total Gain/Loss	£118,500	£23,500	(£71,500)
Capital Gains Tax**	£-	£-	£-
Loss Relief***	£-	£-	£32,175
Net Gain/Loss	£118,500	£23,500	(£39,325)
Percentage Gain/Loss	166%	33%	(39.3%)

*In this model it is assumed that 95% of the initial Investment is invested into the underlying Investee Companies. It is assumed that charges amounting to 5% of the initial Investment are deducted from the initial Investment amount prior to Investment into the Investee Companies.

**No capital gains are paid as long as the shares are held for a minimum of 3 years.

***Loss relief is assumed to be available at 45%.

The scenarios are illustrative and there is no guarantee that projections will be achieved. Tax treatment is based on individual circumstances, you should seek independent tax advice.

Investor Relations Portal

Each Investor in the Fund gets access to the Fund Investor Portal. The Fund Investor Portal is administered by the Custodian using industry leading technology Data Exchange FIS Private Capital Suite©. The platform enables Investors (and their associates) to monitor their Fund Portfolio online. It provides interactive, 24/7 access to deal details, including amounts subscribed to the Fund, last share price of each Investee Company and digital storage of important documents that relate to the Fund.

APPENDIX

APPENDIX 1EIS TAXATION RELIEFS

Investors should seek independent advice to ensure that they fully understand how any tax advantages may apply to their situation and circumstances. Tax treatment depends on the individual circumstances of each Investor and may be subject to legislative or other change in the future. The Manager does not give tax advice and Prospective Investors should consult a tax or other suitably qualified adviser to discuss their personal circumstances.

EIS Tax Reliefs
To obtain the tax reliefs described below, it is necessary to subscribe for shares in EIS Qualifying Companies and claim the relief. The summary below is based on current law and gives only a brief outline of the tax reliefs. It does not set out all the rules which must be met by EIS-Qualifying Companies and an Investor. The tax reliefs will only be relevant to Investors who pay UK income tax and/or wish to defer a capital gain.

There is no guarantee as to the timing of the availability of EIS Compliance Certificates (EIS3 Forms) that are needed in order to claim EIS reliefs, as this is determined by HMRC.

Income Tax Relief
Individuals can obtain up to 30% income tax relief on the amount subscribed for shares in EIS Qualifying Companies (up to an annual maximum limit of £1.0m for the tax year or £2.0m provided that the additional £1.0m is invested into Knowledge Intensive Companies), although relief will be denied for investment into an EIS Qualifying Company with which the investor is connected. Spouses and civil partners can each separately subscribe up to £1.0m, or £2.0m provided that the additional £1.0m is invested into Knowledge Intensive Companies. The relief is given against the individual's income tax liability for the tax year in which investment into the underlying companies is made, unless the individual makes a carry back relief claim. Relief is limited to an amount which reduces the individual's income tax liability to nil.

Capital Gains Tax Deferral
Capital gains tax may be deferred on unlimited gains invested in qualifying companies, in respect of gains that arise within three years before and 12 months after the date of issue of the shares. To the extent to which a UK resident Investor (including individuals and certain trustees) subscribes for shares, they can claim to defer paying tax on all or part of a chargeable gain. The gain may have arisen on the disposal of any asset, or a previously deferred gain may have been brought back into charge.

Although there is a limit for income tax relief and for the exemption from capital gains tax upon a disposal, there is no limit on the amount of EIS Qualifying Investments which can be used. CGT is chargeable at 10% and 20% from 6 April 2016 for individuals, except on disposals of residential property and carried interest, for which the rates are 18% and 28% (the applicable tax rate depends on the total amount of the individual's taxable income and will be 20% or 28% for an individual who is subject to higher rates of income tax); 20% for trustees or for personal representatives of someone who has died (except that disposals of residential property and carried interest are taxed at 28%); and 10% for gains qualifying for Business Assets Disposal Relief (subject to a maximum lifetime limit of £10.0million). From 23 June 2010 to 5 April 2016, the rates were 18% and 28% for all assets that did not qualify for Entrepreneurs' Relief (the predecessor of Business Assets Disposal Relief).

When a previously deferred gain crystallises, the rate of CGT then payable will depend upon the legislation that is in force at the time, which may be greater or lower than the rate that would have been applied had Capital Gains Deferral not been claimed. If Capital Gains Deferral is claimed on a Business Assets Disposal Relief qualifying gain that was realised on or after 3 December 2014, Business Assets Disposal Relief will be available when the deferred gain crystallises.

Capital Gains Tax Exemption
Any capital gains realised on a disposal of shares in an EIS Qualifying Company after the Three Year EIS Period, and on which (S)EIS Relief has been given and not withdrawn, will be capital gains tax free. Any capital gains realised on a disposal within the Three Year EIS Period will be subject to CGT at the rate applicable at disposal.

Loss Relief against income or gains
Loss relief, which is additive to income tax relief, provides tax reliefs on a failed EIS company of up to 61.5%, including the initial 30% income tax relief (subject to the relevant caps). A loss on any qualifying investment in the Portfolio, irrespective of the overall performance of the Portfolio, can be offset by individuals against income of the tax year of the loss, or of the previous tax year, or against capital gains (including against the tax liability that arises on the revival of any deferred gain) of the tax year of the loss and future years. This relief is available at any time in respect of any loss realised upon a disposal of shares in an EIS-Qualifying Company on which EIS income tax relief or CGT Deferral has been given and not withdrawn. If the circumstances are such that (S EIS Tax Reliefs have been withdrawn, it may still be possible for an investor to claim loss relief, on the amount equal to the economic loss sustained.

The Finance Act 2013 introduced a cap on reliefs which may be claimed for income tax purposes. The cap restricts reliefs in any tax year to either £50,000 or 25% of income, whichever is greater. EIS income tax reliefs are not subject to the cap, nor are losses on the disposal of shares on which EIS income tax relief has been claimed and retained. However, losses arising on the disposal of shares where EIS CGT Deferral Relief only has been claimed come within the cap on reliefs. The cap applies to losses that arise after 5 April 2013. Losses offset against capital gains are not restricted.

Other risks relating to taxation
Whilst it is the intention of the Manager to invest in companies qualifying under the EIS legislation, the Manager cannot guarantee that all Investments will qualify for EIS reliefs, CGT reliefs or Inheritance tax relief. Equally, following an Investment in a EIS Qualifying Company, the Manager cannot guarantee the continued availability of EIS reliefs, CGT reliefs or Inheritance tax relief relating thereto because this depends on the continuing compliance with the requirements of the EIS and IHT legislation by the Investee Company.

Where an Investor or an Investee Company ceases to maintain EIS status in relation to any individual Investment, it could result in the loss of some or all of the available reliefs (together with a possible charge to interest thereon).

The levels and bases of reliefs from taxation may change or such reliefs may be withdrawn. The tax reliefs referred to in this Memorandum are based on legislation currently in force. The ultimate value of any tax relief available depends on the individual circumstances of Investors at the point of Investment and subsequently.

The tax rules described in this Memorandum are a summary only.

The tax reliefs referred to in this Memorandum may not apply throughout the life of the Investment.

The Manager shall not be liable for any loss incurred by an Investor in relation to the value received by any person from any Investee Company at any time within the applicable period, or as a result of a change in circumstances of an Investee Company at any time within the relevant period.

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The Manager retains complete discretion to realise an Investment in an EIS-Qualifying Company at any time (including within the Three-Year Period from the date of an Investment) that it considers appropriate. If an Investment is realised within the Three-Year Period, some or all of the tax advantages relating to that particular Investment will be lost. In exercising its discretion to make such a disposal, the Manager is not obliged to take into account the tax position of Investors (individually or generally).

The taxation treatment depends on the individual circumstances of that Investor and may change in the future.

APPENDIX 2 Risk Factors

Important: The attention of Prospective Investors is drawn to each of the following risk factors.

Prospective Investors should be aware of the high risk and illiquid nature of EIS Investments that will be contained in the Fund Portfolio. The below risk factors are not intended to be exhaustive but are included to help you understand the risks of investing. Investors should consider carefully whether an Investment is suitable for them in light of the information in this Memorandum and their personal circumstances. If in any doubt whatsoever, an Investor should not subscribe. In any case, it is strongly recommended that Investors seek the advice of an Adviser and/ or tax adviser or other appropriately qualified professional adviser. You should only invest money that you can afford to leave for the medium to long term and/or are prepared to lose.

This Memorandum should not be considered as constituting legal, taxation or investment advice. Each party to whom this document is made available must make its own independent assessment of the Fund after making such investigations and taking such advice as may be deemed necessary.

In particular, any estimates, projections or opinions contained in this document involve significant elements of subjective judgement, analysis and assumptions, and each recipient should satisfy themselves in relation to such matters.

Investment Risk

The Investee Companies will be small, unquoted companies and such investments carry a high degree of risk with regards to both investment returns and liquidity. There is no market, nor is there intended to be a market for the shares; as such, an Investment in the Fund may not be freely marketable and this may restrict the Fund's ability and any Investor's ability to exit any Investment it makes.

After the initial Investment holding period, it may still be difficult to realise the shares or to obtain reliable information about their value as the market for shares in smaller companies is less liquid than that for shares in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such shares.

It is not intended that any income or capital will be returned to Investors during the Three Year EIS Period. An Investment in a fund such as the Fund should not be considered a short-term investment. Any withdrawals within the Three Year EIS Period will result in the loss of EIS tax reliefs in relation to those companies. The Manager is likely to seek an exit after at least three years. However, if this timing is not appropriate, it is possible that Investments may be held for a much longer period. It may take considerable time to realise any of the Fund's Investments, while it is possible none are ever realised.

The value of the Fund's Portfolio may go down as well as up and Investors may not receive back all or any of the amount invested. There is no guarantee that the Investment Objectives of the Fund will be achieved.

Investment returns may vary substantially over time, and there can be no assurance that Investors will achieve any specific rate of return.

You could lose some or all of your original capital invested.

Diversification and Dilution

When investing in a small fund this brings the potential risk that the Fund may either become overexposed to one Investment as it provides follow-on investment, or that it is heavily diluted by not participating in follow-on financing, or indeed that the Investee Company is unsupported and so is unable to continue trading, losing the Fund its entire cost of investment.

Investment Portfolio

The performance of the Fund is dependent on the ability of the Manager to identify appropriate Investee Companies and on the ability of the Investee Companies to perform in line with their respective business plans and other market factors outside of our control or the Investee Companies' control. Any form of realisation may contain restrictions on that Portfolio company's shareholders, such as delayed payment for a portion of the price paid (pending the achievement of certain commercial milestones, for example).

You should not expect to receive dividend income from the Investee Companies.

Many unquoted companies have small management teams and are highly dependent on the skill and commitment of a small number of individuals. The performance of Investee Companies may, therefore, be adversely affected by the departure or unavailability of certain key personnel.

Investments in private companies require specific deal structuring and detailed due diligence, the conclusions of which may subsequently be shown to be incorrect. Standards of corporate governance in private companies are generally lower than in quoted investments. Investments in unquoted companies involve a higher degree of risk than would investments in larger or longer-established businesses and can result in substantial losses. Investment in unquoted companies, by its nature, involves a higher degree of risk than investment in quoted companies. In particular, small companies often have limited product lines, markets or financial resources and may be dependent for their management on a small number of key individuals and may be more susceptible to political, exchange rate, taxation and other regulatory changes. In addition, the market for securities in smaller companies is usually less liquid than that for securities in larger companies, bringing with it potential difficulties in acquiring, valuing and disposing of such securities. Investment returns will, therefore, be uncertain and involve a higher degree of risk than investment in a quoted company.

One or more Investee Companies may fail, and their securities may be sold for substantially less than their acquisition cost or those securities may have no value at all. Accordingly, an Investor may potentially lose up to the total amount of an Investment in any Investee Company.

The performance of the Investee Companies may be adversely affected by global or local economic, political, regulatory or other factorsbeyond the control of those entities. Force majeure events, which are events beyond the control of a party, including fire, flood, earthquake and other acts of God, terrorist attacks and war may affect a party's ability to perform its contractual obligations or may lead to the underperformance of an Investee Company.

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In addition to other analytical tools, the Investment Portfolio team may use financial models to evaluate investment opportunities. The accuracy and effectiveness of such models cannot be guaranteed. In all cases, projections are only estimates of future results which are based upon assumptions made at the time that the projections are developed. Projections are inherently uncertain and subject to factors beyond the control of the Manager and the Investee Company in question. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could impair the ability of the Manager to realise projected values and/or cashflow in respect of an Investment. Therefore, there can be no assurance that the projected results will be obtained and actual results may vary significantly from the projections. General economic and industry-specific conditions, which are not predictable, can also have an adverse impact on the reliability of projections.

At the current time, smaller companies may be under greater pressure due to COVID-19 and the macro economic environment, although some companies may benefit. We take a prudent approach to valuations in these circumstances and will continue to do so.

The Manager may, in relation to certain transactions, give warranties, guarantees and/or indemnities to third parties including the Custodian. Consequently, it may need to apply assets of the relevant fund or drawdown additional monies from Investors in the Fund to satisfy such contingent liabilities.

The Manager
The departure of any of the Manager's directors, employees or Affiliates could have a material adverse effect on the performance of the Fund. Whilst the Manager has entered into appropriate agreements, the retention of their services cannot be guaranteed. The Manager's success is also highly dependent on its continuing ability to identify, hire, train motivate and retain highly qualified personnel. Competition for such personnel can be intense, and we cannot give any assurance that it will be able to attract or retain highly-qualified personnel in the future.

The success of the Fund depends on the ability of the Manager to locate, select, develop and ultimately realise appropriate investments. There
is no guarantee that suitable investments will be or can be acquired or that investments will be successful.

The past performance of investments by the Manager should not be regarded as an indication of the performance of future Investments made by the Manager on behalf of Investors through the Fund.

The Fund management team may be unable to find a sufficient number of attractive investment opportunities to meet the Fund's Investment Objectives.

Investors' funds will be deposited in a client money bank account operated by the Custodian, which is authorised and regulated by the FCA. If, in breach of its obligations, the Custodian fails to segregate investors' funds from other assets held by the Custodian, investors may be subject to a risk of loss in the event of the insolvency of the Custodian.

EIS qualifying
The availability of various (S)EIS Reliefs are dependent on Investors' own circumstances and anyone that is unsure as to whether they will be able to take advantage of any such reliefs should seek tax or financial advice before investing. In addition, there are circumstances in which an Investor could cease to qualify for the taxation advantages offered by the EIS following investment. For example, Capital Gains Deferral Relief for EIS could be lost if an Investor ceases to be resident or ordinarily resident in the UK during the Three Year EIS Period. In addition, an Investor could cease to qualify for (S)EIS Relief in respect of an Investee Company if they receive value from that Investee Company during the period beginning one year before the Shares in the Investee Companies are issued and ending on the conclusion of the Three Year EIS Period. Payment of a dividend, at a commercial rate, however, would not typically be regarded as a receipt of value. (S)EIS Relief could also be denied or lost in respect of an Investee Company if the investor or an associate (such as a close relative) is or becomes employed by that Investee Company or was so employed in the two years preceding the Investment.

EIS qualifying status of Investee Companies
If an Investee Company ceases to carry on business of the type prescribed for EIS Qualifying Companies during the Three Year EIS Period, this could prejudice its qualifying status under the EIS. There are other events and matters whereby an Investee Company may lose its qualifying status. The situation will be closely monitored with a view to preserving the Investee Company's qualifying status, but this cannot be guaranteed. A failure to meet the qualifying requirements for EIS could result in:

- Investors being required to repay the 30% (EIS) income tax relief received on subscription for Shares and interest on the same
- A liability to CGT if shares in the Investee Company are sold and a gain is realised
- Any gain deferred by Capital Gains Deferral coming back into the charge to tax

Advanced assurances will be sought from HMRC and therefore Investee Companies activities should, at least initially, qualify under the EIS regulations. However there is no guarantee that the formal EIS claims will be agreed by HMRC, or that such agreement will not be subsequently withdrawn. In those circumstances, subscription monies will not be returned to Investors. If an Investee Company fails to obtain EIS Qualifying Company status, or if it is subsequently withdrawn, (S)EIS Relief and Capital Gains Deferral Relief would not be available to Investors or could be withdrawn. Under the EIS legislation, EIS Qualifying Companies are required to have employed 100% of their net funds (after the deduction of issue costs) within 24 months after the date of issue of Shares, except where the qualifying activity consists of preparing to carry on a trade, in which case the time limit is 24 months after the date of commencing the trade. If an Investee Company fails to employ this level of funds within the required deadlines, the Investee Company would be in breach of the EIS regulations and tax relief may be withdrawn. A sale of shares in an Investee Company within the Three Year EIS period will result in some or all of the income tax and capital gains tax relief available upon subscription for those Shares becoming repayable to HMRC and in any capital gains on such Shares and any deferred gain being subject to CGT. It is possible for Investors to lose their (S)EIS Tax Reliefs and/or Capital Gains Deferral relief and/or Business (Property) Relief by taking (or not taking) certain steps.

Investors are advised to take appropriate independent professional advice on the tax aspects of their Investment.

EIS Qualifying Companies
In order to be an EIS Qualifying Company, a company in which the Fund invests must initially (i.e. at the time of issue of the shares) not be listed on a recognised stock exchange (as defined for the purposes of EIS relief) and there must be no "arrangements" in place for it to become so listed.

In addition, throughout the three year minimum EIS holding period, the Investee Company must not be a subsidiary of, or be controlled by, another company. The Investee Company cannot control a company which it does not own at least 51% by nominal value of the ordinary share capital in.

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It must also either exist to carry on a qualifying trade or else be the parent company of a trading group and there must be no "arrangements" in existence for the company to become a subsidiary of, or be controlled by, another company. A trading group is a group in which, directly or indirectly, more than 50% of the shares of each subsidiary is held by another member of the group, but any subsidiary employing any of the money raised by the issue of shares must be a qualifying 90% subsidiary. Non-qualifying activities (broadly, investment activities and non-qualifying trades) must not comprise a substantial part of the business of the group as a whole.

The company issuing the shares must have a permanent establishment in the UK.

There must also be no 'disqualifying arrangements' in existence (i.e. broadly tax avoidance arrangements).

It is also a requirement that the company must not be 'in difficulty' when the shares are issued.

The value of the gross assets of the group (i.e. the investee company plus any subsidiary) must not exceed £15 million immediately before the issue of the shares and £16 million immediately afterwards.

The maximum amount an investee company can raise annually from all risk finance state aid sources (which includes but is not limited to SEIS, EIS and VCT) is restricted to £5 million in aggregate unless the company qualifies as a Knowledge Intensive Company (see further below) in which case the limit is £10 million.

The maximum amount an Investee Company can raise in its lifetime from all risk finance state aid sources (which includes but is not limited to SEIS, EIS and VCT) is restricted to £12 million in aggregate unless the company qualifies as Knowledge Intensive Company (see further below) in which case the limit is £20 million.

The maximum number of full-time equivalent employees in the company at the time the investment is made must be less than 250 unless the unless the company qualifies as a Knowledge Intensive Company (see further below), in which case the limit is less than 500.

An Investee Company must, subject to certain exceptions, have made its first commercial sale within 7 years of the date of the Investment (or 10 years if the company qualifies as a Knowledge Intensive ompany (see further below)).

A Knowledge Intensive Company is one which spends either (1) at least 15% of its total operating costs on research and development in any of the three accounting years that end prior to the Investment, or (2) at least 10% of operating costs in all three of those years and which is involved in the creation of intellectual property and it is reasonable to assume that within 10 years the exploitation of intellectual property will form the greater part of its business, or that the workforce of the relevant company consists of at least 20% of skilled employees (i.e. generally employees with qualifications at masters level or above who work on research and development or innovation at the company or relevant group company). If a company has been trading for less than three years at the time of the Investment, then for the purposes of the annual and lifetime limit only, the operating costs test look forward for three years from the date of the Investment, rather than backwards.

Whilst the majority of trades carried on by companies will be EIS-eligible, there are certain trade which are excluded and companies carrying on those trades cannot receive EIS investment. These include:

- Dealing in land, commodities or futures, or in shares, securities or other financial instruments
- Dealing in goods otherwise than in the course of an ordinary trade of wholesale or retail distribution, or acting as a wholesaler or retailer of goods of a kind which are collected or held as investments if stock is not actively sold
- Banking, insurance, money lending, debt factoring, hire purchase financing or other financial activities
- Leasing
- Receiving royalties or licence fees unless more than 50% by value of the intellectual property which has been licensed has been created by the investee company itself
- Providing legal or accountancy services
- Property development
- Farming and market gardening
- Forestry activities and timber production
- Shipbuilding
- Producing coal and/or steel
- Operating or managing hotels or similar establishments
- Operating or managing nursing homes and residential care homes
- Generating or exporting electricity or making electricity generating capacity available •
- Generating heat or any form of energy
- Producing gas or fuel
- Providing services to a trade consisting of any of the above carried on by a "connected person"

In addition, shares only qualify for EIS tax reliefs if they are ordinary shares which do not, at any time during the three year holding period, carry certain present or future preferential right to dividends or to assets on the winding up of an Investee Company, or any present or future right to be redeemed.

Both a company being invested in and the terms of the Investment itself must satisfy a 'risk to capital' condition, and companies also have to
show that they have objectives to grow and develop their trade and that there is a significant risk that there will be a loss of capital of an amount greater than the net investment return for Investors.

The money raised by an Investee Company pursuant to EIS cannot be used by that company for the acquisition of any shares, trade, intangible assets employed for the purposes of a trade, or goodwill employed for the purposes of a trade, and must be employed within two years of the date of Investment.

EIS Tax Regime Change
Investors should be aware that the tax reliefs regime may also be changed in the future.

Past Performance
The past performance of the Manager (previously Alliance Fund Managers), or related group companies or Affiliates, is not necessarily a guide to its future performance and may not necessarily be repeated. The value of investments and income from them may go down as well as up and Investors may not get back the amount they originally invested in the Fund.

Forward-looking statements
Investors should not place reliance on forward-looking statements. This document includes statements that are (or may be deemed to be) 'forward-looking statements", which can be identified by the use of forward-looking terminology including, but not restricted to the terms 'believes', 'continues', 'expects', 'intends', 'may', 'will', 'would', 'should' or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Forward-looking statements contained in this document, based on past trends or activities, should not be taken as a representation that such trends or activities will continue in the future.

APPENDIX

Potential Conflicts of Interest

Situations may arise where the interests of the Fund may conflict with the interests of other Investors including other funds managed by the Manager. The Fund may invest in companies in which other funds managed by the Manager may invest or may already hold investments. Decisions made by the Manager may be more beneficial to one fund managed or advised by the Manager than to any other. The Fund may co-invest with third parties or enter into joint ventures or other structures. Such co-investing may give rise to the possibility that a co-investor or partner may at any time have economic or business interests or goals which are inconsistent with those of the Fund, or that such person may take action contrary to the Investment Objectives. The entitlement of the Manager to the performance fee referred to in Clause 9.1 of the Investment Management Agreement, may create an incentive for the Manager to make more speculative investments on behalf of the Fund than it would otherwise make in the absence of such a performance-based compensation arrangement. The Manager may enter into fee sharing arrangements with third party marketers, including placement agents, or other advisers who refer Investors to the Fund, and such marketers may have a conflict of interest in advising prospective investors whether to invest in the Fund. Conflicts of interest may arise in connection with decisions made by the Manager that may be more beneficial for certain Investors than for others. In making such decisions, the Manager intends to consider the Investment Objectives as a whole, not the investment objectives of any individual Investor. The Manager may provide certain Investors with the opportunity to co-invest in Investments. Potential conflicts may be inherent in, or arise from, the Manager’s discretion in providing such opportunities to certain Investors. In addition, once such co-investments are made, the Fund’s interests and those of co-investing Investors may subsequently diverge.

The Manager, in accordance with FCA Rules, operates its business in such a way as to minimise the occurrence of conflicts of interest and to enable it to resolve such conflicts in a fair manner if they arise.

The Manager maintains a written conflicts policy, a copy of which is available on request.

General risks

Prospective Investors should not regard the contents of this Memorandum as constituting advice relating to legal, taxation or investment matters and should consult their own professional advisers before contemplating any investment or transaction. The contents of this Memorandum make reference to the current laws concerning (S)EIS Relief, Business (Property) Relief, Capital Gains Deferral and Capital Gains Exemption. These levels and bases of relief may be subject to change. The tax reliefs referred to in this Memorandum are those currently available and their value depends on individual circumstances. All statements of opinion and/or belief contained in this document and all views expressed and all projections, forecasts or statements relating to expectations regarding future events or the possible future performance of the Fund represent the Manager’s own assessment and interpretation of information available to it as at the date of this Memorandum. No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of the Fund will be achieved. Prospective Investors must determine for themselves what reliance (if any) they should place on such statements, views,

projections or forecasts and no responsibility is accepted by the Manager in respect thereof. Prospective Investors are strongly advised to conduct their own due diligence including, without limitation, the legal and tax consequences to them of investing in the Fund.

DEFINITIONS

Adviser:	FCA authorised and regulated independent financial adviser.
Affiliates:	In relation to an undertaking, any other undertaking which is under common Control with such first mentioned undertaking.
AI:	Artificial Intelligence.
AIF:	Alternative investment fund pursuant to the AIFMD.
AIFM:	Alternative investment fund manager pursuant to the AIFMD.
AIFMD:	The UK Alternative Investment Fund Managers Regulations 2013.
AMC:	Annual management charge.
Application Form:	The application form in Appendix 3 of this Memorandum.
COBS:	The conduct of business sourcebook in the FCA Rules.
Control:	The power of a person or entity to secure (whether alone or with others, and whether directly or indirectly, and whether by the ownership (directly or indirectly) (legally or beneficially) of share capital, partnership interests, units or other interests, the possession of voting power, the control of the composition of an entity's board of directors or equivalent, or otherwise) that the affairs of another entity are conducted in accordance with the wishes of the first mentioned person or entity, and "Controlled" shall be defined accordingly.
Custodian:	Mainspring Nominees Limited.
Directors:	The directors of the Manager.
EIS:	Enterprise Investment Scheme.
EIS Provisions:	The provisions of Part 5 ITA and sections 150 and 150A, B and C and Schedule 5B of the Taxation and Chargeable Gains Act 1992 (in each case as inserted and/or amended from time to time).
EIS Qualifying Companies:	Companies satisfying the requirements of Chapter 4 of Part 5 Income Tax Act 2007.
EIS-Qualifying Investments:	Shares in an EIS Qualifying Company which meets the requirements described in Chapter 4 of Part 5 Income Tax Act 2007.
ESG:	Environmental, social and governance.Evergreen A fund which can regularly admit Investors into the Fund over a period of several years, often through a series of Soft Closes
FA:	The Finance Acts 1994 to 2022 inclusive (including the Finance (No 2) Act 2015 and the Finance (No.2) Act 2017).
FCA:	The UK Financial Conduct Authority or any successor or replacement body.
FCA Rules:	The rules made by the FCA as amended from time to time, including the handbook, principles and evidential provisions.
FPO:	Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (SI 2005/1529), as amended.
FSMA:	The UK Financial Services and Markets Act 2000, as amended from time to time. River
Fund or Fund:AI:	Capital EIS AI Fund.
Investee Companies:	EIS Qualifying Companies invested in by the Fund.
Investments:	Means the investments in EIS Qualifying Companies held for Investors.
Investment Manager and Agreement:	Means the investment management Management agreement between the Investor as set out in Appendix 3.
Investment Objectives:	Means the investment objectives as described on page 9 of this Memorandum.
Investment Restrictions:	Means the investment restrictions as described on page 9 of this Memorandum.
Investment Team:	The Manager's business team as set out on page 23 of this Memorandum.
Investors:	Investors in the Fund.
Knowledge Intensive Companies:	An EIS Qualifying Company which meets the requirements described in Chapter 4 of Part 5 Income Tax Act 2007.
North:	North West and the North East, Yorkshire & the Humber as defined by the British Business Bank in its small Business Equity Tracker 2022 report
Portfolio:	Means cash and investments held for an investor.
Prospective Investors:	Prospective investors into the Fund.
(S)EIS Reliefs:	The reliefs in respect of income tax and capital gains tax available to certain subscribers of shares pursuant to either the SEIS Provisions or EIS Provisions.
SEIS Provisions:	Means the provisions of Part 5A ITA and sections 150 E, F and G and Schedule 5BB of the Taxation of Chargeable Gains Act 1992 (in each case as inserted and/or amended from time to time by the FA).
Soft Close:	The admission of Investors into the Fund, which is intended to take place on or before the end of October 2022 and subsequently at the end of every September and March (and/or on such other dates that the Manager determines).
South:	Which includes for these purposes the South East, the East and the South West as defined by the British Business Bank in its Small Business Equity Tracker 2022 report.
Manager, we or our or River capital:	Alliance Fund Managers Limited trading as River Capital.
Nominee:	Mainspring Nominees Limited.
Unicorn:	A business valued at or over $1 billion.
UK:	The United Kingdom of Great Britain and Northern Ireland. An
Subscription:	Investor's subscription in the Fund.
Three Year EIS Periods:	Three years from the later of the issue of shares to an investor in relation to an EIS-Qualifying Investment or the commencement of the Investee Companies' trade.