

# THE DAVY EII TAX RELIEF FUND 2017



WANT TO ACHIEVE UP TO 40%\* INCOME TAX RELIEF?

20 OCTOBER 2017

Managed by BES Management DAC, established in 1995, which is a joint venture company owned by Davy & BDO. BES Management DAC is regulated by the Central Bank of Ireland.

\* An Investment in this Fund offers Qualifying Investors paying income tax at the higher rate, income tax relief of up to 40% in two tranches.



## WHAT IS THE EMPLOYMENT AND INVESTMENT INCENTIVE SCHEME?

The Employment and Investment Incentive Scheme (“**EII Scheme**”) is a **tax relief incentive scheme**, (previously the Business Expansion Scheme (“**BES**”)) which provides all-income tax relief to Qualifying Investors for Investments in certain qualifying small and medium sized trading companies (“**SMEs**”)\*.

The Finance Act 2015 introduced changes to the EII Scheme to ensure it complies with the European Union’s General Block Exemption Regulation on State Aid (GBER). Details of the new requirements which Qualifying Companies must comply with are detailed herein under “Qualifying Company” on page 22.

The EII Scheme offers **one of the few remaining income tax reliefs** and is one of the few sources of total income tax relief (which includes, for example, rental income).

\*Exceptions apply. For more information, please refer to the section headed “Relevant Trading Activities” on page 23.

## THE DAVY EII TAX RELIEF FUND 2017 (THE “FUND”)

The Davy EII Tax Relief Fund 2017 will be managed by BES Management DAC which is a joint venture between BDO and Davy and is Ireland’s longest running BES/EII Scheme manager.

Key characteristics of BES Management DAC:

- Managed by BDO and Davy;
- Successfully raised six EII Scheme Funds over the past six years;
- Previously raised 19 BES Funds over the past 22 years;
- Raised over €166 million which is invested in 161 Irish companies; and
- Funds are managed by a professional and experienced management team.

## BENEFITS OF INVESTING IN THE DAVY EII TAX RELIEF FUND 2017

1. Opportunity for Qualifying Investors to avail of **one of the few remaining all-income tax reliefs** currently offering up to 40%\*\* income tax relief\*\*\* (subject to certain qualifying conditions).
2. Opportunity for Qualifying Investors to invest in a diversified fund with a minimum four-year Investment term which will:
  - **Spread your Investment** over a portfolio of established SMEs;
  - Invest in indigenous Irish companies with **future growth potential**; and
  - Target a **range of industries** which will help reduce exposure to any one sector.
3. Avail of a **professional, experienced and knowledgeable** Investment team.

\*\* Being the current higher rate of income tax and assuming the continuation thereof.

\*\*\* Terms and conditions apply. Income tax relief on an Investment in the Fund may be available to Investors in two tranches. Please refer to the section headed “Income Tax Relief” on page 21 for detailed information relating to claiming the income tax relief. In general, Investors can avail of the first tranche of tax relief by deducting 30/40ths of the Investment amount subscribed to the Fund from their total income for income tax purposes for either the tax year of subscription ending on 31 December 2017, or if so desired for the tax year of Investment by the Fund ending 31 December 2018. Investors can deduct 10/40ths of the Investment amount subscribed to the Fund from their total income for income tax purposes for the year of assessment following the end of the four-year Investment period, subject to conditions in relation to employment levels or expenditure on research and development being fulfilled by the Investee Companies in which the Fund has invested. You should consult your tax advisor about the tax relief rules which may apply in your circumstances. This Investment may not be suitable for all Investors. For more information on the tax relief, please refer to section headed “The Relief” on page 21.

## RISKS OF INVESTING IN THE DAVY EII TAX RELIEF FUND 2017

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1. This is a medium to long-term Investment (at least four years from the date of Investment by the Fund) and there is no early exit mechanism.
2. If you invest in this Fund you may lose some or all of the money you invest.
3. There is no guarantee that the Fund will achieve its Investment objectives or primary objective.
4. Investors are exposed to the performance of the small and medium sized companies in which the Fund will invest. The Fund will invest in Qualifying Companies which by their nature are high risk.
5. Income tax relief which is available in two tranches may not be granted or may be withdrawn, in part or in full, if the conditions of the legislation are not satisfied by the Manager, the Fund, Investee Companies and/or Qualifying Investors.
6. The availability of the income tax relief is based on our understanding of current tax legislation and the current Revenue Commissioners' interpretation thereof. This is subject to change including retrospectively without notice.
7. Tax relief certificates may not be granted by the Revenue Commissioners' following the completion of an Investment by the Fund. In such circumstances income tax relief will not be available to the Investor.
8. The Manager may not succeed in finding suitable companies and/or fully investing the Fund which may result in a return of uninvested funds and a consequent reduction or recovery of the income tax relief already claimed or potentially available to Investors.
9. You may not have sufficient income taxable at the higher rate so that part or all of the first tranche of income tax relief on 30/40ths of the Investment amount, if obtained, could be obtained at a lower rate than 40%.
10. The higher rate of income tax could reduce from its current 40% rate so that the second tranche of income tax relief of up to 10/40ths of the Investment amount if obtained in the year of assessment following the end of the four year Investment period, could be obtained at a lower rate than the current 40% rate.
11. You may not have sufficient income taxable at the higher rate in the year of assessment following the end of the four year Investment period, so that the second tranche of income tax relief of up to 10/40ths of the Investment amount, if obtained, could be obtained at a lower rate than the higher rate then applying. No income tax relief will apply to the second tranche of income tax relief of up to 10/40ths of the Investment amount in the year of assessment following the end of the four year Investment period if you have no taxable income at that time.
12. You may not get the full second tranche of income tax relief on 10/40ths of the Investment amount in the year of assessment following the end of the four year Investment period, if some of the small and medium sized companies in which the Fund invests fail to meet employment or research and development expenditure criteria specified in the legislation.
13. If any of the small and medium sized companies in which the Fund invests fail to meet the employment or research and development expenditure criteria specified in the legislation, you will not get the second tranche of income tax relief of 10/40ths of the Investment amount in the year of assessment following the end of the four year Investment period for those companies.
14. You may lose part or all of the income tax relief you obtain on the Investment amount if you receive value from any of the small and medium sized companies in which the Fund invests within a period of two years before and ending four years after the Fund invests in the company.

## FUNDRAISING FEE

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A once-off fundraising fee of 3% of the Investment amount will be payable by Investors to the Manager of the Fund, at the time of Investment, in addition to the Investment amount. This fee does not qualify for income tax relief.

## WHO MIGHT THIS INVESTMENT BE SUITABLE FOR?

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Prospective investors should determine the suitability of the Investment based on an assessment of their own personal circumstances, attitude to and capacity for Investment risk and need for access to funds. The Investment may be suitable for Investors who:

- do not need access to their Investment for the term of the Investment, which will be at least four years from the date the Fund makes its Investments;
- do not need an income from their Investment for the term of the Investment;
- will be able to avail of income tax relief at the higher rate on the full Investment amount, within the relevant limits and restrictions;
- are aware they may lose some or all of their Investment, after income tax relief; and
- can afford to lose some or all of their Investment in return for seeking a higher rate of return than currently available on low risk Investments for a similar period.

**The information contained in this document is based on our understanding of current tax legislation and the current Revenue Commissioners' interpretation thereof and is subject to change including retrospectively without notice. This Memorandum is intended as a general guide only and is not a substitute for individual tax or Investment advice. Potential Investors should seek competent professional advice specific to their circumstances prior to investing. Investors are responsible for establishing their entitlement to participate in this Investment and for making their own income tax relief claims.**

**WARNING: If you invest in this Fund you may lose some or all of the money you invest.**

**The value of your Investment may go down as well as up.**

**If you invest in this Fund you will not be able to cash in your Investment and you will not have access to your money for at least four years from the date the Fund makes its Investments.**

## MEMORANDUM: THE DAVY EII TAX RELIEF FUND 2017 (THE “FUND”) 20 OCTOBER 2017

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Before subscribing to this Fund, Investors should consult their bank manager, Investment firm or intermediary, solicitor, accountant or other professional adviser authorised or exempted under S.I. No. 60 of 2007 European Communities (Markets in Financial Instruments) Regulations 2007 or the Investment Intermediaries Act 1995, having regard to the special risks involved, their own attitude to and capacity for Investment risk, their own financial circumstances, need for access to funds, their tax position and make their own commercial assessment on the proposal contained in this Memorandum (“the Memorandum”). Your attention is drawn especially to pages 12, 13, 17 and 18 with regard to the Fund’s Investment strategies and risk factors respectively.

It is envisaged that the Fund will invest across a range of companies operating in various industries. The Employment and Investment Incentive Scheme (“EII Scheme”) is available to the majority of small and medium sized trading companies (“SMEs”), the profits or gains of which are charged to tax under Case I of Schedule D, excluding activities as detailed herein on page 23 under Relevant Trading Activities.

The Finance Act 2015 introduced changes to the EII Scheme to ensure it complies with the European Union’s General Block Exemption Regulation on State Aid (GBER). Details of the new requirements which Qualifying Companies must now comply with are detailed herein under Qualifying Company on page 22. Applications to participate in the Fund must, pursuant to Section 4 of the Designated Investment Funds Act 1985, be made on the terms of this Memorandum and on the Application Form contained in Appendix III herein.

Applications must reach BES Management DAC, c/o J&E Davy trading as Davy (“Davy”), no later than 31 December 2017 (the “Closing Date”). Applications shall be accepted in order of receipt up to a permitted maximum Fund balance of €8,000,000, but BES Management DAC, (the “Manager”) reserves the right to close the application list at any time and at any balance before 31 December 2017. In the event of over-subscription, or if the Manager in its sole discretion decides, all Subscription monies, (as defined in the Trust Deed), received after the sum of €8,000,000 has been raised shall be returned in full.

The procedure for and conditions of application are described on page 20 of this Memorandum.

**The Fund has been designated an “Investment Fund” by the Revenue Commissioners for the purposes of Part 16 of the TCA. The Revenue Commissioners have asked that it be pointed out that their designation is relevant only for the limited purposes of Section 506 of the TCA (which deals with the approval of Investment funds under the scheme of Relief for Investment in Corporate Trades), and that such designation in no way attests to the commercial viability of the Investments to be made and neither does such designation guarantee the availability, amount or timing of relief from income tax.**

This Memorandum constitutes a prospectus within the meaning of Section 1 of the Designated Investment Funds Act 1985. The provisions of Part 16 of the Taxes Consolidation Act 1997, (as amended) (“TCA”) shall apply to this Fund.

The Minister, in giving the approval for this Memorandum, has required that the following matters be brought prominently to the attention of Investors:

1. The proper management of the Fund is the sole responsibility of the Manager and no liability whatsoever shall attach to the Minister.
2. No right to relief from income tax shall arise by reason only of the Minister having approved this document.

BES Management DAC is regulated by the Central Bank of Ireland.

**The information contained in this Memorandum is based on our understanding of current tax legislation and the current Revenue Commissioners’ interpretation thereof and is subject to change including retrospectively without notice. This Memorandum is intended as a general guide only and is not a substitute for individual tax or Investment advice. Potential Investors should seek competent professional advice specific to their circumstances prior to investing. Investors are responsible for establishing their entitlement to participate in this Investment and for making their own income tax relief claims.**

## DEFINITIONS

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<b>“Closing Date”</b>	31 December 2017 or such other date as the Manager in its absolute discretion, pursuant to the terms of this Memorandum may determine.
<b>“Eligible Shares”</b>	EII Scheme shares which the Fund may acquire in a Qualifying Company as defined in Part 16 of the Taxes Consolidation Act 1997, as amended.
<b>“Employment and Investment Incentive Scheme” or “EII Scheme”</b>	The Scheme of Relief for Investment in Corporate Trades as provided for in Part 16 of the Taxes Consolidation Act 1997, as amended.
<b>“Fund”</b>	The Davy EII Tax Relief Fund 2017.
<b>“Investee Company”</b>	An unquoted company which is a “Qualifying Company” as defined in Part 16 of the Taxes Consolidation Act 1997, as amended and Schedule 10 thereto, in which the Fund acquires EII Scheme shares and “Investee Companies” shall be construed accordingly.
<b>“Investment”</b>	Investment amount subscribed to the Fund.
<b>“Investor” or “EII Scheme Investor”</b>	An individual who subscribes to the Fund and “Investors” or “EII Scheme Investors” shall be construed accordingly.
<b>“Manager”</b>	BES Management DAC, a joint venture company owned by J&E Davy and BDO, with a registered office at 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2.
<b>“Qualifying Company”</b>	An unquoted company which is a “Qualifying Company” as defined in Part 16 of the Taxes Consolidation Act 1997, as amended and Schedule 10 thereto, and “Qualifying Companies” shall be construed accordingly.
<b>“Qualifying Investor”</b>	An individual who subscribes to the Fund, and “Qualifying Investors” shall be construed accordingly.
<b>“Relevant Trading Activity”</b>	A trade which is being carried on by a Qualifying Company as defined in Part 16 of the Taxes Consolidation Act 1997, as amended and Schedule 10 thereto, and “Relevant Trading Activities” shall be construed accordingly.
<b>“Subscription”</b>	The Investment amount together with a fundraising fee of 3% of the Investment amount.
<b>“Terms of Business”</b>	Document which sets out the terms on which BES Management DAC provides its products and services to consumers.
<b>“Trustee”</b>	First Names Trust Company (Ireland) Limited with a registered office at Suite 6, Rineanna House, Shannon Free Zone, Co. Clare.
<b>“Trust Deed”</b>	Deed between BES Management DAC and First Names Trust Company (Ireland) Limited dated 14 August 2017 which governs the terms under which the Fund is established and managed.

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## MANAGER AND ADVISERS

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<b>Manager:</b>	BES Management DAC
<b>Registered Office of the Manager:</b>	5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2.
<b>Directors of the Manager:</b>	Tony Garry (Chairman) Sinead Heaney Ivan Murphy David McCormick Andrew Bourg Richard Kinsella
<b>Trustee of the Fund:</b>	First Names Trust Company (Ireland) Limited, Suite 6, Rineanna House, Shannon Free Zone, Co. Clare.
<b>Solicitors to the Fund:</b>	Eversheds, One Earlsfort Centre, Earlsfort Terrace, Dublin 2.
<b>Auditors to the Fund:</b>	KPMG, Chartered Accountants, 1 Stokes Place, St. Stephen's Green, Dublin 2.
<b>Stockbrokers to the Fund:</b>	J & E Davy, 49 Dawson Street, Dublin 2.

## THE DAVY EII TAX RELIEF FUND 2017

The Fund has been established in accordance with Section 506 of the Taxes Consolidation Act 1997, (as amended) (“TCA”) and the Designated Investment Funds Act 1985, to invest on behalf of Investors in Qualifying Companies under the Employment and Investment Incentive Scheme (“EII Scheme”). The provisions of Part 16 of the TCA apply to this Fund.

**The Finance Act 2014 and the Finance Act 2015 implemented a number of changes to the EII Scheme. European Commission approval was obtained for these changes and they commenced on 13 October 2015. A summary of the main changes are set out below:**

The maximum amount that can be raised by any one company under the EII Scheme has been increased from €10,000,000 to **€15,000,000**, and the 12-month period limit has been increased from €2,500,000 to **€5,000,000**;

- The ‘qualifying trades’ definition has been extended to include medium sized enterprises in non-assisted areas;
- The scope of companies that can avail of the scheme has been extended to include:
  - Internationally traded financial service companies subject to Enterprise Ireland certification;
  - Companies involved with the operation and management of nursing homes or residential care homes; and
  - Companies involved in expansion works to nursing homes or residential care homes;
- The required holding period for Eligible Shares has been increased from three years to four years.

A Qualifying Company must meet the requirements of paragraph 5 and 6 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 to comply with the EU’s General Block Exemption Regulations on State Aid (GBER).

Paragraph 5 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 states that eligible undertakings shall be undertakings which at the time of the initial risk finance Investment are unlisted SMEs and fulfil at least one of the following conditions:

- (a) They have not been operating in any market;
- (b) They have been operating in any market for less than 7 years following their first commercial sale;
- (c) They require an initial risk finance Investment which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50% of their average annual turnover in the preceding 5 years.

Paragraph 6 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 states that the risk

finance aid may also cover follow-on Investments made in eligible undertakings, including after the 7-year period mentioned in paragraph 5(b) (above), if the following cumulative conditions are fulfilled:

- (a) The total amount of risk finance mentioned in paragraph 9\* is not exceeded;
- (b) The possibility of follow-on Investments was foreseen in the original business plan;
- (c) The undertaking receiving follow-on Investments has not become linked, within the meaning of Article 3(3) of Annex I with another undertaking other than the financial intermediary or the independent private Investor providing risk finance under the measure, unless the new entity fulfils the conditions of the SME definition.

\*Paragraph 9 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 states that the total amount of risk finance shall not exceed €15,000,000 per eligible undertaking under any risk finance measure.

The primary objective of the Fund is to provide Investors with the opportunity to invest in selected Qualifying Companies and so benefit from the income tax relief provisions of the EII Scheme.

The Fund will seek to raise a minimum of €1,000,000 and a maximum of €8,000,000. Applications to participate in the Fund should be received by BES Management DAC c/o Davy no later than 31 December 2017 but it should be noted that Applications shall be accepted in order of receipt and the Manager reserves the right to close the application list at any time and at any balance without giving prior notice to any person before 31 December 2017.

The Manager previously managed six EII Scheme Funds, 19 BES Funds and invested a total of €166 million in Qualifying Companies over the past 22 years.

The Davy EII Tax Relief Fund 2017 anticipates that it shall invest in a portfolio of Qualifying Companies operating in various industries. The EII Scheme is available to the majority of small and medium sized trading companies, the profits or gains of which are charged to tax under Case I of Schedule D, excluding activities as detailed herein on page 23 under Relevant Trading Activities.

**WARNING: Past performance is not a reliable guide to future performance. The value of your investment in this Fund may go down as well as up. If you invest in this Fund you may lose some or all of the money you invest.**

**WARNING: There is no guarantee that the Fund will meet its primary objectives.**

**WARNING: If you invest in this Fund you will not be able to cash in your Investment and you will not have access to your money for at least four years from the date the Fund makes its Investments.**

**WARNING: This information is based on our understanding of current tax legislation and the current Revenue Commissioners' interpretation thereof and is subject to change including retrospectively without notice.**

It should be noted that the maximum total Investment in all EII Scheme Investments in any one year which may qualify for income tax relief (in two tranches) is €150,000 subject to Revenue approval. The first tranche of income tax relief is available for either the tax year of subscription to the Fund (2017) or for the year in which the Fund makes its Investments (2018).

## THE MANAGER

**The Manager of the Fund will be BES Management DAC, a joint venture company owned by Davy and BDO, who act as the business and financial advisers respectively to the Manager.**

### DAVY

Established in 1926, the Davy Group is Ireland's leading provider of wealth management, asset management, capital markets and financial advisory services. Davy is headquartered in Dublin with offices in London, Belfast, Cork and Galway. Employing over 650 people, Davy offers a broad range of services to private clients, small businesses, corporations and institutional Investors and organises its activities around five interrelated business areas – Asset Management, Capital Markets, Corporate Finance, Private Clients and Research.

### BDO

Established by entrepreneurs for entrepreneurs, BDO is Ireland's leading adviser to ambitious businesses and the people behind them. Through its own professional expertise and by working directly with companies, BDO has developed a unique insight into what makes companies successful. The firm provides a range of services which include audit, tax, corporate finance and corporate recovery services, corporate secretarial, consulting, payroll and risk advisory services.

BDO employs over 500 staff in Dublin, Limerick and an associate office in Belfast. BDO is a member firm of BDO International. The BDO International network has over 67,700 partners and staff working in 1,400 offices in 158 countries throughout the world.

## DIRECTORS

The Directors of the Manager responsible for the operation of the Fund in determining how the Investment monies should be invested or otherwise dealt with are:

### Tony Garry

Tony Garry is a former Director and CEO of Davy. Tony graduated from UCD with a BComm. in 1975 and an MBS in 1977. He began his career in the Department of Labour, later moving to the Central Bank of Ireland. In 1975, he left the public service and moved to Allied Irish Investment Bank becoming an Associate Director in 1976. He joined Davy in 1979 and was appointed CEO in 1994. He led the team which completed the management buyout from Bank of Ireland in October 2006. Having served as CEO for over 20 years he retired from this role in March 2015. He is also a Director of the Irish Stock Exchange.

### Sinead Heaney

Sinead Heaney is a Partner in the Corporate Investment & Business Advisory Department of BDO. Sinead has considerable experience in structuring BES/EII Scheme Investments. She also has extensive experience working with small, medium and large privately owned businesses in both developing and achieving their strategic plans. She is also a Director of Development Capital Fund Management DAC ("Development Capital"), the Manager of The BDO Development Capital Fund and non-executive Director of Development Capital's Investee Companies, Perigord Asset Holdings Limited and Netwatch Holdings DAC. Sinead is a Fellow of the Institute of Chartered Accountants in Ireland.

### Ivan Murphy

Ivan Murphy is Head of Corporate Finance at Davy having joined in 1991. Since then he has been involved in advising many of Ireland's leading public and private companies on a range of transactions including flotations, secondary fundraisings and mergers and acquisitions. He has 30 years' experience in corporate finance having previously worked with Kleinwort Benson, London. He is an honours economics graduate of UCD and a Fellow of The Chartered Institute for Securities & Investment.

### David McCormick

David McCormick is a Partner in BDO and Heads up the Corporate Secretarial Department, which specialises in the development and administration of corporate structures. A Fellow of the Institute of Chartered Secretaries and Administrators, David is a Director of Development Capital as well as a number of retailers and property Investment Funds. David has also served as Company Secretary to a FTSE250 listed entity.

**Andrew Bourg**

Andrew Bourg is a Partner in the Corporate Investment & Business Advisory Department of BDO and is commercially focused with a wide breadth of experience in scaling, growing and internationalising SME's on both an organic and acquisitive basis. Andrew has significant experience investing capital and working with SME's across a range of industries to assist them accelerate and achieve their growth plans.

Andrew is also a Director of Development Capital, the Manager of The BDO Development Capital Fund and was non-executive Director of Development Capital's first two Investee Companies, Version 1 Holdings Unlimited and Lifes2Good Holdings Limited. Andrew is a Fellow of The Institute of Chartered Accountants of Ireland.

**Richard Kinsella**

Richard Kinsella is a Director of Davy Private Clients. He specialises in developing and advising on financial and Investment strategies for private clients, in particular for professionals and senior executives. Richard holds an MBA (Hons.) from UCD Michael Smurfit School of Business, is a Qualified Financial Advisor and a Registered Representative of the Irish Stock Exchange.

## INVESTOR COMPENSATION ACT 1998 (THE "ACT")

The Manager is an Investment business firm authorised under the Investment Intermediaries Act 1995 and is a member of the Investor compensation scheme under the Investor Compensation Act 1998, ("the Act"). In the unlikely event that the Manager is determined to be unable to return an Investor's assets or is prevented by a High Court ruling from returning client assets, due to its financial circumstances, Investors may be able to make a claim on the scheme for 90% of any amount lost, subject to a current maximum claim of €20,000.

The Investor compensation scheme does not cover losses due to adverse market/price movements or the loss of an Investment due to the liquidation, etc. of a company in which the Fund invests. Pursuant to Section 38(1) of the Act, the Manager hereby informs the Investor of the following information concerning Investor compensation:

The Act provides for the establishment of a compensation scheme and the payment, in certain circumstances, of compensation to certain clients of authorised Investment business firms, ("Eligible Investors");

- (a) The Manager is a member of that compensation scheme;
- (b) Compensation may be payable where money Investment instruments owed or belonging to

an Eligible Investor and held, or in the case of Investment instruments, administered or managed by the Manager, cannot be returned to that Investor for the time being due to the financial circumstances of the Manager and there is no reasonable foreseeable opportunity of the Manager being able to do so;

- (c) The right to compensation will arise only:
  - (i) if the Investor is classified as an Eligible Investor as defined in the Act;
  - (ii) if it is determined that the Manager is not in a position to return an Investor's money or Investment instruments owed belonging to clients of the firm or as prevented by doing so by a High Court ruling; and
  - (iii) to the extent that the Investor's loss is recognised for the purposes of the Act;
- (d) Where an entitlement to compensation is established, the compensation payable shall be the lesser of:
  - (i) 90% of the amount of the Eligible Investor's loss which is recognised for the purposes of the Act; or
  - (i) €20,000.

## INVESTMENT STRATEGY

The objective of the Fund will be to provide Investors with Investment opportunities in suitable unquoted small and medium sized trading companies which qualify under the EII Scheme.

The EII Scheme is currently available to the majority of SMEs (detailed herein under Relevant Trading Activities on page 23).

Qualifying Companies must be micro, small or medium- sized enterprises within the meaning of Annex I to Commission Regulation (EU) No. 651/2014 of 17 June 2014.

A Qualifying Company must also meet the requirements of paragraph 5 and 6 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 to comply with the EU's General Block Exemption Regulations on State Aid (GBER).

Paragraph 5 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 states that eligible undertakings shall be undertakings which at the time of the initial risk finance Investment are unlisted SME's and fulfil at least one of the following conditions:

- (a) They have not been operating in any market;
- (b) They have been operating in any market for less than 7 years following their first commercial sale;
- (c) They require an initial risk finance Investment which, based on a business plan prepared in view of entering

a new product or geographical market, is higher than 50% of their average annual turnover in the preceding 5 years.

\*Paragraph 9 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 states that the total amount of risk finance shall not exceed €15,000,000 per eligible undertaking under any risk finance measure.

The maximum EII Scheme Investment allowable in the lifetime of a Qualifying Company and its associates is €15,000,000, subject to a limit of €5,000,000 in any 12-month period.

The Manager will seek to invest in a number of companies with capable management and future growth potential.

Certain key criteria which may be used by the Manager in assessing the potential Investee Companies and their promoters are:

- a capable and industry experienced management team;
- a recognised market for its product/(s) and service/(s);
- growth potential;
- well defined market strategy; and
- prospect for realisation of Investment after the four-year Investment period.

The criteria listed above is not intended to be an exhaustive or an exclusive list. The Manager shall take all reasonable care in selecting and assessing proposals for Investment and will enter into agreements with the promoters of each project at the time of Investment which will give the Manager the right to appoint a director to each of the companies in which the Fund invests in. However, the Manager will exercise this right only where it considers it to be desirable and in the interests of the Fund and the Investors. The agreements will also oblige the promoters to provide regular financial and other information so that the Manager can monitor the performance of each Investee Company on an ongoing basis.

In order to spread the commercial risk of the Fund, the Manager shall seek to balance the portfolio of Investments across several industries and Investee Companies. The Investee Companies may be at various stages of development.

In accordance with the EII Scheme legislation the Investments will be made in return for ordinary shares in the Qualifying Companies. Given the nature of the Qualifying Companies and the fact that the EII Scheme is a tax based Investment, typically the Fund is issued a distinct class of ordinary shares (e.g. "A" ordinary shares) with capped returns. The cap on the return on the Investment is negotiated by the Manager on a case by case

basis as appropriate. Depending on the risk profile of the Qualifying Company, the Manager may negotiate an option to convert into ordinary equity in certain circumstances (for example in the event of a trade sale).

The Fund may invest in companies which have received BES/EII Scheme funding from previous Davy BES/EII Scheme Funds.

It is intended to complete the Investments in each Investee Company as soon as possible following the Closing Date however, due to the nature of such Investments this may take up to 12 months.

No Investment in any one Investee Company shall exceed 40% of the total Investment amount subscribed to the Fund. It is also the intention of the Manager to invest in a range of industries to minimise the risk or exposure to any one sector.

Your attention is drawn to the Risk Factors set out on pages 17 and 18.

## ADVANTAGES OF INVESTING IN THE DAVY EII TAX RELIEF FUND 2017

Investors may be able to derive a number of advantages by investing in the Fund including:

1. The opportunity to avail of income tax relief, within limits and subject to restrictions, under the EII Scheme legislation;
2. The Manager offers Investors professional management of the funds invested by an experienced team with substantial business expertise and thorough knowledge of the EII Scheme;
3. Investments by the Fund will be chosen by the Manager for their commercial innovation, capable management and future growth potential;
4. Investors may be able to spread their Investment risk by subscribing to the Fund; and
5. The Fund offers Investors the potential for a high after tax return, subject to tying up their capital for at least four years and accepting the risk of part or total capital loss.

**WARNING: Past performance is not a reliable guide to future performance.**

**WARNING: The value of your Investment in this Fund may go down as well as up.**

**WARNING: If you invest in this Fund you may lose some or all of the money you invest.**

**WARNING: There is no guarantee that the Fund will meet its primary objectives.**

**WARNING: If you invest in this Fund you will not be able to cash in your Investment and you will not have access to your money for at least four years from the date the Fund makes its Investments.**

## OPERATION OF THE FUND

No Investment shall be made before the Closing Date for subscription in the Fund.

Subscription monies held pending Investment shall be lodged in a pooled account, i.e. an account containing the assets of more than one client, and any interest earned on these funds will be retained by the Manager and/or its shareholders.

The Manager intends to invest the Investment monies in Qualifying Companies under the EII Scheme as soon as possible, which could take up to 12 months, after the Closing Date.

### Ownership

The Investor will, at all times, be the beneficial owner of Eligible Shares of Qualifying Companies in which Investments have been made. The Eligible Shares will be registered in the name of the Trustee who shall act as nominee for the Investor, pursuant to the provisions of the Trust Deed. An Investor must retain beneficial ownership of shares on which income tax relief is claimed for four years, to avoid withdrawal or reduction of the income tax relief claimed.

### Connected companies

The Manager will not knowingly invest monies forming part of the Fund in shares of a company with which any Investor is connected for the purposes of Section 492 of the TCA.

### Conditions

It is a condition of the Fund that each Investor irrevocably authorises the Manager and the Trustee, subject to the terms and conditions of this Memorandum:

- (a) to invest the Investment monies for shares in Qualifying Companies under the provisions of the EII Scheme and any amendment(s) to the EII Scheme;
- (b) to act on the Investors' behalf in respect of the shares

and all rights thereto for as long as the shares are held by the Fund;

- (c) to direct, in its absolute discretion, the exercise by the Trustee of all voting and other rights in connection with Investments made or held on the Investors' behalf under the Fund;
- (d) to receive and deal with all distributions and dividends paid on Investments in accordance with the provisions of the Trust Deed;
- (e) to arrange for the sale or disposal of any Investment in whole or in part as the Manager may in its absolute discretion decide;
- (f) to agree to any transactions or arrangements (including without limitation arrangements for exchange, amalgamation or reconstruction) and to take or refrain from taking any action whatsoever and make any decisions in respect of the shares of Investee Companies;
- (g) to draw on any Subscription monies subscribed by or due to the Investor under the Fund to satisfy the Manager's fees and expenses as set out in this Memorandum or the Trust Deed;
- (h) to place Investment monies on deposit with the Bankers to the Fund; and
- (i) to agree that no Investor is entitled to require any particular share to be either realised or transferred into his/her name for as long as the shares are held by the Fund.

The foregoing appointment and authorisations will remain binding on each Investor's personal representative in the event of the death of an Investor.

### Investment

When an Investment is made in an Investee Company, the shareholding in the Investee Company shall be registered in the name of the Trustee, acting as a nominee for the Investors collectively. The beneficial ownership of the shares in each Investee Company shall be allocated to an individual Investor in the same proportion that his or her Investment bears to the total Investment monies received by the Fund.

Fractional entitlements, if any, shall be rounded down. Each Investor shall be informed as soon as practicable of each Investment made on his/her behalf and furthermore, will be provided with full details of the extent and nature of the shares issued to the Trustee and held on his/her behalf after the final Investment has been made.

It is a condition of participation in the Fund that the Manager may exercise its discretion on behalf of Investors in any way, on any matter relating to the Investments of the Fund after taking any professional advice it considers necessary.



**Should the Manager exercise the right to dispose of shares within four years of acquisition, this may result in the tax relief available to, obtained, or to be obtained by an Investor being wholly or partially withdrawn or not granted.**

In coming to a decision to sell, the Manager shall have regard to the interests of the majority of the Investors but reserves the right to exercise its discretion in this regard.

#### Reporting to Investors

During the term of the Fund, half yearly reports relating to the financial periods ending on 30 June and 31 December shall be made available to Investors on the Manager's website (www.bes.ie), which shall set out any acquisitions and disposals of Investments which have taken place during these periods. The reports shall not be issued in intervals exceeding six months. The first report shall be made in respect of the period ending 30 June 2019. Audited accounts of the Fund to 31 December of each year shall be made available to Investors for inspection as soon as practicable after the year end. The first audited accounts shall be for the period ending 31 December 2018. To access these reports, Investors will be provided with a username and password to the website separately by the Manager.

Audited accounts will be prepared annually. When realising the assets of the Fund, audits of the Fund's financial statements will cease to be obtained when the fair value of the remaining Investments held by the Fund are valued at nil.

Any Investment monies which have not been invested before 31 December 2018 shall be returned to the Investors within 30 days of that date in the same proportion that the uninvested funds bear to the total Investment monies provided by each Investor. The element of commission paid by the Investor related to the uninvested funds shall also be repaid.

## MANAGER'S REMUNERATION

#### Investor Fees

Each Investor shall be liable for the following fees:

A once-off fundraising fee of 3% of the Investment amount will be payable by each Investor at the date of application. The Manager may pay all or part of this fundraising fee as commission to an Investment product intermediary or certified person who holds an appropriate authorisation to advise and promote EII Scheme Investments.

Any interest earned on Investment monies pending Investment and on monies subsequently realised on the sale of such Investments shall be retained by the Manager and/or its shareholders. This interest shall make a contribution towards the direct costs and overheads incurred in identifying and investigating potential Investee Companies.

Upon realisation of the Investments, the Manager and the Trustee shall be entitled to recover all reasonable and necessary costs associated with the realisation of Investments, up to a maximum of 1.5% of the total amount realised, such costs being recovered, if necessary, from the proceeds of the realisation.

The fee structure as outlined above is intended to cover the costs associated with raising monies for the Fund and to cover the management and administration costs (including legal, trustee and audit fees) of operating the Fund. Investors shall not be liable for any additional fees.

#### Investee Company's Fees

Investee Companies shall be liable for the following fees:

The Manager may receive for its own account remuneration from the Investee Companies.

The Manager may charge Investee Companies an arrangement or similar fee of up to 6% and a legal fee of up to 1% of the original amount invested at the time of Investment. In addition, the Manager may, in its absolute discretion, charge Investee Companies an annual management fee of up to 2.5% of the original amount invested in each Investee Company.

The Manager may also receive fees from Investee Companies for its own account in respect of services of directors nominated by the Manager to the Board of such companies or in respect of advice or assistance given to those companies.

The fee structure as outlined above is intended to cover the costs associated with raising monies for the Fund and to cover the management and administration costs (including legal, trustee and audit fees) of operating the Fund. The above list is neither exclusive nor exhaustive and other commissions or fees may apply. Investee Companies will be notified of such in advance of any Investment being made.

## CONNECTED COMPANIES AND INVESTMENT BY DAVY, BDO, FIRST NAMES TRUST COMPANY (IRELAND) LIMITED & BES MANAGEMENT DAC

The Fund may invest in companies which are clients of Davy, BDO or the Trustee, provided that none of those entities are connected (for the purposes of Section 492 and 506 (8) (vii) of the TCA) with such companies. No Investment shall be made by the Fund in companies for

the time being connected, as defined in Section 10 of the TCA, with the Manager or with the Trustee or with any of their associates.

However, the Manager and its associates may negotiate and acquire an interest in Investee Companies for itself at arm's length either simultaneously with or subsequent to Investment by the Fund in that Investee Company. Notwithstanding the above, the Manager and its associates will not in any case acquire a controlling interest or any right or interest that may prejudice tax relief obtained by Investors in the Fund.

## MANAGER'S OPTION

In addition, the Manager or its nominees may seek an option to subscribe on its own account for an equity share in any Investee Company. This option may at the Manager's absolute discretion be exercised at any time during the period of Investment by the Fund in the Investee Company or thereafter.

## REALISATION OF INVESTMENTS

Investments will normally be held for the minimum period of four years from the date each of the Investee Companies issue the shares to the Fund.

After that period, the Manager shall encourage the Boards of the Investee Companies to make arrangements for the realisation of Investments on behalf of Investors.

A non-exhaustive list of options is outlined below:

- (a) sale of the EII Scheme shareholdings to the promoters of the Investee Companies;
- (b) merger, acquisition or take-over;
- (c) public issue or sale of shares on the Irish Stock Exchange or any other recognised securities market;
- (d) repurchase by the Investee Company of its own shares;
- (e) private placing, e.g. trade sale;
- (f) call or put options at market value with the promoters of the Investee Companies; and/or
- (g) any other method of realisation which may, in the opinion of the Manager, be appropriate at that time.

In respect of Investments made in private companies, if it has not been possible to arrange for the realisation of such Investments after the projected four years or if, in the opinion of the Manager, the Investors should retain their shareholdings in particular Investee Companies, the Manager may, utilising the mechanism contained in Section 6 Designated Investments Funds Act 1985,

arrange for shares to be transferred into the names of individual Investors, who shall be responsible for the payment of any stamp duty and other reasonable costs associated therewith.

It may be necessary to dispose of the EII Scheme shares, within four years of the EII Scheme Investment in respect of some Investee Companies.

Should the Manager exercise the right to dispose of shares within the Investment period, this may result in the income tax relief available to or obtained by an Investor being wholly or partially withdrawn. In making a decision to sell, the Manager shall have regard to the best interests of the majority of the Investors but shall act as the Manager sees fit in this regard.

Should dividends be declared by the Investee Companies on the class of shares held by the EII Scheme Investors, then upon receipt of those dividends, the Manager may distribute them during the term of the Investment or alternatively upon realisation of the Investment as the Manager may see fit.

## TRANSFERABILITY AND EARLY REALISATION OF INVESTMENTS

Under the provisions of Part 16 of the TCA, no Investor in the Fund shall be permitted or entitled to have realised or transferred into his own name, any shares in any Investee Company in which the Fund has invested, until a minimum of four years have elapsed from the date of issue of the shares to the Fund. However, in exceptional circumstances, but without obligation, a request made to the Manager by an Investor for the disposal of all the Investments held on the Investor's behalf (but not individual Investments) may be considered provided a purchaser for same can be found. This may result in the loss of all or part of the income tax relief available or claimed by an Investor.

The Manager of the Fund shall give no undertaking to find such a purchaser. In the event of the death of an Investor, any uninvested sums held in trust at that time shall, subject to compliance with the usual legal formalities, be placed at the disposal of the Investor's personal representatives. However, it is not envisaged that it will be possible for the personal representatives of the Estate of an Investor to have the shares allocated to that Investor's Estate or otherwise to realise that Investor's Investment in Qualifying Companies prior to the expiration of the projected EII Scheme Investment period.

Where requested by the Manager, the Trustee will arrange for the continued management or transfer of any shares remaining in the name of Investors at the expiration of the Investment period.



Arrangements for the transfer of shares in the Investee Companies into the names of the Investors will be made under the terms of Section 6 of the Designated Investment Funds Act 1985.

## AUDITORS TO THE FUND

KPMG, Chartered Accountants, have agreed to act as Auditors to the Fund. In this connection, they shall report to the Investors on the financial statements for each year ending on 31 December and on termination of the Fund.

The first such report will be in respect of the period ending on 31 December 2018.

## RISK FACTORS

### Unquoted Companies

Investment in unquoted small and medium sized trading companies through the Fund carries risk as well as the potential for growth. Investors are encouraged to consider their Investments as medium to long term and in compliance with the legislation, should not expect to be able to realise them for at least four years from the date of Investment by the Fund in each of the Investee Companies. There is no early exit mechanism for Investments in the Fund.

The risks associated with Investment in the Fund include the possible loss of the full amount invested and the potential limitations on the realisation of unquoted shares even in a successful company since these shares are not listed on a regulated market.

### Investee Company Compliance

Income tax relief is granted to Qualifying Investors under the provisions of the EII Scheme in two tranches.

The first tranche is granted subject to the Qualifying Company complying with the conditions of the EII Scheme legislation and the EU's General Block Exemption Regulations on State Aid (GBER). Income tax relief may not be granted or may be lost if an Investee Company fails to meet the requirements of or comply with the EII Scheme legislation as set out in Part 16 of the TCA and Schedule 10 thereto and/or the EU's General Block Exemption Regulations on State Aid (GBER), or ceases to be a Qualifying Company engaged in a Relevant Trading Activity as set out on page 23.

The second tranche of income tax relief is granted subject to certain conditions in relation to employment levels or expenditure on research and development being achieved by the Qualifying Company. This element of the income tax

relief will only be available to Investors if the Qualifying Company fulfils the conditions of the legislation.

Investors will bear the risk of the first tranche and/or second tranche of income tax relief either not being granted or not all being obtained at the current higher rate of income tax of 40%, or being withdrawn which may result from one or more of the Investee Companies not qualifying for or complying with the conditions of the EII Scheme.

### Independent Advice

Before subscribing to this Fund, prospective applicants should consult a professional Investment adviser and carefully consider the risks involved, their own financial circumstances, including their need for liquidity and income, and their tax position to determine the potential suitability of this Investment for their circumstances.

### Tax Risk

The information contained herein is provided for Irish resident Investors only and is based on our understanding of Irish tax legislation and the known current Revenue interpretation thereof. This can vary according to individual circumstances and is subject to change without notice, including retrospectively. It is intended as a guide only and is not a substitute for professional advice. Investors should consult their tax advisor for the rules that may apply in their circumstances.

### Taxable Income Requirement

Investors must have sufficient taxable income in a year to get the maximum income tax relief in that year in respect of an Investment in the Fund. The maximum total Investment in all EII Scheme Investments by an Investor in any one year which may qualify for income tax relief (in two tranches) is €150,000. The first tranche of income tax relief is available for either the tax year of subscription to the Fund (2017) or for the year in which the Fund makes its Investments (2018). The second tranche of income tax relief is available for the year of assessment following the end of the four year Investment period, subject to the fulfilment of conditions set out under "Income Tax Relief" on page 21. The Manager, its shareholders and the Fund will not be liable if an Investor in the Fund does not qualify for income tax relief due to his or her circumstances.

### Withdrawal/Withholding of Income Tax Relief

Income tax relief may be withdrawn if the conditions attached to the relief relating to one or more Investee Companies cease to be satisfied within four years of the Investment being made or, if later, the commencement of trading. Investors will bear the risk of a potential loss of tax relief which may result from the conditions of the EII Scheme legislation not being satisfied by one or more Investee Companies.

Income tax relief may also be wholly or partly withdrawn if the Investor receives value from the Investee Company or disposes of his shares within four years of the Investment in the Investee Company. There are additional rules whereby an Investor may suffer a withdrawal of some or all of the relief by reason of other non-qualifying shareholders receiving value from the Investee Company. Investors should receive independent financial advice to ensure they have taken these risks into consideration in making their Investment.

### Limitations on Income Tax Relief

Income tax relief will be limited to the extent that the Manager successfully identifies and invests in suitable Investee Companies. Relief may be lower than the amount invested by the Investor, should the Manager not succeed in fully investing the Fund. The actual amount of income tax relief will not be known until after Investors have subscribed to the Fund and the Manager has made its Investments.

### Timing of Income Tax Relief Claims

The timing of income tax relief claims by Investors in the Fund shall depend on the timing of Investments made by the Manager on behalf of Investors in Investee Companies and the subsequent receipt of the relevant income tax relief certificates from the Revenue Commissioners. Investors will not have discretion in this regard and may not be in a position to claim income tax relief when it is most suitable to their personal circumstances.

Tax relief certificates may not be granted by the Revenue Commissioners' following the completion of an Investment by the Fund. In such circumstances income tax relief will not be available to the Investor.

### Default of Trustee and Bank Solvency

The Manager shall not be liable to Investors in the event of the default or liquidation of the Trustee or the Bankers to the Fund where Investors' money may be deposited.

The Manager is a member of the Investor Compensation Scheme, set up by law, which provides compensation to Qualifying Investors. The right to compensation, however, only arises in certain limited circumstances, as outlined on page 12. Even if an Investor is a Qualifying Investor and has a right to compensation, it is capped at 90% of the net amount lost or €20,000, whichever is less.

### Commercial Investment Risk

No compensation fund exists for Investors who lose all or part of their Investment due to commercial Investment risk. The Fund will invest in companies which by their nature are high risk. In addition there are limitations on the liquidity of unquoted shares and the time scale for realisation of EII Scheme Investments cannot be guaranteed after the Investment period has elapsed.

### Interest Earned

Interest earned on:

- (a) Subscription monies received prior to the 31 December 2017;
- (b) Investment monies pending Investment in Investee Companies; and
- (c) Funds subsequently realised on the disposal of such Investments shall be paid to the Manager and/or its shareholders, as the Manager may in its absolute discretion decide. For the avoidance of doubt, no such interest shall be paid to the Fund itself and Investors will not benefit directly from these proceeds.

### Lack of Access to Investment

This is a medium to long-term Investment and is not suitable for Investors who may need access to their Investment within the minimum four-year Investment period from the date the Fund makes each Investment. Exiting the Fund after the projected four-year Investment period may take some time, in certain circumstances.

Shares that cannot readily be disposed of in the Investee Companies shall be returned by the Manager to the Investors in proportion to their holding in the Fund, in the event that the Trustee may not arrange for their continued management.

### Potential Conflicts of Interest

There may be conflicts of interest between the Manager, and/or its shareholders and the Investors. The Manager and/or its shareholders may invest in Investee Companies alongside the Fund, provided this is at arm's length. The Manager and/or its shareholders may be compensated by multiple parties, including Investors and Investee Companies, for its role. Neither the Manager nor any of its shareholders is acting as an agent or in any fiduciary capacity with respect to the Investors, other than the Trustee.

**WARNING: Past performance is not a reliable guide to future performance.**

**WARNING: The value of your Investment in this Fund may go down as well as up.**

**WARNING: If you invest in this Fund you may lose some or all of the money you invest.**

**WARNING: There is no guarantee that the Fund will meet its primary objectives.**

**WARNING: If you invest in this Fund you will not be able to cash in your Investment and you will not have access to your money for at least four years from the date the Fund makes its Investments.**

## DATA PROTECTION

The Manager fully respects your right to privacy and any information relating to you (including any personal data within the meaning of the Data Protection Acts 1988 and 2003 (collectively the “DPA”)) which the Manager obtains and holds about you (“Information”) will be treated in accordance with the Manager’s standard principles regarding client confidentiality and the DPA (where applicable). This includes Information the Manager obtains from you or third parties when you apply for an Investment in the Fund.

- a) The Manager may use the Information for the purposes of:
  - (i) providing an Investment in the Fund;
  - (ii) group reporting and management purposes;
  - (iii) prevention of money-laundering, financing of terrorism and fraud, and otherwise complying with the Manager’s legal and regulatory obligations;
  - (iv) providing you with information in relation to the Manager’s own and third party products or services and subject to your right to change your mind in relation to receipt of marketing materials at any time by writing to the Data Protection Officer, BES Management DAC, 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2, or opting out on the Application Form; and
  - (v) any other purposes to which you have consented.
- b) The Manager may share the Information, to the extent necessary for the purposes set out in this clause with:
  - (i) anyone providing a service to the Manager or acting as the Manager’s agents, on the understanding that they will keep the information confidential;
  - (ii) counterparties to transactions executed on your behalf;
  - (iii) public companies in which you directly or indirectly hold shares, on request;
  - (iv) any (or any proposed) assignee, transferee, or successor in title to the whole or any part of the Manager’s business relating to the Fund, and their respective officers, employees, agents and advisers, provided that any recipient agrees to use your information for the same purposes as it was originally supplied to the Manager and/or used by the Manager;
  - (v) regulatory bodies, law enforcement agencies, other public bodies, and auditors to whom the Manager is obliged by law or regulation to disclose the Information;
  - (vi) any third party which introduced you to the Manager; and
  - (vii) any other party to whom you have agreed the Manager may disclose your Information, each

of whom may in turn use that Information for the above and other purposes which have been disclosed to you.

- c) You agree to notify the Manager without delay in the event of any change in your personal data, to enable us to comply with our obligations to keep your Information up to date.
- d) Davy will record telephone calls. The telephone records will be retained for a period as may be prescribed by law, regulation or guidance or at the discretion of Davy. The contents of such recordings may be used as required by law and regulation, to verify your instructions and for quality control purposes.
- e) The Manager is obliged to retain client identification and client transaction records for six years from the end of the client relationship or the date of the transaction respectively. Other Information will be retained for no longer than necessary for the purpose for which it was provided to us or as required or permitted or legal, regulatory, fraud prevention and legitimate business purposes.
- f) You have the right to receive a copy of all personal data (within the meaning of the DPA) relating to you which is held by the Manager following a written request (for which the Manager may charge an administration fee not to exceed €6.35 or such greater amount as permitted by law) and have any inaccuracies in your personal data corrected, by writing to the Data Protection Officer, BES Management DAC, 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2. The Manager is entitled to take reasonable steps to establish your identity in relation to any amendment, access or deletion request and may at our discretion, require proof of identity or other documents.

## STATE AID TRANSPARENCY REQUIREMENTS

In accordance with Article 9 and Annex III of Commission Regulation (EU) No 651/2014, EU Member States are required to publish details of certain State Aid granted to individual beneficiaries from 1 July 2016. Tax relief granted to Qualifying Investors under the EII Scheme above a cumulative threshold of €500,000 are subject to the new transparency requirements.

Member States will publish the information on a central website and the information will include the identity of the beneficiary, the amount and type of aid granted and the date of which it was granted. For aid in the form of a tax relief, the information will be published within 12 months from the date on which the relevant tax return for the relevant tax year is due.

Publication will be based on the date on which the relevant tax return for the relevant tax year is due. However, aid that has been granted before 1 July 2016 does not fall under the transparency obligation even if the tax return in which the relief is claimed is due after that date. The 12 month deadline for publishing the information starts from the due date of the tax return that pushes the beneficiary over the threshold.

## PROCEDURE FOR AND CONDITIONS OF APPLICATION

The terms and conditions of the contract between the Manager and prospective Investors are set out in the Application Form in Appendix III. Prospective Investors should complete the Application Form enclosed in Appendix III and submit it to BES Management DAC c/o Davy on or before 31 December 2017. Completed Application Forms must be accompanied by a personal cheque or bank draft, payable to **First Names Trust Company (Ireland) Limited a/c The Davy EII Tax Relief Fund 2017** for the amount of the Investment together with a fundraising fee of 3% of the Investment amount. Appendix II sets out examples of the amounts to be submitted for different levels of Investment.

Existing Davy clients have the option to debit the Subscription amount from their Davy personal client account by completing the Debit Instruction Form in Appendix IV and submitting this together with the completed Application Form.

The minimum Investment amount is €5,000 and Investments thereafter may only be made in multiples of €1,000 with a maximum Investment of €150,000 by any one Investor. It should be noted that the maximum total Investment in all EII Scheme Investments in any one year which may qualify for income tax relief (in two tranches) is €150,000. The first tranche of income tax relief is available for either the tax year of subscription to the Fund (2017) or in the year in which the Fund makes its Investments (2018).

Applications shall be accepted in the order of receipt up to the permitted maximum amount of €8,000,000 but the Manager reserves the right to close the application list at any time and at any balance without giving prior notice to any person before 31 December 2017 and to reject any application in whole or in part. **The Fund shall not proceed unless a minimum of €1,000,000 is received by the Manager by way of applications, failing which all Subscriptions including commissions shall be returned within 30 days of the Closing Date.**

Applications to participate in the Fund will be considered only on the terms and conditions of this Memorandum and if made on the Application Form contained in Appendix III

herein. Any agreement purporting to amend or exclude or partly exclude the application of any term or condition of this Memorandum shall be void, save for an amendment or alteration approved by the Minister for Jobs, Enterprise and Innovation pursuant to Section 5 of the Designated Investment Funds Act 1985.

Only one application shall be accepted from each applicant. **No joint applications shall be accepted by the Manager.**

In order to ensure compliance with the provisions of the Criminal Justice (Money Laundering & Terrorist Financing) Act 2010, the Manager shall be required to establish and verify the identity of each applicant together with their source of funds for the Investment to satisfy anti-money laundering requirements.

Application Forms must therefore be accompanied by a certified copy\* of either:

- the applicant's current passport; or
- current driver's licence; or
- copies of two forms of identification (e.g. passport and drivers licence) both of which must be in date and valid.

Each applicant is obliged to also provide an original or certified copy of two different forms of proof of address dated within the past six months.

Acceptable forms of proof of address are any two of:

- recent utility bill (electricity, gas, telephone or mobile phone); or
- recent bank statement in the applicant's name at the address provided

Proofs of address must bear the same name as provided on the Application Form and should not be more than six months old.

Application Forms must be accompanied by either:

- a personal cheque or bank draft drawn on an applicant's own bank account, which account will be with a body defined as "Designated Person" under the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010 and must be made payable to **First Names Trust Company (Ireland) Limited a/c The Davy EII Tax Relief Fund 2017**; or
- whereby applicable the completed Debit Instruction Form enclosed in Appendix IV.

Investors must also identify on the Application Form the source of funds which they intend to use for the purpose of the Investment.

\*certified copy i.e. a copy which has been signed, stamped and dated by a Solicitor, Commissioner for Oaths Accountant or Bank Manager as evidence that the photocopy supplied is a true copy of the original.

The Manager and/or Trustee reserve the right to refuse to accept any application which is incorrectly presented or fails to comply with the provisions contained in this Memorandum without liability for interest and any resulting loss or damage to that applicant.

## INCOME TAX RELIEF

Certificates enabling Investors to claim income tax relief can only be issued after an Investment has been made by the Fund in an Investee Company which has been approved as a Qualifying Company by the Revenue Commissioners. Once an Investment is made, the Manager seeks approval from the Revenue Commissioners as is necessary and once received, they may issue the tax relief certificate to facilitate Investors claiming the first tranche of income tax relief. Certificates shall be forwarded to Investors by the Manager as soon as practicable thereafter.

Certificates enabling Investors to claim the second tranche of income tax relief can only be issued after the conditions in relation to employment levels or expenditure on research and development (as detailed herein on page 21 under "The Relief") have been satisfied by the Qualifying Company. The Manager will apply to the Revenue Commissioners for the tax relief certificates for each Qualifying Company where appropriate as soon as practicable after the conditions have been satisfied to facilitate Investors claiming the second tranche of income tax relief. Certificates shall be forwarded to Investors by the Manager as soon as practicable thereafter.

Income tax relief shall be limited to the extent that the Manager successfully identifies and invests in what, it, at its sole discretion deems to be suitable Investee Companies. Relief may be lower than the amount invested by the Investor should the Manager not succeed in fully investing the Fund.

The timing of income tax relief claims shall be dependent upon the timing of Investments made by the Manager on behalf of Investors in Qualifying Companies and the subsequent receipt of tax relief certificates from the Revenue Commissioners.

The Revenue Commissioners have indicated that all available tax relief certificates should be filed with an individual's return of income in order to claim income tax relief. Certificates not available at the date of the return of income filing may be requested by the Inspector of Taxes at a later date. It is the responsibility of each individual Investor to ensure that his own tax affairs are in order in any given year.

Revenue have been reviewing the EII Scheme from a state aid perspective, and as a result the 2016 Fund has experienced delays and is awaiting certificates to be issued by Revenue in relation to Investments made by the Fund in pre-approved companies. The Manager will continue to identify appropriately qualifying Investee Companies

and to seek pre-approval of the Investment in the normal manner prior to making the Investments. Therefore, there is a risk that Investments may be made by the 2017 Fund in pre-approved companies where Revenue do not ultimately issue the appropriate certificates. Please see the Risk Factors section on page 17.

## TRUST DEED

A Trust Deed, which is a legal agreement establishing an irrevocable trust and outlining the terms between parties, has been agreed and signed by the Manager and the Trustee.

In the Trust Deed, First Names Trust Company (Ireland) Limited has agreed to act as Trustee to the Fund. A copy of the Trust Deed made between BES Management DAC and First Names Trust Company (Ireland) Limited dated 14 August 2017 is available for inspection at the registered office of the Trustee at Suite 6, Rineanna House, Shannon Free Zone, Co. Clare.

## SUMMARY OF EMPLOYMENT AND INVESTMENT INCENTIVE SCHEME LEGISLATION

### Introduction

This section seeks to summarise the main provisions of the Scheme of Relief for Investment in Corporate Trades, as introduced by Finance Act 2011 (amended 2014 and 2015) and as set out in Part 16 of the TCA and Schedule 10 thereto (as amended). It does not set out the provisions in full and prospective Investors are advised to seek appropriate professional advice on their entitlement to the relief before making any Investment in the Fund.

### The Relief

Income tax relief on an Investment in the Fund may be available to Investors in two tranches. Investors can avail of the tax relief for either the tax year of subscription ending on 31 December 2017 or if desired for the tax year of Investment by the Fund ending 31 December 2018. The relief on an Investment in the Fund is available to the individual in two tranches as detailed below:

- (a) the relief will enable Investors to deduct 30/40ths of the Investment amount subscribed ("first tranche of income tax relief") to the Fund from their total income for income tax purposes for either the tax year of subscription ending on 31 December 2017, or if so desired for the tax year of Investment by the Fund ending 31 December 2018; and
- (b) the relief will enable Investors to deduct 10/40ths of the Investment amount subscribed ("second tranche



of income tax relief”) to the Fund from their total income for income tax purposes for the year of assessment following the end of the four year Investment period, subject to the fulfilment of the conditions set-out below:

- (i) the staff numbers have increased by a minimum of one member of staff and the total wage levels have increased by a minimum of the wage of one member of staff in the year of assessment preceding the end of the four year Investment period compared to the staff numbers and the total wage levels in the year of assessment prior to the year of assessment in which the subscription for Eligible Shares was made; or
- (ii) the amount of research and development expenditure incurred by the Qualifying Company in the year of assessment preceding the end of the four year Investment period exceeds the amount of research and development expenditure incurred by the Qualifying Company in the year of assessment prior to the issue of the Eligible Shares.

Both the first and second tranche of income tax relief shall not be given to the extent to which the amount or total Investment amount subscribed by an individual for Eligible Shares issued to the individual in any year of assessment exceeds €150,000. See “Limits on the Relief” on page 24.

### Basic Rules

Relief may only be claimed:

- by a Qualifying Investor;
- who subscribes for new Eligible Shares in a Qualifying Company;
- where those shares are issued for the purpose of raising money where that money was used, is being used or is intended to be used by the Qualifying Company as follows:
  - (i) for the purposes of carrying on Relevant Trading Activities which are being carried on or will be carried on within a specified period (normally two years) by such a Qualifying Company or by a qualifying subsidiary of a Qualifying Company,
  - or**
  - (ii) in the case of a company which has not commenced to trade, in incurring expenditure on research and development;
  - and**
  - (iii) the use of the money as set out in (i) and (ii) above will contribute directly to the creation or maintenance of employment in the company.

### Eligible Shares

Eligible Shares are new ordinary fully paid up shares

which throughout the holding period beginning with the date on which they are issued, carry no present or future preferential rights to dividends, to assets on a winding up, or to be redeemed. No relief shall be available to an Investor in relation to Eligible Shares where such shares are subject to any agreement, option or understanding which:

- (a) would or could require a person to purchase or otherwise acquire the Investor’s shares at a price other than a price equal to the market value of the shares at the time of purchase or acquisition; or
- (b) would or could require the Investor to dispose of his shares at a price other than a price equal to the market value of the shares at the time of the disposal.

It is the responsibility of the Investor to submit his/her own individual claim for income tax relief to the Revenue Commissioners.

### Qualifying Investor

An individual must not be connected with the Investee Company at any time in the period two years before or four years after the issue of the shares qualifying for relief.

The Manager will not knowingly invest monies forming part of the Fund in shares in a company with which any Investor is connected for the purposes of Section 492 of the TCA. As part of the Application Form, Investors must make a declaration disclosing any connections, as outlined below.

The main rules relating to “connection” with a company are that:

- (a) an individual or an associate of his must not be a partner of the company or an employee or director of the company other than one who receives payments only that are reasonable and necessary remuneration for services to the company;
- or**
- (b) he and his associates must not control the company or possess more than 30% in aggregate of the ordinary share capital or the aggregate of the loan capital and issued share capital or the voting power in the company (subject to certain relaxations for new and small companies).

For this purpose, an associate includes a partner and certain persons with whom the individual has connections through a trust. This does not include relatives.

### Qualifying Company

The Investee Company shall throughout the relevant period be an unquoted company which is resident in the State, or in a European Economic Area State other than the State provided it carries on business in the State through a branch or an agency.

The Qualifying Company must be a micro, small or medium-sized enterprise within the meaning of Annex 1 to Commission Regulation (EU) No. 651/2014 of 17 June 2014.

A Qualifying Company must also meet the requirements of paragraph 5 and 6 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 to comply with the EU's General Block Exemption Regulations on State Aid (GBER).

Paragraph 5 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 states that eligible undertakings shall be undertakings which at the time of the initial risk finance Investment are unlisted SME's and fulfil at least one of the following conditions:

- (a) They have not been operating in any market;
- (b) They have been operating in any market for less than 7 years following their first commercial sale;
- (c) They require an initial risk finance Investment which, based on a business plan prepared in view of entering a new product or geographical market, is higher than 50% of their average annual turnover in the preceding 5 years.

Paragraph 6 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 states that the risk finance aid may also cover follow-on Investments made in eligible undertakings, including after the seven year period mentioned in paragraph 5(b) (above), if the following cumulative conditions are fulfilled:

- (a) The total amount of risk finance mentioned in paragraph 9\* is not exceeded;
- (b) The possibility of follow-on Investments was foreseen in the original business plan;
- (c) The undertaking receiving follow-on Investments has not become linked, within the meaning of Article 3(3) of Annex I with another undertaking other than the financial intermediary or the independent private Investor providing risk finance under the measure, unless the new entity fulfils the conditions of the SME definition.

\*Paragraph 9 of Article 21 of Commission Regulation (EU) No. 651/2014 of 17 June 2014 states that the total amount of risk finance shall not exceed €15,000,000 per eligible undertaking under any risk finance measure.

A further condition is that to comply with the EU rules on the cumulation of State aids, a company that raised capital under the EII Scheme shall be obliged to reduce the maximum level of other State aids by 50% for companies located in non-assisted areas and by 20% for companies located in assisted areas.

The Qualifying Company shall not be a subsidiary of or be controlled by any other company. The Qualifying Company

may have subsidiaries itself but each must be carrying on a Relevant Trading Activity or the subsidiary's trade must consist of one or more of the purchase, sale or provision of services to or on behalf of the Qualifying Company. The Qualifying Company must hold at least 51% of the shares of the subsidiary and control it.

The Qualifying Company must exist wholly for the purpose of carrying on Relevant Trading Activities where those activities are principally carried on in the State and/or be a holding company of a subsidiary which carries on a Relevant Trading Activity. During the relevant period, the Company's share capital must be fully paid up.

The Company will cease to be a Qualifying Company if before the end of the relevant period a resolution is passed, or an order is made, for the winding up of the Company or the Company is dissolved without winding up other than for bona fide commercial reasons.

A company shall not be a Qualifying Company while the company is regarded as a firm in difficulty for the purposes of the Community Guidelines on State aid for rescuing and restructuring firms in difficulty.

The maximum EII Scheme Investment allowable in the lifetime of a Qualifying Company and its associates is €15,000,000 subject to a limit of €5,000,000 in any 12-month period.

### Relevant Trading Activities

Relevant Trading Activities are those activities carried on in the course of a trade the profits or gains of which are charged to tax under Case I of Schedule D, excluding activities related to the following:

- (a) adventures or concerns in the nature of trade;
- (b) dealing in commodities or futures or in shares, securities or other financial assets;
- (c) financing activities;
- (d) the provision of services, which would result in a close company (within the meaning of section 430) that provides those services being treated as a service company for the purposes of Section 441 if that close company had no other source of income;
- (e) dealing in or developing land;
- (f) the occupation of woodlands within the meaning of Section 232;
- (g) operating or managing hotels, guest houses, self catering accommodation or comparable establishments or managing property used as a hotel, guest house, self catering accommodation or comparable establishment, (except where the operating or managing of such hotels, guest houses, self catering accommodation or comparable establishments, or the managing of property used as a hotel, guest house, self catering

accommodation or comparable establishment is a tourist-traffic undertaking).

- (h) operations carried on in the coal industry or in the steel and shipbuilding sectors; and
- (i) the production of a film (within the meaning of section 481);

but including tourist traffic undertakings.

#### Claims for Relief

Claims may be made when the Relevant Trading Activity has been carried on by the Investee Company for at least four months and must be made within two years of that date or if later, two years from the end of the year of assessment in which the EII Scheme shares are issued or when the Qualifying Company expends not less than 30% of the money subscribed for the shares on research and development activities which are connected with and undertaken with a view to the carrying on of the Relevant Trading Activities.

A Qualifying Company must qualify for a Tax Clearance Certificate at the time the claim is made under the EII Scheme.

#### Limits on the Relief

The maximum Investment in **all** EII Scheme Investments in any one year which may qualify for income tax relief (in two tranches) is €150,000. The first tranche of income tax relief is available in either the tax year of subscription to the Fund (2017) or in the year in which the Fund makes its Investments (2018). In the case of a husband and wife, each is entitled to subscribe up to €150,000 to the extent that each spouse has sufficient taxable income in his or her own right. Unused amounts of relief may not be transferred between spouses. Relief under the EII Scheme is not given to an Investor for an Investment of less than €250 in one company in any tax year where the claimant invests directly.

Investors who invest in the Fund in excess of €150,000 in any one tax year may carry forward the income tax relief to the following year. Investors who have insufficient total taxable income to claim full income tax relief for their Investment in the year of issue may be allowed to claim relief for the balance of the Investment in the following years until 31 December 2020 subject to each Investor's particular tax circumstances.

#### Withdrawal/Withholding of Relief

The relief may be withdrawn if the conditions attached to the relief relating to the Investee Company cease to be satisfied within four years of the Investment being made or, if later, of the commencement of trading.

Relief may also be wholly or partly withdrawn if the Investor receives value from the Investee Company or

disposes of the shares within four years of subscribing for same. Value can be received from the Investee Company if, for example, it redeems shares or makes the Investor a loan or provides a benefit or facility to an Investor. Disposals between spouses, subject to the individual limitations applicable to each individual, will generally not result in a loss of relief. The receipt of reasonable and necessary remuneration and/or normal return on Investment does not constitute the "receipt of value" from the Investee Company.

Relief shall not be given where there exists an agreement, arrangement or understanding which could reasonably be considered to have eliminated the risk that the person owning the shares might at any time specified or any time thereafter, be unable to realise, directly or indirectly, in money or monies worth, an amount so specified or implied, other than a distribution in respect of those shares.

The second tranche of income tax relief (as detailed herein on page 21 under Income Tax Relief) shall not be given unless the conditions set-out are fulfilled by the Investee Companies.

There are additional rules whereby an Investor may suffer a withdrawal of some or all of the relief by reason of other non-qualifying shareholders receiving value from the company.

#### Capital Gains Tax and Income Tax

Generally, when shares are disposed of, the transaction falls to be taxable for the Investor under capital gains tax rules with any gain subject to the capital gains tax rate, currently 33%. However, in certain circumstances income tax treatment can apply and/or Revenue can seek to apply income tax treatment to the disposal of shares under a number of specific and general provisions of legislation. This would mean that any gain would be subject to the Investors marginal rate of income tax, USC and PRSI which based on current rates could be up to 55%.

Where capital gains tax treatment applies on the disposal of shares, the net cost of Investment, being the amount invested less tax relief received can be deducted from the proceeds in an arm's length sale in order to calculate the gain if any, for capital gains tax purposes. However, if the shares are disposed of at a loss, no allowable loss for capital gains tax purposes will be recognised. The responsibility for making capital gains tax returns rests entirely with the Investor.



Where income tax treatment applies, any excess amounts received by the Investor above the original Investment amount will be treated as a distribution. The company making the distribution will be obliged to operate Dividend Withholding Tax (“DWT”) currently at the rate of 20%. The Investor will be chargeable to income tax on the distribution under Schedule F at the Investor’s marginal rate of income tax, USC and PRSI which based on current rates could be up to 55% but should receive a credit for the DWT withheld\*. The responsibility for making income tax returns rest entirely with the Investor.

For the purpose of illustration (please see Appendix I), it is assumed that capital gains tax treatment will apply.

\*No income tax deduction will be available for the fees associated with acquisition or disposal of the Investment, being fundraising and realisation fees.

### Tax Avoidance

Income Tax relief is not available unless shares are subscribed for and issued for bona fide commercial purposes and not as part of a scheme or arrangement, the main purpose, or one of the main purposes of which, is the avoidance of tax. Investments in shares which are subject to any agreement, arrangement or understanding which could eliminate the risk for the Investors do not qualify for relief.

**WARNING: This information is based on our understanding of current tax legislation and the current Revenue Commissioners’ interpretation thereof and is subject to change including retrospectively without notice.**

## COMPLAINTS

If an Investor is dissatisfied at any time with the service received from the Manager, he/she should not hesitate to make this known to us. We have an internal complaints procedure, the details of which are set out in the Manager’s Terms of Business, and will deal with your complaint promptly. Please address your correspondence to BES Management DAC, 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2. If you are not satisfied with the outcome of our review of your complaint, you are entitled to refer your unresolved complaint to the Financial Services Ombudsman (FSO). The FSO is a statutory officer who deals independently with unresolved complaints from consumers about their individual dealings with financial services providers. It is a free service to the complainant. Further details relating to the FSO, including how to make a complaint, are available at [www.financialombudsman.ie](http://www.financialombudsman.ie), by telephone on Lo-Call Number: 1890 88 20 90, or by writing to the Financial Services Ombudsman, 3rd Floor, Lincoln House, Lincoln Place, Dublin 2.

## APPENDIX I

### ILLUSTRATIVE EXAMPLES OF SIMULATED RETURN CALCULATIONS

The following examples illustrate possible return scenarios on an Investment under the EII Scheme. They are for illustrative purposes only and are not intended to indicate a likely or probable return on this Investment. The examples assume:

- An Investment of €100,000 in the Fund which is invested at the end of 2018 and subsequently disposed of at the end of 2022. In Example 1 it is assumed that the Investment is disposed of at a value of €110,000, before the exit fee of 1.5%. In Example 2 it is assumed that the Investment is disposed of at a value of €90,000, before the exit fee of 1.5%. The amount realised on disposal could be higher or lower than these amounts.
- The Investor is an individual with at least €100,000 of income taxable at the higher rate of 40% \*\* in the tax year ended 31 December 2017 which is when it is assumed the first tranche of income tax relief is claimed, and in the tax year ended 31 December 2023, which is when it is assumed the second tranche of income tax relief is claimed.
- All of the Investee Companies will satisfy the conditions in relation to employment levels or expenditure on research and development (as detailed herein on page 21 under the section headed "The Relief") to facilitate Investors claiming the full second tranche of income tax relief.
- Chargeable gains are subject to capital gains tax at 33% and the Investor has available the full amount of the €1,270 capital gains tax exemption for an individual. Please note income tax may apply as detailed under 'Capital Gains Tax and Income Tax' on page 24 herein.

#### Example 1: Illustrative Return on Investment Demonstrating a Capital Gain Scenario

	€
Illustrative Sale Proceeds (net*)	108,350
Net Cost of Investment (see (A) below)	<u>(63,000)</u>
Gross Gain	45,350
Capital Gains Tax (see (B) below)	<u>(1,346)</u>
Net Gain	<u>44,004</u>

#### Illustrative Annual Compound Return on Net Initial Investment 9.73%

(A) Net Cost of Investment		€	(B) Capital Gains Tax		€
Amount Invested	100,000		Sale Proceeds (net*)	108,350	
Once-off Fee at 3%	<u>3,000</u>		Cost of Investment	<u>(103,000)</u>	
	103,000		Capital Gain	5,350	
Less First Tranche of EII			Capital Gains Tax Exemption	(1,270)	
Scheme income tax relief	(30,000)		Chargeable Gain	<u>4,080</u>	
Less Second Tranche of EII Scheme			Capital Gains Tax @ 33%	<u>1,346</u>	
income tax relief **	<u>(10,000)</u>				
Net Cost of Investment	<u>63,000</u>				

\* Net of exit fee of 1.5% as detailed herein on page 15 under Investor Fees.

\*\* Subject to conditions in relation to employment levels or expenditure on research and development being fulfilled by all of the Investee Companies and assuming no change in the current higher rate of income tax.

**WARNING: These figures are estimates only. They are not a reliable guide to the future performance of this Investment.**

**Example 2: Illustrative Return on Investment Demonstrating a Capital Loss Scenario**

	€
Illustrative Sale Proceeds (net*)	88,650
Net Cost of Investment (see (A) below)	<u>(63,000)</u>
Gross Gain	25,650
Capital Gains Tax***	0
Net Gain	<u>25,650</u>

**Illustrative Annual Compound Return on Net Cost of Investment** **6.1%**

<b>(A) Net Cost of Investment</b>	<b>€</b>
Amount Invested	100,000
Once-off Fee at 3%	3,000
	<u>103,000</u>
Less First Tranche of EII Scheme Income	
Income Tax Relief	(30,000)
Less Second Tranche of EII Scheme	
Income Tax Relief **	(10,000)
Net Cost of Investment	<u>63,000</u>

\* Net of exit fee of 1.5% as detailed herein on page 15 under Investor Fees.

\*\* Subject to conditions in relation to employment levels or expenditure on research and development being fulfilled by all of the Investee Companies and assuming no change in the current higher rate of income tax.

\*\*\* There is no capital gains tax in this scenario due to the sales proceeds being less than the original amount invested, capital loss is not available for offset against other chargeable gains.

**WARNING: These figures are estimates only.  
They are not a reliable guide to the future performance of this Investment.**

**WARNING: The above examples are shown for the purpose of illustration only.  
The actual return on an Investment in the Fund depends on a number of factors including but not limited to the quantum and timing of income tax relief obtained, the growth or loss on the Fund's Investments and income, if any.**

**WARNING: If you invest in this Fund you will not be able to cash in your Investment and you will not have any access to your money for at least four years from the date the Fund makes its Investments.**

**WARNING: If you invest in this Fund you may lose some or all of the money you invest.**

**WARNING: This information is based on our understanding of current tax legislation and the current Revenue Commissioners' interpretation thereof and is subject to change including retrospectively without notice.**

**WARNING: These illustrations are intended as a general guide only and are not a substitute for individual tax or Investment advice.  
Prospective Investors should seek competent professional tax and Investment advice specific to their circumstances prior to investing. Investors are responsible for establishing their entitlement to participate in this Investment and for making their own income tax relief claims.**

## APPENDIX II

### AMOUNT TO BE SUBMITTED ON APPLICATION

Investment Amount €	3% Fundraising Fee €	Subscription Amount Required €
5,000	150	5,150
10,000	300	10,300
15,000	450	15,450
20,000	600	20,600
25,000	750	25,750
30,000	900	30,900
35,000	1,050	36,050
40,000	1,200	41,200
45,000	1,350	46,350
50,000	1,500	51,500
55,000	1,650	56,650
60,000	1,800	61,800
65,000	1,950	66,950
70,000	2,100	72,100
75,000	2,250	77,250
80,000	2,400	82,400
85,000	2,550	87,550
90,000	2,700	92,700
95,000	2,850	97,850
100,000	3,000	103,000
105,000	3,150	108,150
110,000	3,300	113,300
115,000	3,450	118,450
120,000	3,600	123,600
125,000	3,750	128,750
130,000	3,900	133,900
135,000	4,050	139,050
140,000	4,200	144,200
145,000	4,350	149,350
150,000	4,500	154,500

The minimum Investment amount is **€5,000** and Investments thereafter may only be made in multiples of **€1,000** to a maximum Investment amount of **€150,000**, all exclusive of fundraising fees. The above table is an illustration of the fundraising fee payable on each Investment and the Subscription amount required using multiples of **€5,000**.

Please note that the maximum total Investment in all EII Scheme Investments in any one year which may qualify for income tax relief (in two tranches) is €150,000. The first tranche of income tax relief is available for either the tax year of subscription to the Fund ending 31 December 2017 or for the tax year of Investment by the Fund ending 31 December 2018. The second tranche of income tax relief is available for the year of assessment following the end of the four year Investment period, subject to the fulfilment of conditions set out under “The Relief” on page 21.

All cheques must be made payable to **First Names Trust Company (Ireland) Limited a/c The Davy EII Tax Relief Fund 2017** and drawn on the applicant's personal bank account.

## APPENDIX III - APPLICATION FORM 2017

### THE DAVY EII TAX RELIEF FUND 2017

Applications to participate in the Fund shall be considered only on the terms and conditions of the Memorandum dated **20 October 2017** and must be made on the Application Form contained in the Memorandum. Any agreement purporting to amend or exclude or partly exclude the application of any term or condition of the Memorandum shall be void, save for an amendment or alteration approved by the Minister for Jobs, Enterprise and Innovation under Section 5 of the Designated Investment Funds Act 1985. All expressions defined in the Memorandum shall bear the same meanings in this Application Form.

The Manager reserves the right to arrange to have all cheques presented for payment on receipt, to accept in part only or to reject any application, and to withhold allotments and/or remittances for surplus application monies pending clearance of the applicants' cheques. Joint applications cannot be accepted. The application list will open on 20 October 2017 and close on 31 December 2017 (the "Closing Date"). Applications to participate in the Fund should be received by BES Management DAC c/o Davy no later than 31 December 2017 but the Applicant should note that applications shall be accepted in order of receipt and the Manager reserves the right to close the application list at any time and at any balance before 31 December 2017. This Application Form duly completed should be sent to BES Management DAC at the address below as soon as possible and in any event by no later than 5pm on the Closing Date. It should be accompanied by appropriate cheques, drawn on the applicant's personal bank account or bank drafts made payable to First Names Trust Company (Ireland) Limited a/c The Davy EII Tax Relief Fund 2017, or whereby applicable the Debit Instruction Form. Once lodged, this Application Form shall be irrevocable and cannot be withdrawn.

#### Data Protection Disclosure

The Manager and its Associates fully respect your right to privacy, and any personal information relating to you will be treated in accordance with the Data Protection Acts 1988 & 2003 (and any amending or substituting legislation) as well as our own principles regarding client confidentiality. We will take all reasonable steps to ensure that persons employed by us are aware of and comply with such legislation and with our policies in relation to Data Protection. We use your personal information only for the purpose for which you provide it, which we understand to include the following: to provide you with information in relation to an Investment in the Fund, to make you aware of our products and services, and for added purposes described in the Terms of Business. In certain circumstances, we may be obliged to disclose personal information relating to you to third parties without notice to you, for example, in order to conform to a legal or regulatory requirement; to comply with a legal process; to carry out our duties under our Terms of Business; or to assert, protect or defend our rights of property or your rights. Other than as provided above, we will not put your personal data to any use other than that for which it was provided, without your prior written consent. If you decide at any time that you no longer wish us to hold or use personal information relating to you, or if the information we hold is or becomes inaccurate, please notify us in writing, and we will remove or rectify the information, within a reasonable time. You are also entitled to access information that we hold relating to you and can do so by applying to us in writing. We reserve the right to charge a reasonable administration fee (not to exceed €6.35) for each access request. We are entitled to take reasonable steps to establish your identity in relation to any amendment, access or deletion request and may, at our discretion, require proof of identity or other documents. If you place an instruction through Davy, Davy is required by regulation to record telephone calls and Davy retains telephone records for a period of not less than one month. Other data will be retained for no longer than necessary for the purpose for which it is provided and as required to satisfy regulatory requirements. We retain client transaction records for a period of six years.

To: **BES Management DAC, c/o Davy, Davy House, 49 Dawson Street, Dublin 2.**

BES Management DAC. is regulated by the Central Bank of Ireland. BES Management DAC. is a joint venture company owned by Davy and BDO. J&E Davy, trading as Davy, is regulated by the Central Bank of Ireland. Davy is a member of the Irish Stock Exchange and the London Stock Exchange. BDO is authorised to carry on Investment business in the Republic of Ireland by the Institute of Chartered Accountants in Ireland.

**1a.** I wish to subscribe the sum of €..... being my Investment in the Fund on the terms and conditions of the Memorandum and I enclose a personal cheque/draft/Debit Instruction Form for €..... including a fee due of €..... (see Appendix II).

**Please note that the maximum total Investment in all EII Scheme Investments in any one year which may qualify for income tax relief (in two tranches) is €150,000.**

**The first tranche of income tax relief is available in either the tax year of subscription to the Fund (2017) or in the year in which the Fund makes its Investments (2018).**

Signature .....

Dated ..... 2017

Tel ..... Email .....

Name ..... (Block Capitals)

Home Address ..... (Block Capitals)

Tax District ..... Tax Reference PPS No. ....

Agent ..... Address .....

If you are an **existing Davy client**, please state your client account reference (if known)

**1b.** If you are an **existing Davy client** and would prefer to Debit your Davy personal client account please tick the box below:

Debit my Davy personal client account: Yes  No  If you ticked 'Yes' please complete instruction form on **Appendix IV.**

**Please indicate your source AND amount of funds:**

This refers to the funds provided for this investment

<b>SOURCE</b>	Please tick appropriate boxes	<b>AMOUNT</b>	Please tick one box
Salary/Bonus	<input type="checkbox"/>	Less than €25,000	<input type="checkbox"/>
Inheritance	<input type="checkbox"/>	€25,000 to €65,000	<input type="checkbox"/>
Savings	<input type="checkbox"/>	€65,000 to €125,000	<input type="checkbox"/>
Redundancy	<input type="checkbox"/>	Greater than €125,000	<input type="checkbox"/>
Sale of shares	<input type="checkbox"/>		
Transfer of shares / share cert	<input type="checkbox"/>		
Other (please specify)	<input type="checkbox"/>		

**Please indicate your source of wealth:**

This refers to how you accumulated your total net worth. For example, your source of funds for this investment may be as a result of a sale of shares whereas your total net worth may have been accumulated as a result of your occupation, i.e. Salary / Bonus.

<b>SOURCE</b>	Please tick appropriate box(es)		
Salary/Bonus	<input type="checkbox"/>	Redundancy	<input type="checkbox"/>
Inheritance	<input type="checkbox"/>	Sale of shares	<input type="checkbox"/>
Savings	<input type="checkbox"/>	Transfer of stock / share cert	<input type="checkbox"/>
Investments that have matured	<input type="checkbox"/>	Greater than €125,000	<input type="checkbox"/>
		Other (please specify)	<input type="checkbox"/>

In order to comply with the Foreign Account Tax Compliance Act (FATCA) requirements, please confirm if you are a US citizen Yes  No

In order to comply with the Common Reporting Standard (CRS) requirements, please confirm if you are a Non-Resident Investor Yes  No

We may use your details to provide you with information in relation to future **EII Scheme Funds we make available.**

However, if you do not wish to receive such information, please tick the box.

**1c.** I understand that for the purposes of compliance with the provisions of the Criminal Justice (Money Laundering and Terrorist Financing) Act 2010, the Manager is required to establish and verify the identity of Investors. **I enclose a certified copy\* of my passport / drivers licence or copies of two forms of identification (e.g. passport and drivers licence) both of which must be in date and valid and two forms of proof of address dated in the last six months e.g. either a recent utility bill (electricity / gas / telephone / mobile) or a bank statement in my name at the address provided.** I understand that these will be retained by BES Management DAC to fulfil its obligations under Anti Money Laundering legislation. I understand that if I do not provide the anti-money laundering documentation as described above, my application will be rejected and returned to me.

**\*certified copy i.e. a copy which has been signed, stamped and dated by a Solicitor, Commissioner for Oaths, Accountant or Bank Manager as evidence that the photocopy supplied is a true copy of the original.**

2. I hereby irrevocably agree and undertake to provide the Manager with such information regarding my application as it may in its sole discretion require.
3. I hereby accept and agree that my Subscription amount may be returned in part or in full at any time at the discretion of the Manager.
4. I hereby accept and agree that if I do not comply fully with the Procedure for and Conditions of Application as set out on page 20 herein, fully complete the Application Form and provide all the required information my application will be rejected and returned to me.
5. I hereby irrevocably agree and accept any amendments arising in relation to the EII Scheme legislation from the contents of the Irish budget that may be introduced by the Finance Bill 2018 or the Finance Bill 2019.
6. I confirm that I have read and understand the Memorandum and the Application Form and I hereby agree to observe, perform and be bound by all the provisions and conditions of the Memorandum and this Application Form and declare that I am fully aware of the risks entailed in investing in the Fund and in particular the risk that the Investments made by the Manager could entail a complete loss of my Subscription.

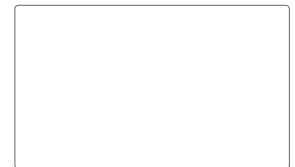
7. I enclose a cheque/banker's draft, made payable to First Names Trust Company (Ireland) Limited a/c The Davy EII Tax Relief Fund 2017 or a Debit Instruction Form for the above mentioned sum, being the amount payable, in full on application for investing in the Fund. I also agree to accept the same or any lesser number of units in the Fund in respect of which the application may be accepted.
8. I hereby irrevocably authorise the Manager to enter into any agreements, do all such things as are necessary in connection with the management of the Fund as are set out in the Memorandum without further reference to me and notwithstanding any rights or entitlements which I may possess in respect of any shares in Qualifying Companies acquired by the Trustee at the direction of the Manager and in respect of which I shall be the beneficial owner pursuant to the provisions of the Trust Deed and in particular (without prejudice to the generality of the foregoing) I hereby irrevocably and unconditionally authorise the Manager in its absolute discretion in each case and without further reference to me:
  - (a) to invest the Investment monies in Qualifying Companies under the provisions of the EII Scheme and the EU's General Block Exemption Regulations on State Aid (GBER);
  - (b) to act on my behalf for a minimum period of four years from the date the Fund makes its Investments or until all Investments made by the Fund have been realised, while recognising that, at all times, Investors retain beneficial ownership of the shares subscribed for in the Investee Companies;
  - (c) to direct the exercise by the Trustee of all voting and other rights in connection with Investments made or held on my behalf under the Fund;
  - (d) to receive and deal with all distributions and dividends paid on Investments in accordance with the provisions of the Trust Deed;
  - (e) to arrange for the sale or disposal of any Investment in whole or in part as the Manager may decide;
  - (f) to agree to any transactions or arrangements (including without limitation arrangements for exchange, amalgamation or reconstruction) and to take or refrain from taking any action whatsoever and make any decisions in respect of the shares of Investee Companies;
  - (g) to draw on any monies subscribed by or due to me under the Fund to satisfy the Manager's and Trustee's fees and expenses up to a maximum of 1.5% of the total amount realised as set out in the Memorandum or the Trust Deed; and
  - (h) to place monies on deposit with any licensed bank or authorised building society, pursuant to the Trust Deed.
9. I hereby accept and agree that, subject to compliance by the Manager and the Trustee with their expressed obligations contained in the Trust Deed, under no circumstances whatsoever shall I be entitled to hold the Manager or the Trustee liable for any default, act or omission by the Manager or the Trustee or the failure or loss of any nature or kind of the Fund, except in relation to bad faith or gross negligence. I acknowledge that the proposed Investments may not proceed and in such event, I acknowledge that I have no claim against directors of Davy, BDO or the Manager or their shareholders, directors, officers, agents, employees, advisors or any associated entities of Davy, BDO, the Manager or the Trustee, nor shall I be entitled to hold the Trustee liable for any default, act or omission of the Manager.
10. I am an Irish resident for tax purposes and have qualifying income against which relief can be claimed. The tax information contained herein is as at 2017 and is subject to changes arising from Budget 2018, and may be subject to change without notice or retrospectively.
11. I set out hereunder and/or attach a complete list of all companies with which I am connected within the meaning of Section 492 of the TCA. I undertake to notify the Manager of any additional companies with which I may become connected prior to any connection arising for as long as I am an Investor of the Fund.

**Company Name and Address**

1. ....
2. ....

**Applications must be returned to:**

**BES Management DAC**  
**Tel: 01-6149000**  
**C/o Davy**  
**Davy House**  
**49 Dawson Street**  
**Dublin 2**



If you are applying through an intermediary or as a result of an introduction by an intermediary, the Manager may pay commission to your intermediary. Details of any commission paid in respect of your application are available on request.





## APPENDIX IV – DEBIT INSTRUCTION FORM 2017

### For Davy clients only – Debit Instruction

Please complete the appropriate section depending on whether your Davy personal client account is a sole or joint account.

#### 1. Davy Personal Client Account in Sole name

I wish to subscribe the sum of € ..... being my Investment in the Fund on the terms and conditions of the Memorandum.

Davy Personal Client Account reference:

Please Debit my Davy Personal Client Account reference: for the total amount of € ..... including a fee due of € ..... (see Appendix II).

Please note that the maximum total Investment in all EII Scheme Investments in any one year which may qualify for income tax relief (in two tranches) is €150,000. The first tranche of income tax relief is available in either the tax year of subscription to the Fund (2017) or in the year in which the Fund makes its Investments (2018).

Signature .....

Dated ..... 2017

Tel ..... Email .....

Name ..... (Block Capitals)

Home Address ..... (Block Capitals)

Tax District ..... Tax Reference PPS No. ....

Agent ..... Address .....

#### 2. Davy Personal Client Account in Joint names

I wish to subscribe the sum of € ..... being my investment in the Fund on the terms and conditions of the Memorandum.

Davy Personal Client Account reference:

Please Debit my Davy Personal Client Account reference: for the total amount of € ..... including a fee due of € ..... (see Appendix II).

Please note that the maximum total Investment in all EII Scheme Investments in any one year which may qualify for income tax relief (in two tranches) is €150,000. The first tranche of income tax relief is available in either the tax year of subscription to the Fund (2017) or in the year in which the Fund makes its Investments (2018).

Signature .....

Dated ..... 2017

Tel ..... Email .....

Name ..... (Block Capitals)

Home Address ..... (Block Capitals)

Tax District ..... Tax Reference PPS No. ....

Agent ..... Address .....

#### Joint account Holder signature

I confirm my Davy Personal Client Account referenced below held in joint names with: ..... can be debited for € .....

including a fee due of € ..... (see Appendix II).

Davy Personal Client Account reference:

Signature .....

Dated ..... 2017

Tel ..... Email .....

Name ..... (Block Capitals)

Home Address ..... (Block Capitals)



## DISCLAIMER

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This Memorandum has been issued by BES Management DAC (the “**Manager**”), a joint venture company owned by J&E Davy trading as Davy, (“**Davy**”) with a registered office at 49 Dawson Street, Dublin 2, and BDO with a registered office at 5th Floor, Beaux Lane House, Mercer Street Lower, Dublin 2 and is being delivered to parties who have expressed an interest in investing in the Davy EII Tax Relief Fund 2017 (the “**Fund**”). The information contained herein does not purport to be comprehensive and is strictly for information purposes only. This Memorandum does not constitute an offer and shall not form the basis of any contract between the Manager and any prospective Investor.

Prospective Investors are advised to make their own independent commercial assessment of the information contained herein and obtain independent professional advice (including inter alia legal, financial and tax advice) suitable to their own individual circumstances, before making an Investment decision, and only make such decisions on the basis of their own objectives, experience and resources, attitude to and capacity for Investment risk. Interested parties are not entitled to rely on any information or opinions contained in this document or the fact of its distribution for the purpose of making any Investment decision or entering into any contract or agreement with Davy, BDO or BES Management DAC in relation to the Investment in the Fund.

Tax information contained herein is based on the Manager’s current understanding of the tax legislation in Ireland and the Revenue Commissioners’ interpretation thereof. This information is provided by way of general guidance only and purports to be neither exhaustive nor definitive and is subject to change without notice. It is not a substitute for professional advice. You should consult your tax advisor about the rules that apply in your individual circumstances. This Investment is not suitable for UK residents.

While reasonable care has been taken by the Manager, Davy and BDO in the preparation of this Memorandum, no warranties or representations, expressed or implied, are or will be given by the Manager, Davy or BDO or their shareholders, directors, officers, agents, employees, advisors or any associated entities as to the accuracy, fairness or completeness of any information contained in this Memorandum or any other written or oral information or opinions provided now or in the future to any prospective Investors or their advisors and so far as permitted by law and except in the case of fraud by the party concerned, no responsibility or liability is accepted for the accuracy or sufficiency thereof, or for any errors, omissions or misstatements, negligent or otherwise, relating thereto. Further, the Manager, Davy or BDO or any of their shareholders, directors, officers, agents, employees, advisors or any associated entities shall not be responsible or liable for any costs, losses or expenses incurred by prospective Investors in connection with the Fund.

An Investment in the Fund should only be considered by Investors who are able to bear the economic risks of their Investment for a medium to long term period of time and who can afford to sustain a total loss of their Investment.

The Manager, Davy and BDO give no undertaking to provide a prospective Investor with access to any additional information or to update this Memorandum or any additional information, or to correct any inaccuracies in it which may become apparent. The Manager, Davy and BDO reserve the right, without giving reason, at any time and in any respect, to amend or terminate the procedure for investing in the Fund or to terminate negotiations with any prospective Investor. The issue of this Memorandum shall not be deemed to be any form of commitment on the part of the Manager, Davy or BDO to proceed with any transaction with any prospective Investor or any other party.

This Memorandum has been made available on the express understanding that any written information contained herein or otherwise made available will be kept strictly confidential and is only directed to the parties to whom it is addressed.

This document must not be copied, reproduced, distributed or passed to others at any time without the prior written consent of the Manager, Davy and BDO.

No part of this document is to be reproduced without our written permission. This publication is solely for information purposes and does not constitute an offer or solicitation to buy or sell securities. This document has been prepared and issued by the Manager, Davy and BDO on the basis of publicly available information, internally developed data and other sources believed to be reliable.

We or any of our connected or affiliated companies or their employees may have provided within the last 12 months, significant advice or Investment services in relation to any of the Investments or Investee Companies referred to in this document.

The Davy conflicts of interest management policy is available at [www.davy.ie](http://www.davy.ie)



Davy House  
49 Dawson Street  
Dublin 2  
E: [davysselect@davy.ie](mailto:davysselect@davy.ie)  
T: 01 614 9000  
W: [www.davy.ie](http://www.davy.ie)

Beaux Lane House  
Mercer Street Lower  
Dublin 2  
E: [besinfo@bes.ie](mailto:besinfo@bes.ie)  
T: 01 470 0455  
W: [www.bdo.ie](http://www.bdo.ie)

[www.bes.ie](http://www.bes.ie)

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BES Management DAC. is regulated by the Central Bank of Ireland.

BES Management DAC. is a joint venture company owned by Davy and BDO. J&E Davy, trading as Davy, is regulated by the Central Bank of Ireland. Davy is a member of the Irish Stock Exchange and the London Stock Exchange. BDO is authorised to carry on Investment business in the Republic of Ireland by the Institute of Chartered Accountants in Ireland.

This Investment may not be suitable for all Investors. You should consult your tax advisor about the rules that apply in your individual circumstances prior to Investment. **WARNING:** This is a medium to long-term Investment and there is no early exit mechanism. The value of your Investment may go down as well as up. Investors can lose some or all of their amount invested. Other risks and terms & conditions apply.