



Downing 

# Downing AIM Estate Planning Service and Downing AIM ISA

Terms & Conditions

October 2021

# Important notice

These Terms contain information relating to an investment made through the Downing AIM Estate Planning Service and/or the Downing AIM ISA (the "Service"). An investment may only be made on the basis of these Terms (in particular, the Investor Agreement), the relevant Brochure and the relevant Application Form.

An investment through the Service will not be appropriate for all recipients of these Terms. If you are in any doubt about the content of these Terms and/or any action that you should take, you are strongly recommended to seek advice immediately from an independent financial adviser authorised under the Financial Services and Markets Act 2000 ("FSMA") who specialises in advising on opportunities of this type. Nothing in these Terms constitutes investment, tax, legal or other advice by Downing LLP ("Downing" or "Manager") and your attention is drawn to the section headed "Risk factors" on pages 8-10.

These Terms, the relevant Brochure and the relevant Application Form, which are applicable for the Downing AIM Estate Planning Service or the Downing AIM ISA, constitute a financial promotion pursuant to section 21 of the FSMA and are issued by Downing LLP, of St Magnus House, 3 Lower Thames Street, London EC3R 6HD which is authorised and regulated by the Financial Conduct Authority in the United Kingdom. Such documents do not constitute an offer to provide the Service in any state, country or other jurisdiction where, or to any person or entity whom, such an offer or sale would be prohibited.

Any references to tax laws or levels in the Terms are subject to change and personal circumstances. Past performance is not a guide to future performance and may not be repeated. The value of Shares can go down as well as up and you may not get back the full amount invested. You should consider an investment made through the Service as a medium to long term investment. Investments made through the Service may be illiquid.

Applicants should note that the taxation effects referred to in these Terms generally assume that investors are UK resident and UK domiciled individuals who, on death, expect to have taxable estates worth significantly more than £325,000.

No person has been authorised to give any information, or to make any representation, concerning the Services other than the information contained in these Terms, the specific Brochure or specific Application Form and, if given or made, such information or representation must not be relied upon.

Downing has taken all reasonable care to ensure that the facts stated in these Terms are true and accurate in all material respects and that there are no other material facts whose omission would make any statement of fact or opinion in these Terms misleading. All statements of opinion or belief contained in these Terms and all views expressed and statements made regarding future events represent Downing's own assessment and interpretation of information available to it as at the date of these Terms. No representation is made or assurances given that such statements or views are correct or that the objectives of the Service will be achieved. Prospective Investors must determine for themselves what reliance (if any) they should place on such statements, views or objectives, and no responsibility is accepted by Downing in respect thereof.

**If you have any questions, please call us on 020 7416 7780. Please note, telephone calls may be recorded for monitoring purposes.**

**For UK investors only.  
Information correct as at 1 October 2021.**

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## How to Apply

- › Read these Terms, the Brochure and the Application Form, which are applicable for the specific AIM inheritance tax service you have selected.
- › Discuss the opportunity with your Intermediary.
- › Complete and send your application and Subscription to: Downing LLP, St Magnus House, 3 Lower Thames Street, London EC3R 6HD or send a copy of your signed Application Form to the email address below.

## If you have any questions, please contact us

Telephone: 020 7416 7780

Email: [customer@downing.co.uk](mailto:customer@downing.co.uk)

Web: [www.downing.co.uk](http://www.downing.co.uk)

# The Service

## Who may this Service be appropriate for?

This opportunity may be appropriate for Investors with the following characteristics:

- › High net worth and sophisticated investors who are UK residents or investors who are receiving advice; and
- › UK residents who are seeking to shelter assets from inheritance tax.

## Investment amounts

The minimum individual Subscription through the Service is £20,000. We anticipate that each Portfolio will be invested within eight weeks of receipt of a completed and accepted Application Form and cleared funds (please note that this cannot be guaranteed). There is no restriction on the maximum Subscription by an individual.

For Investors looking to invest in the ISA there is no limit to the transfer value of existing ISAs but for new lump sum payments Investors will be restricted by the maximum ISA annual allowance in the relevant tax year.

## Service structure

When Investors make an investment through the Service, they appoint the Manager to make investments in IHT Companies on a discretionary basis. The Service is based on an agreement between the Manager and each Investor, on the Terms set out in the Investor Agreement in these Terms.

The Manager will seek to make investments into 25-40 companies that are quoted on AIM and which qualify for Business Relief.

The Shares will be held in the name of the Nominee acting as Nominee for the Investors. The Investors are the beneficial owners of the Shares. The Manager will be responsible for discretionary decisions in relation to the selection of, and the exercise of rights in relation to, investments made, but the Investors retain beneficial ownership of the Shares.

Please refer to page 5 for more details on the Investment Objectives and Restrictions.

## Life of the Service

In order to obtain relief from IHT, Shares must be held on death and must have been held for a minimum period of two years.

## Exit opportunities, distributions and Withdrawals

Investors may withdraw funds from the Service at any time.

It is anticipated that Withdrawals will usually be satisfied within 15 working days of Downing's receipt of an Investor's written request, although this is not guaranteed. In the case of large Withdrawals the timescale may be extended.

There are no exit charges or penalties on redemptions. For Investors who have opted for the non-ISA, Downing AIM Estate Planning Service, then any gains on the redemption of Shares from the Service may be subject to capital gains tax. Also, some of the underlying companies may pay dividends, which could be liable to income tax.

Any amount drawn from an Investor's Portfolio prior to death will not be eligible for Business Relief and may be subject to IHT in the normal way.

Investors should bear in mind that their Portfolio will be invested in companies which may have limited liquidity and it may be difficult to accommodate large orders for sales or purchases of underlying investments.

# Operations of the Service

## Client account

Investors' Subscriptions will be held in the Custodian's aggregated client account prior to investment in IHT Companies on behalf of the Investor and following the realisation of investments in IHT Companies, prior to the reinvestment into other IHT Companies or distribution of proceeds to Investors or beneficiaries, where applicable. Any interest arising on cash held for an Investor in the client account is retained by the Manager or Custodian (and is not applied for the benefit of the Investor's Portfolio).

## Death of an Investor

Should an Investor die before his or her Subscription is fully invested, all uninvested sums will be repaid by the Manager upon receipt of notice from the Investor's personal representatives.

## Investment in selected companies

When the Manager has selected a suitable IHT Company, and appropriate Terms & Conditions have been negotiated, it will purchase Shares in the IHT Company on behalf of Investors.

All documents of title for investments will be held by the Nominee.

Shares will typically be held in registered form in the name of the Nominee on behalf of the Investor. Any dividends received by the Custodian or the Nominee from IHT Companies will be reinvested by the Manager or held in the client account to pay ongoing fees.

## Documentation and communication

The Manager will provide each Investor a quarterly valuation statement containing details of all investments in their Portfolio.

In line with current regulations our default option for client communication is via a durable electronic medium. Investors will be able to view their investment Portfolio online using the web-based access provided by the Custodian.

Annual tax letters will be sent to Investors within three months of the end of each tax year.

## Investment Objectives

The Investment Objectives for the Services are to seek investments in IHT Companies that:

- a. are listed on the Alternative Investment Market and carry out a Business Relief qualifying trade, which will enable the Investor to benefit from IHT Relief, if their investment is held for at least two years and at the date of death;
- b. have a strategy which the Manager believes can generate sustainable growth over the medium and long term;
- c. are in a typical Portfolio of 25 to 40 underlying businesses, to provide diversification in order to reduce risk to the investor; and,
- d. have taken into account Environmental, Social and Governance (ESG) factors in their business model.

Investors should note that the Service achieving any or all of these Investment Objectives is not guaranteed and Investors should consider the risk factors set out in this document, before making any decision to invest in the Service.

## Investment Restrictions

Investments in IHT Companies are high risk and the Manager will exercise its discretion in the operation of the Service in line with the Investment Objectives and the Investment Restrictions in accordance with this Agreement.

The Service will seek to invest in accordance with the Manager's Responsible Investment Policy that places Environmental, Social and Governance (ESG) criteria at the heart of their activities.

## The Custodian

By completing the Application Form, prospective Investors will, inter alia, be deemed to have irrevocably agreed to the Custodian being appointed to exercise the powers, and to carry out duties, on behalf of the Investors in accordance with the provisions of this paragraph, which are as follows:

### (a) Function

The function of the Custodian will be to exercise the powers and duties which are conferred upon it by the Terms of these Terms (including this paragraph).

### (b) Restrictions on transfer

- i. The Custodian shall not be obliged to recognise the title of any person in whom an interest in Shares in any IHT Company shall have become vested unless a properly validated notice or evidence of that person's entitlement shall have been provided to the Custodian by the Manager.
- ii. The Custodian shall not be obliged to recognise any transfer or assignment of an interest in the Shares to any person unless such person shall have first agreed to enter into a transfer or assignment in a form approved by the Manager which shall incorporate an undertaking that such person will be bound by the Terms.

### (c) Custodian's obligations and powers

- i. Cheques will be banked in one or more of the Custodian's FCA approved designated client money bank accounts held by the Custodian on behalf of the Investor.
- ii. The Custodian will make payments from these client money bank accounts in accordance with instructions received from the Manager upon the purchase and delivery of securities by the Manager. It is the responsibility of the Manager, not the Custodian, to ensure that appropriate investments are made.
- iii. All securities will be registered in the name of the Custodian and (where issued in physical form) will be physically delivered by the Manager or its agent to the Custodian.
- iv. The Custodian will hold the securities for safe keeping in its safe or may, at its discretion, place them in the vault of an FCA authorised UK bank, held to the order of the Custodian.

- v. The Custodian will upon receipt of instructions from the Manager, together with simultaneous or advanced receipt of sale proceeds, deliver securities in accordance with the instructions of the Manager.
- vi. In order to safeguard an Investor's assets, the Custodian will not deliver cash without receipt of securities, or securities without receipt of cash, to any third party including the Manager. The Custodian may at its sole discretion agree to place the securities with an approved firm of solicitors in the United Kingdom, held to the order of the Custodian, pending receipt of funds by the Custodian.
- vii. On termination of the Service, the Manager will instruct the Custodian to distribute the monies held on behalf of the Investor to the Investor. The Custodian will transfer funds to the Investor's bank or building society accounts upon production of suitable evidence of the designated account holdings.
- viii. The Custodian will be authorised, on the instruction of the Manager (which it may give in its discretion), to exercise voting, pre-emption or similar rights in relation to the Shares in accordance with the articles of association of the IHT Companies or any agreement entered into in connection with the Subscription for the Shares, and to deal with any rights relating to any share issue made or proposed by an IHT Company.
- ix. The Custodian will seek to ensure that any dividends will be reinvested by the Manager or held in the client account, where appropriate. In the event that any money in relation to the Shares is received by the Custodian, it shall ensure such money is allocated to the Investor, subject to any legal obligations on the Custodian to make retentions for payment of tax and/or fees and expenses payable to the Manager.
- x. The Custodian will be entitled to carry out such other acts and deeds which are in its reasonable opinion necessary or reasonably incidental to its appointment as a Custodian.

### (d) Appointment of new Custodian

The Manager makes the arrangements in respect of custody.

The Manager may at any time accept the resignation of, or remove, the Custodian, subject to the Terms of the agreement between the Manager and the Custodian and appoint a new Custodian in its place, on behalf of the Investors.

**(e) Investment**

The Custodian may place any monies for the time being held by it on deposit with any bank or building society, which will be an FCA approved bank, with trust status and a term no greater than one day to ensure liquidity.

**(f) Indemnity**

By completing the Application Form, each Investor indemnifies the Custodian against any claim made against it arising out of the fulfilment of its duties as Custodian and any costs, charges or expenses incurred by it in contesting the same, save only where it is established that the subject matter of the claim was the result of a conscious and deliberate breach by the Custodian of its obligations hereunder.

**Taxation monitoring**

Philip Hare & Associates has been retained to:

- › Advise on whether the selected Investee Companies should qualify for tax relief; and
- › Provide ongoing monitoring of Investee Companies for Business Relief purposes.

These monitoring costs are included within Downing's management fee.

**Nominee Service**

All investments will be registered in the name of the Nominee, on behalf of the Investor. The underlying Investors will be the beneficial owners of the investments. The investments will be held in accordance with the Investor Agreement. The Nominee will act on the Investor's behalf as directed by the Investor or by Downing. The shareholdings are held on a pooled basis and may be registered with those of other clients in the name of the Nominee. The Nominee will not act on any instruction from Investors.

# Risk Factors

The Investment Objectives of the Service have been formulated on the basis that Investors have the potential to benefit from Business Relief on their Subscriptions and that they are UK resident and UK domiciled. Therefore, this opportunity may not be appropriate for all Investors. Potential Investors are recommended to seek specialist independent tax and financial advice before investing.

Prospective Investors should be aware that the value of Shares in an IHT Company can fluctuate. In addition, there is no guarantee that the valuation of Shares will fully reflect its underlying Net Asset Value (NAV), or that Investors will be able to buy and sell at that valuation or at all.

## General risks

An investment made through the Service is subject to a number of risks. Before making any investment decision, prospective Investors should consider carefully the risks attached to investing through the Service together with all other information contained in these Terms, including, in particular, the risk factors described below. This information does not purport to be exhaustive and the risks below are not set out in order of priority. Additional risks and uncertainties not presently known to the Manager, or that the Manager currently deems to be immaterial, may also have an adverse effect on the business of the IHT Companies. Investors should consider carefully whether an investment made through the Service is appropriate for them in the light of the information in these Terms and their personal circumstances.

**Capital is at risk:** The value of your investment may go down as well as up. You may not get back the full amount you invested. The Financial Services Compensation Scheme (FSCS) for deposits protection does not apply to the Service. It does, however, apply to funds held in the client money account prior to investment in the Service. Under the FSCS investment protection scheme there may be circumstances in which Investors can claim up to £85,000 of compensation where Downing LLP is unable or unlikely to honour legally enforceable obligations against it (e.g. claims for fraud or misrepresentation). For more details on the FSCS and its eligibility criteria click here: [www.fscs.org.uk/what-we-cover](http://www.fscs.org.uk/what-we-cover)

**Returns are not guaranteed:** Although the Service targets growth, there is no guarantee that this will be achieved.

**Investment risk:** The investments are long term and must be held for at least two years and held at death to benefit from Business Relief. The Portfolio will be invested in smaller companies quoted on the Alternative Investment Market

(AIM), and are considered to be higher risk than securities listed on the London Stock Exchange. The performance and valuation of these investments may be more volatile than other securities.

**Liquidity risk:** Your Portfolio may be difficult to sell. AIM companies invested in may be illiquid and such Shares tend to be harder to sell than those of large companies. This means that if you decide to make a withdrawal or transfer from your Portfolio, you may not be able to sell the Shares immediately and you may have to accept a price that is less than the real value of the companies.

**Concentration:** The Service will typically invest in a number of IHT Companies. These IHT Companies may vary by sector, value, scale, stage, geography and technology. The relative concentration of IHT Companies held by the Service across these variables will move over time, as IHT Companies are sold and new IHT Companies are added to the Portfolio. The Service may have exposure to high levels of concentration within one or more such variables, for example by sector, which in turn may impact the value of the Investors' Shares in the event of an adverse development within that variable.

**The value of the Shares may go up or down:** An Investor may not get back the full amount invested even after a successful claim against the Downside Protection Cover, where applicable.

**Past performance:** The past performance of the Manager is not a guide to the future performance of an investment made through the Service. The past performance of the Service is not a guide to future performance and there is no guarantee that the Service's objectives will be achieved.

**Identifying suitable investment opportunities:** The performance of investments made, and the availability of Business Relief, through the Service is dependent on the Manager's ability to identify suitable IHT Companies to invest in, which they believe to be Business Relief qualifying.

**Tax reliefs:** The levels and bases of reliefs from taxation may change and such changes could apply retrospectively. The tax reliefs referred to in these Terms are described in accordance with Downing's, and the Service's taxation adviser's, interpretation of current legislation, rules and published practice in force as at the date of the Terms, which may change and affect the return to Investors. The value of the tax relief will depend on the specific circumstances of individual Investors.

**Maintenance of Business Relief:** Although it is intended that the Service will be operated such that Investors will qualify for Business Relief after two years, there is no guarantee that this will be achieved or maintained. Loss of IHT Company status could occur if, for example, such a company changes its business activities or its corporate structure, or if that company is taken over by another company which does not qualify for Business Relief, or if a company's Shares become listed on a stock market so that they cease to be unquoted for tax purposes.

**ESG Investment Strategy Risk:** The Service's ESG strategy may result in the Service investing securities and/or industry sectors that may underperform against the market as a whole or other services screened for ESG standards. In addition, investments selected may not exhibit positive or favourable ESG characteristics.

**Use of debt:** Where the IHT Companies take on third party, prior ranking debt and then suffer from underperformance, their underlying net asset valuation may be impacted to a greater level than if no debt had been taken on.

**Conflicts of Interest:** The Service may co-invest alongside other funds managed or advised by the Manager. With these relationships, there's a chance that the interests of one group of Investors will present a conflict with the interests of another group, or with the interests of the Manager. In the event of a conflict of interest, the Manager's investment committee and conflicts committee (and their external advisers) will work to ensure that this is resolved fairly and in accordance with the Manager's conflicts policy.

**Interest rates:** The returns generated through the Service may be affected by changes to bank base rates. The IHT Companies may have cash on deposit prior to employing funds in its trades, and profits generated from some trades may also be affected by the level of interest rates. If low bank base rates continue in the medium to long term it may be more difficult to achieve the target returns set out in the Terms & Conditions and the Brochure.

**Global events:** Where macroeconomic events occur that have a far-reaching impact on the operations of the IHT Companies and the value of the IHT Companies may be reduced. Examples of such macroeconomic events include (but are not limited to), the significant and broad economic impacts caused by a global pandemic (as referred to below), Brexit (as referred to below), cyclical falls in the values in the residential property market, reductions in the availability of credit/investment from financial institutions, sustained falls in major listed stock markets, adverse movements in interest rates and/or currency rates and the failure of political institutions including government.

**Currency movements:** Adverse movements in currency may impact the financial performance of the IHT Companies. This could be a direct impact where, for example, an IHT Company operates outside of the UK and adverse currency movements impact the valuation of that business; or it could be an indirect impact, where, for example, adverse currency movements impact demand levels and operating costs of the IHT Companies that are based in the UK. Where appropriate, the IHT Companies may consider utilising currency hedging products to minimise currency risk, although such products are not always cost effective.

**Geography:** Although all of the IHT Companies are listed in the UK, the IHT Companies may have operational activities and generate earnings outside of the UK. Adverse changes in the non-UK business environment, may impact on the value of these IHT Companies. These adverse changes could relate to developments in the tax framework, the regulatory environment, the legal system, the political infrastructure, domestic currency controls, the financial services sector, local supply and demand dynamics, and the currency exchange rate.

**The UK's exit from the European Union ("Brexit"):** Whilst new agreements have been put into place following the UK's departure from the European Union on 31 January 2020, there is still some uncertainty as to how the new arrangements will operate and what effect that will have on UK companies. Therefore, the IHT Companies may still be subject to a period of uncertainty, including uncertainty around regulatory or tax change.

**Coronavirus pandemic:** The coronavirus pandemic has had a substantial impact on many businesses and is expected to have a significant and long-lasting impact on the UK and global economies. The impact that this has on the IHT Companies over the medium and long term is difficult to predict. Existing and future IHT Companies, may lose value or fail as a result of the ongoing effects or aftermath of the pandemic, resulting in a reduction in the value of the IHT Companies.

**The Downside Protection Cover policy is not guaranteed to remain in place:** The Insurance Policy is a Downing group policy, paid for by Downing. It is renewable each year (subject to a minimum period of at least two years for each Investor) and there is no guarantee that it will remain in place following the first or any subsequent renewal date, or that it will pay out if a claim is made because there are a number of exclusions.

**The Downside Protection Cover is subject to conditions:** If the conditions are not met in full, then the policy will not pay out.

**The Life Cover policy is subject to conditions:** If the conditions are not met in full, then the policy will not pay out.

**Insurer:** Downing does not warrant the solvency or ability to pay claims of any Insurer with whom any insurances are placed.

**Current tax practice:** The information in these Terms is based upon current taxation and HMRC practice. Any changes in the legislation or HMRC practice may affect the value of an investment. The levels and bases of reliefs from taxation may change and such changes could apply retrospectively. The tax reliefs referred to in these Terms are described in accordance with Downing's, and the Service's taxation adviser's, interpretation of current legislation, rules and published practice in force as at the date of the Terms, which may change and affect the return to Investors. The value of the tax relief will depend on the specific circumstances of individual Investors.

**An investment in the Service will not be suitable for all Investors:** The Service's objectives have been formulated on the basis to give Investors the potential to save 40% IHT on the value of their Portfolio and that they are a UK resident and UK domiciled. We recommend that Investors seek specialist independent tax and/or financial advice from an adviser authorised under Financial Services and Markets Act 2000 and an appropriately qualified taxation adviser, prior to investing. Downing does not offer tax or investment advice.

# Insurance Policy

The Service offers, subject to the Terms, conditions and exclusions below, two insurance policies, being:

- › **Downside Protection Cover** – covering a loss in value of up to 20% of the Net Initial Investment for those aged under 90 years at death; and
- › **Life Cover** – for Investors aged under 85 years on the Investment Date, covering a fixed sum equal to 40% of the gross Subscription amount where an Investor dies within two years of the Investment Date.

Cover is capped at a payout of £100,000 per policy for a total of £200,000 if both policies pay-out. Each policy is limited to a £100,000 pay-out across all Downing IHT products, so if investments are held in more than one product, Investors will be required to select which product and which part of each Subscription will be covered by each policy.

Eligible Investors will receive Downside Protection Cover by default. If, in their Application Form, they opt to receive Life Cover for some or all of their Subscription, this part of their Subscription will also still be covered by the Downside Protection Cover.

At the end of the two-year cover period on the Life Cover policy (for those who select it), Investors will still benefit from the Downside Protection Cover, subject to such policy still being available.

## Downside Protection Cover Terms & Conditions

### 1. Sum Insured

The cover is only applicable if the value of the Portfolio on a full exit following death has reduced below the Net Initial Investment (less any Withdrawals). The initial Sum Insured is a loss in value on full exit following death of up to 20% of the Net Initial Investment, being the funds invested by Investors net of all initial charges as set out on page 15 of these Terms (subject to a maximum payout of £100,000 per Investor across the Downing IHT products). A maximum Sum Insured under the Downside Protection Cover of £100,000 usually corresponds to a Subscription of approximately £500,000, depending on the level of initial charges paid. To the extent that Subscriptions are made in excess of the maximum allowed, either in this product or across more than one Downing IHT product, the Investor will be required to select which parts of the Subscription are covered by the Downside Protection Cover. Any ongoing Adviser Charges in excess of 0.5% p.a. of the original Subscription (including VAT) will be treated as a withdrawal from the Service and will not be subject to the Downside Protection Cover.

### 2. Age

The Downside Protection Cover only covers Investors under 90 years on the date of death.

### 3. Minimum cover period

The Investor is covered for a minimum period of two years from the Investment Date. Once the two-year period has elapsed, the Investors may be removed from cover.

### 4. Annual renewal

The Downside Protection Cover is renewable each year and may be cancelled by the Insurer or Downing within one month of allotment or thereafter, after the minimum two-year period. As such there is no guarantee that the Downside Protection Cover will continue or that the Terms of the Downside Protection Cover will remain the same during the period of an Investor's Subscription in the Service or the relevant Downing estate planning product. In the event that it becomes uneconomic to continue to offer the Downside Protection Cover, having considered alternative underwriting options, Downing reserves the right to withdraw the Downside Protection Cover after the minimum two year period.

### 5. Premiums

Premiums are payable by Downing for a group policy, out of Downing's fees (of 1.5% plus VAT p.a. on net assets) which it receives for providing the Service. No premiums are payable directly by, or on behalf of, Investors.

### 6. Proceeds

You agree to assign your beneficial interest in the Downside Protection Cover to us to hold on trust. We agree to act as trustee on the Terms set out in the Application Form.

Where a successful claim is made under the Downside Protection Cover and Downing (as trustee) receives a payout in respect of the particular Investor, the proceeds received by Downing (as trustee) are payable to such of the Investor's family or beneficiaries as Downing selects, taking into account the persons nominated in the Application Form.

The payment of the proceeds of the Downside Protection Cover may be liable to IHT if they exceed an available nil rate band (currently £325,000, and independent from the personal nil rate band). Whilst the proceeds of the insurance are capped at £100,000 (being less than the available nil rate band threshold), the amount of this nil rate band which can be used is reduced by any other transfers or gifts made in the seven years before the date Shares are

issued to you in the IHT Companies. If the proceeds of the policy fall within the nil rate band, then no IHT should be payable. Any excess proceeds will have a liability to IHT, not expected to exceed 1.2% of the value of the excess proceeds. We recommend that Investors seek independent tax advice for a detailed assessment of any potential IHT liability. Any change in the taxation legislation or HMRC practice may increase the rate of IHT applicable to any proceeds from the Downside Protection Cover.

Downing will retain the maximum amount of IHT charge from the proceeds of the claim before distributing to the beneficiaries. This will either be released to the selected beneficiaries once the personal representatives have confirmed that all appropriate IHT (if any) has been paid or the retained sum will be transferred directly to HMRC.

## Downside Protection Cover exclusions

### 1. Initial commission waived

Any amounts of initial commission waived and added to an investment are not covered by the Downside Protection Cover.

### 2. Age

Investors are covered if they are over 18 years of age at the Investment Date and up to (but not including) their 90th birthday at the date of their death.

### 3. Redemption process

The Subscription made through the Service must be redeemed in full following death to trigger a payment under the Downside Protection Cover, where applicable.

### 4. General exclusions

No benefit will be payable under the Downside Protection Cover in the event of death directly or indirectly arising as a result of:

- › War, invasion, act of foreign enemy, hostilities (whether war is declared or not), civil war, rebellion, civil commotion, riot, revolution or military or usurped power.
- › Radioactive contamination from:
  - i. ionising radiation or contamination from any nuclear fuel, or from any nuclear waste arising from burning nuclear fuel; or
  - ii. the radioactive, toxic, explosive or other dangerous effect of any explosive nuclear equipment or part of that equipment.

- › Biological or chemical contamination due to or arising from terrorism.

In addition, no benefit will be payable if the evidence required to assess the death claim is not provided to the satisfaction of the Insurers.

## Life Cover Terms & Conditions

### 1. Sum Insured

Where an Investor dies within two years of the Investment Date, the Sum Insured is a fixed amount equal to 40% of the original gross Subscription, being the funds invested by Investors in the Service gross of all initial charges (including any initial Adviser Charges facilitated through the Service, where applicable). For joint investors with second death cover, payout is due on the second death, where both deaths have occurred within two years of the Investment Date. The maximum payout in respect of the Life Cover policy is £100,000 per Investor across all Downing estate planning products, which corresponds to a gross Subscription of £250,000 and is restricted by any cover in place under any Downside Protection Cover policy held with Downing.

If an Investor withdraws some or all of their Subscription before the second anniversary of the Investment Date, the Life Cover policy will not apply in respect of any sum withdrawn. The Life Cover policy fee for the remainder of the two year cover period shall reduce proportionately.

Investors will be provided with an insurance product information document prior to taking out the Life Cover policy. Investors will be provided with a certificate of insurance at the point of the Life Cover policy being put in place.

### 2. Age

The Life Cover policy only covers Investors up to (but not including) their 85th birthday on the Investment Date. For joint Investors, both Investors are required to be under 85 on the Investment Date.

### 3. Cover period

If the Investor is eligible under the eligibility criteria below, the Investor is covered for a period of two years from the Investment Date. Once the two-year period has elapsed, the Investor will no longer benefit from the Life Cover policy and will be automatically transferred across to the Downside Protection Cover, providing it remains available at that time.

#### 4. Premiums

Downing pays the premiums out of the fees charged for the Life Cover (2.25% p.a. plus VAT of the original gross investment for the first two years for single life or 1.86% p.a. plus VAT for joint life second death). No premiums are paid directly or on behalf of Investors.

If an Investor (or both Investors, in the case of joint Investors) dies before the first anniversary of the Investment Date, no Life Cover policy fee shall be payable from the first anniversary of the Investment Date onwards.

#### 5. Proceeds

You agree to assign your beneficial interest in the Life Cover to us to hold on trust. We agree to act as trustee on the Terms set out in the relevant Application Form.

Where a successful claim is made under the Life Cover policy and Downing receives a payout (as trustee) in respect of the particular Investor, the proceeds will be payable by Downing to such of the Investor's family or beneficiaries as Downing selects, taking into account the persons nominated in the Application Form.

The payment of the proceeds of the Life Cover policy may be liable to IHT if they exceed an available nil rate band (currently £325,000, and independent from the personal nil rate band). Whilst the proceeds of the insurance are capped at £100,000 (being less than the available nil rate band threshold), the amount of this nil rate band which can be used is reduced by any other transfers or gifts made in the seven years before the date Shares are issued to you in the IHT Companies. If the proceeds of the policy fall within the nil rate band, then no IHT should be payable. Any excess proceeds will have a liability to IHT, not expected to exceed 1.2% of the value of the excess proceeds. We recommend that Investors seek independent tax advice for a detailed assessment of any potential IHT liability. Any change in the taxation legislation or HMRC practice may increase the rate of IHT applicable to any proceeds from the Life Cover policy.

Downing will retain the maximum amount of IHT charge from the proceeds of the claim before distributing to the beneficiaries. This will either be released to the selected beneficiaries once the personal representatives have confirmed that all appropriate IHT (if any) has been paid or the retained sum will be transferred directly to HMRC.

### Life Cover policy exclusions

#### 1. Age

Investors who are aged under 18 years or 85 years and over on the Investment Date.

#### 2. General exclusions

No benefit will be payable under the Life Cover in the event of death directly or indirectly arising as a result of:

- › Suicide and assisted suicide
- › War, invasion, act of foreign enemy, hostilities (whether war is declared or not), civil war, rebellion, civil commotion, riot, revolution or military or usurped power
- › Radioactive contamination from:
  - i. ionising radiation or contamination from any nuclear fuel, or from any nuclear waste arising from burning nuclear fuel; or
  - ii. the radioactive, toxic, explosive or other dangerous effect of any explosive nuclear equipment or part of that equipment.
- › Biological or chemical contamination due to or arising from terrorism.
- › No benefit will be payable if the evidence required to assess the death claim is not provided to the Insurer.

#### 3. Medical exclusions

An Investor must declare when completing an Application Form that:

- a. They have not been diagnosed with any form of **terminal illness**.
- b. In respect of a **life limiting illness** or anything that may be diagnosed as a **life limiting illness they:**
  - i. are not currently undergoing or awaiting to undergo any medical investigations;
  - ii. are not awaiting any form of hospitalisation or awaiting any form of surgery; and
  - iii. live without the need for help with daily activities.
- c. Within the last five years they have not been diagnosed with any form of **cancer, heart disease or chronic lung condition**.

Failure to confirm these three criteria will exclude an Investor from the Life Cover policy.

The Application Form, including the above declarations, must be completed and dated no more than five weeks prior to the Investment Date in order for the above declarations to be valid. If the period is any greater, the Insurer may require the declarations to be repeated.

#### Medical definitions

- a. Terminal illness** – an illness that has no known cure or progressed to the point where it cannot be cured and in the opinion of a registered UK doctor the illness is expected to lead to death within two years.
- b. Life limiting illness** – a medical condition for which there is no known cure and it is expected that death will be a direct consequence of the specified illness.
- c. Daily activities** – you are able to perform the following activities unaided: dressing, using the toilet, feeding yourself, bathing/showering and the ability to get around independently.
- d. Cancer** – any malignant tumours, carcinoma, leukaemia, sarcoma and lymphoma.
- e. Heart disease** – including heart attack (myocardial infarction, cardiac arrest), angina, cardiomyopathy, heart surgery and/or heart failure.
- f. Chronic lung condition** – requiring the need for regular oxygen treatment and/or bronchodilators and/or hospitalisation.

#### 4. Availability of the Life Cover policy

The provision of the Life Cover policy for new Investors who have not yet been allotted Shares is subject to the continued availability of such cover from the Insurer. If the Life Cover policy is no longer available on Terms acceptable to Downing and an Application Form has been completed selecting such Life Cover, Downing will notify you prior to accepting your application to obtain your consent to proceed with the Subscription without the Life Cover policy in place, subject to the appropriate reduction in the management fee set out on page 15. This will not apply in respect of any Investors whose Shares have been issued and who have selected Life Cover – such persons will, subject to the eligibility criteria above, benefit from the Life Cover policy for the maximum two-year period.

#### Insurance Policy claims process

The claims process following the death of an Investor having a valid claim under either Insurance Policy is as follows:

- a. The Investor's personal representatives should notify Downing of the death, supplying original birth, death, and, if appropriate, marriage certificates.
- b. Downing will forward to the Insurer the Investor's details, a request for payment form, and proof of the Sum Insured. Only Downing may make a claim under an Insurance Policy. The Insurer may request further information in order to be satisfied that the claim is valid and we shall pass such requests to the Investor's representatives, who shall be responsible for providing the requisite responses. Downing will have no other obligation to progress a claim under an Insurance Policy.
- c. The insurance claim will be paid when the Insurer is satisfied with the entitlement to a claim and, in the case of the Downside Protection Cover, the Subscription through the Service has been redeemed in full following death. Following receipt of the payment by Downing (as trustee), it will then be held by Downing for such of the Investor's family or beneficiaries as Downing selects, taking into account the persons nominated in the Application Form.

In respect of the Downside Protection Cover, any claim will run concurrently with the process of exiting the Service, although a claim under the Downside Protection Cover will only be payable once the Subscription through the Service has been redeemed.

No benefit will be payable if the evidence required to assess the death claim is not provided to the Insurer or if the circumstances otherwise do not comply with the Terms & Conditions of the Insurance.

# Charges - how Downing's charges are applied

## Initial charges

**Initial Adviser Charge:** If an Adviser Charge has been agreed between the Intermediary and the investor in respect of this Service, this may be facilitated from the investment. The fee will be deducted from the amount invested and paid to the Intermediary. Alternatively, the Investor can pay this fee personally to the Intermediary.

### Downing's initial charge:

No initial charge will be payable on subscriptions into the Service from advised investors.

Where the Investor has come in directly or where initial commission is payable on the application, there will be an initial charge of 2%. Out of its fees Downing will pay or will ensure the payment of any initial commission, where applicable.

## Annual charges

**Downing Management Charge:** 1.5% plus VAT per annum of the value of each Portfolio, payable quarterly in arrears. Where annual trail commission is payable to an Intermediary, Downing will charge an annual fee of 2.0% plus VAT.

Out of its fees, Downing will pay the Insurance Premium, Custodian and Nominee fees and annual trail commission, where applicable.

**Annual Adviser Charge:** An annual Adviser Charge may be facilitated through the Service. The fee will be deducted from the Investor's Portfolio and paid to the Intermediary every six months. Alternatively, the Investor can pay this fee personally.

## Life Cover charge

If Life Cover is chosen, there is an additional 2.25% plus VAT per annum for single life cover or 1.86% plus VAT per annum charge for joint life second death cover, based on original gross investment for the first two years only. It is allocated annually in advance. There will be no refund of the charge in the event of death. In the case of funds being withdrawn, pro-rata charges will be rebated to reflect the new amount invested and the sum insured will be proportionately reduced. (See the brochure and terms & conditions for details.)

## Charges on exit - performance related

Performance or success fees are not payable.

## Other charges

**Bargain charges:** A charge of £35 plus VAT will apply to each bargain made within the investor's Portfolio, payable quarterly in arrears.

A bargain charge will apply to the acquisition of new shares into the investor's Portfolio or the sale of existing shares from the investor's Portfolio.

Bargain charges will be capped on an annual basis, so that the total cost of the bargain charges for the 12 month period (or less where applicable) through to the 31 December will be no more than 0.5% plus VAT per annum of the value of each Portfolio at that date.

## Commission

Intermediaries who are permitted to receive commission (e.g. for execution only clients) can be paid initial commission, usually at the rate of 2% of the amount subscribed. Out of its fees Downing will pay or will ensure the payment of any commission, where applicable.

## Value Added Tax ("VAT")

All fees and charges are exclusive of VAT unless otherwise stated. VAT will be charged where applicable.

# Taxation

This summary is based upon current UK tax law and published practice and is intended as a guide only. The summary considers the position of individuals who are both UK resident and domiciled. It is not intended to constitute legal or tax advice and prospective Applicants are recommended to consult their own professional advisers concerning the possible tax consequences of investing through the Service.

## Inheritance tax ("IHT")

Business Relief ("BR") was introduced in the Finance Act 1976 and amended in subsequent years. Any share in an unquoted company, or a company listed on the Alternative Investment Market, that undertakes an IHT Trade, which has been held for two years or more at the date of death, will benefit from up to 100% BR (i.e. its value will effectively be disregarded for IHT purposes). If the Shares are inherited from a spouse or civil partner, then the spouse's or civil partner's period of ownership can be added to the period held by the original holder of the Shares, in computing the two year holding period. The two-year qualifying period will begin on the date Shares are acquired by investors.

Under current legislation, proceeds received on exit from an IHT Company can be re-invested into Shares in another IHT Company to maintain the Business Relief provided that:

- i. the whole of the proceeds have been used to purchase the replacement Shares; and
- ii. the original and replacement Shares have been held for a total period of at least two years out of the last five years.

## IHT trade

An IHT Trade is any business so long as it is conducted on a commercial basis with a view to making a profit and does not consist wholly or mainly of dealing in land and buildings, Stocks and Shares, or making or holding investments.

BR will not be available to the extent that the IHT Company has any assets that:

- i. have not been used wholly or mainly for the business in the previous two years (or since acquisition if shorter); and
- ii. are not required for the future use of the business.

## Insurance policies

The proceeds of the Insurance Policies will be held upon trusts ("Trusts") declared by the Investor for the benefit of the Investor's family or beneficiaries as Downing selects. Downing will be the Trustee. This means the proceeds should not form part of the Investor's estate for IHT.

## Funding your Trust

As the settlor to the Trust, the Investor is deemed to have gifted the premium to the Trust each relevant year. As long as the Investor has not made previous chargeable transfers (gifts to trusts) in the preceding seven years, then there should be no tax to pay at the time of funding the Trust. Investors may also be able to use their annual exemption of £3,000 against the gifts of the premium. This is applicable to each year when premiums are payable. If Investors have fully utilised their nil rate band for gifts to other Trusts, they will be required to add extra funds to the Trust to cover the lifetime charge and complete HMRC forms. The extra amount payable will be 25% of the premium to the extent it exceeds the nil rate band.

## Payment of proceeds

The payment of the proceeds of the Insurance Policies to your beneficiaries could trigger an IHT charge (an exit charge). However, such payments will benefit from a separate nil rate band of £325,000 (settlement nil rate band) to your personal nil rate band of £325,000. As noted in the Insurance Policies section above, cover is capped at a pay-out of £100,000 per policy for a total of £200,000 if both the Life Cover and the Downside Protection policies pay-out. Each policy is limited to a £100,000 pay-out across all Downing IHT products, so if investments are held in more than one product, Investors will be required to select which product and which part of each Subscription will be covered by each policy.

The settlement nil rate band is reduced by any gifts or transfers of value made by you during the seven years prior to the settlement. In this case, provided that your settlement nil rate band has not been reduced by any gifts or transfers of value made during the seven years immediately prior to the investment date to a value below that of the total premiums paid to the Trust, there should be no IHT charge on the payment of the proceeds. The IHT charge is not expected, under current legislation, to be greater than 1.2% of the value of the proceeds. Any change in the taxation legislation or HMRC practice may increase the rate of IHT applicable to any proceeds from Insurance Policies.

The IHT liability rate in respect of the Insurance Policy proceeds depends on the length of time between the date on which the policy cover comes into effect and the date of death.

The maximum amount of the potential IHT charge will be retained by Downing from the policy proceeds. This will either be paid out following confirmation from HMRC that there is no charge or otherwise used by Downing to pay the IHT charge to HMRC direct.

Any periodic or exit fees payable from an Investor's Trust will be paid by selling Shares from their Portfolio.

### What happens if an Investor dies within two years?

If the Investor dies within two years of the date of Subscription, the value of the Shares will not benefit from Business Relief. Applicants may wish to cover this risk by taking out Life Cover for two years and should contact their independent financial adviser for details. The Downside Protection Cover insurance included within the Service does not cover this risk. It may be possible for beneficiaries to elect to pay the IHT due on the value of their Shares in equal instalments over 10 years, interest-free. However, to benefit from the deferred payment Terms, the Shares will need to be retained over the period of the instalments and this concession will depend on individual circumstances.

If the Shares are transferred to a surviving spouse or civil partner, the capital subscribed can continue to work towards the two-year IHT qualifying period from the original date of Subscription. Transfers between spouses and civil partners are generally exempt from inheritance tax (although special rules apply where the transferee spouse or civil partner is not domiciled in the UK).

Shares can be transferred directly into the names of beneficiaries, whether or not the original Investor held the Shares for two years or more. There are no transfer or administration fees payable to Downing by the beneficiaries. Additional money laundering requirements may apply.

If the Shares are held through a joint account these notes also cover that position. Therefore, if a joint account holder dies within two years of the date of Subscription, the value of his/her interest in the Shares will not qualify for the Business Relief. Joint account holders may want to cover this risk by taking out Life Cover for two years and should contact their professional adviser for details unless the joint account holders are spouses or civil partners as transfers between such individuals are generally exempt from inheritance tax (subject to special rules for non-domiciled transferees).

### Tax position on sale of Shares

When Shares are sold a capital gain or loss may arise, subject to the annual capital gains tax exemption.

If the Investor invests through the ISA Service there will be no capital gains tax to pay on the sale of Shares.

Any Withdrawals from the Service will not benefit from Business Relief.

### Tax position on dividends

The underlying IHT companies may pay dividends, although this is not guaranteed.

For Investors investing through the non-ISA Service this may give rise to an income tax bill, subject to the annual Dividend Income Tax exemption.

If Investors invest through the ISA Service, any dividends paid would not be liable to income tax.

### Important notice

The levels and bases of reliefs from taxation may change or disappear. The tax relief referred to in this section is described in accordance with Downing's, and the Service's taxation adviser's, interpretation of current legislation, rules and practice, which may change and affect the return to Investors. The value of the tax relief will depend on the individual circumstances of Investors.

# Definitions

<b>“Adviser Charge”</b>	fee agreed between the investor and an FCA authorised and regulated adviser, for advice and related services
<b>“AIM”</b>	the Alternative Investment Market of the London Stock Exchange
<b>“Applicable Rules”</b>	the FSMA, the FCA Rules and all other relevant laws and regulations
<b>“Application Form”</b>	Application Form and notes on application for investment under the Service
<b>“Brochure”</b>	document dated 1 October 2021 describing the Service
<b>“BR” or “Business Relief”</b>	Business Relief (formerly known as Business Property Relief) as set out in the IHTA 1984
<b>“CGT”</b>	capital gains tax
<b>“Custodian” or “Administrator”</b>	IBP Markets Ltd of 81 Wimpole Street, London W1 9RE (FRN: 520929) or such organisation as the Manager may appoint to provide, and with whom it has agreed Terms for, safe custody and custodial and Nominee Services in respect of the Service
<b>“Downing” or “Manager”</b>	Downing LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom (whose business was transferred from Downing Corporate Finance Limited)
<b>“Downside Protection Cover”</b>	the “Downside Protection Cover” Insurance Policy in respect of the Service, particulars of which are set out on pages 11 and 12
<b>“FCA”</b>	Financial Conduct Authority and any successor body
<b>“FSMA”</b>	Financial Services and Markets Act 2000 (as amended) including all regulations pursuant thereto
<b>“HMRC”</b>	HM Revenue & Customs
<b>“IHT”</b>	inheritance tax
<b>“IHT Company”</b>	qualifying company for IHT purposes in which an Investor holds Shares
<b>“IHT Investments”</b>	investments made in IHT Companies
<b>“IHT Trades”</b>	type of business(es) which qualifies for IHT tax relief (as more fully described in the summary on taxation)
<b>“IHTA 1984”</b>	Inheritance Tax Act 1984
<b>“Insurer”</b>	an AM Best A-rated Insurer, with whom Downing has arranged an Insurance Policy
<b>“Insurance Policy”</b>	Downside Protection Cover and/or the Life Cover
<b>“Intermediary”</b>	authorised Intermediary who signs the Application Form and whose details are set out in the Application Form
<b>“Investment Objectives”</b>	the Investment Objectives of the Service, as described on page 5
<b>“Investment Restrictions”</b>	the Investment Restrictions that apply to the Services, as described on page 5
<b>“Investor”</b>	individual (and certain trustees or corporate) who completes an Application Form which is accepted by the Manager and so enters into the Investor Agreement and invests in IHT Companies through the Service
<b>“Investor Agreement”</b>	agreement to be entered into between each Investor and the Manager, in the Terms set out on pages 19 to 34 of these Terms
<b>“ISA Plan Manager”</b>	a suitable Manager of an ISA product or service
<b>“Life Cover”</b>	the “Life Cover” Insurance Policy in respect of the Service, particulars of which are set out on pages 12 to 13
<b>“Market Value”</b>	investments listed on a recognised stock market measured using bid price plus, where applicable, any cash
<b>“ML Regulations”</b>	Money Laundering Regulations 2017
<b>“NAV”</b>	Net Asset Value
<b>“Net Initial Investment”</b>	initial Subscription through the Service less Downing’s initial charge and any initial Adviser Charge
<b>“Nominee”</b>	IBP Markets Ltd or such Nominee as the Custodian may appoint to act as the Investor’s Nominee from time to time
<b>“Portfolio”</b>	Investor’s holdings in IHT Companies held through the Service
<b>“Service”</b>	Downing AIM Estate Planning Service and Downing AIM ISA both services have been set up to enable Investors to invest in IHT Companies by way of the Investor Agreement with the Manager
<b>“Shares”</b>	Shares in an IHT Company purchased by the Service on behalf of Investors
<b>“Subscription”</b>	amount subscribed through the Service, as set out in the Application Form
<b>“Sum Insured”</b>	for the Downside Protection Cover, the loss suffered upon the death of an Investor limited to the lesser of 20% of the value of the Net Initial Investment or £100,000 (less any subsequent redemptions or Withdrawals taken from an Investor’s Portfolio). For the Life Cover policy, the lesser of 40% of the original gross investment or £100,000 (less any subsequent redemptions or Withdrawals taken from an Investor’s Portfolio). If both policies are held limited to £100,000 in total. Both are subject to the Insurance Policy Terms & Conditions applicable at the time of the claim
<b>“Terms”</b>	this document
<b>“Withdrawals”</b>	amounts withdrawn by an investor from their Portfolio in cash or, at the sole discretion of the Manager, stock transferred in specie at Market Value

# Investor agreement

This Investor Agreement (the "Agreement") sets out the Terms upon which the Manager agrees to invest the Subscription and manage the Portfolio of investments ("Portfolio") for the Investor. Upon acceptance of a signed Application Form, this Agreement (together with the Brochure and Terms & Conditions) will constitute a binding agreement between the Investor and the Manager in respect of the Service.

## 1. Definitions, construction and interpretation

1.1 The following Terms shall have the following meanings in this Agreement:

**"FCA Rules"** the rules of the FCA as set out in the FCA's Handbook of Rules and Guidance and any other rules and guidance issued by the FCA from time to time;

**"Investment"** shares in an IHT Company acquired by the Manager and held by the Custodian on behalf of the Investor;

**"Investment Services"** the discretionary management services provided under Clause 4 of this Agreement;

**"Joint Account"** means an account of two or more Investors holding as joint tenants (rather than tenants in common);

**"Non-Readily Realisable Investments"** are investments in which the market is limited or could become so; they can be difficult to deal in and it can be difficult to assess what would be a proper market price for them;

**"Service"** for each individual Investor, a mandate for Investment Services provided by the Manager for that Investor in accordance with the Terms of this Investor Agreement.

**"Terms"** the Terms and Conditions of the Downing Estate Planning Service, as annexed to this Agreement and amended from time to time.

1.2 Words and expressions defined in either the Terms or the FCA Rules which are not otherwise defined in this Agreement shall, unless the context otherwise requires, have the same meaning in this Agreement.

1.3 Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules and regulations as amended from time to time, re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.

1.4 References to the singular only shall include the plural and vice versa.

1.5 Unless otherwise indicated, references to Clauses shall be to Clauses in this Agreement.

1.6 Headings to Clauses are for convenience only and shall not affect the interpretation of this Agreement.

## 2. Setting up a Portfolio

2.1 This Agreement comes into force on the date that the Manager accepts the Investor's Application Form. An Application Form is accepted when:

- a. the application has been recorded on the register of applications maintained by the Manager;
- b. Subscription monies from the Investor have been received by the Custodian; and
- c. there are no further items or actions outstanding that would reasonably prevent the Subscription from being able to take place.

2.2 Where an Investor submits an Application Form which is accepted by the Manager, the Investor hereby appoints the Manager to fulfil its role in managing their Portfolio on the Terms and subject to the conditions set out in this Agreement. The Manager agrees to accept its appointment and obligations on the Terms set out in this Agreement.

2.3 Investors should be aware that the right to cancel a distance contract within 14 days does not apply to this Agreement as it falls within the exemption contained in FCA rule COBS 15 Annex 1. Please speak to your adviser or us if you would like further information.

2.4 Provision of this Service requires:

- a. the appointment of the Manager by the Investor upon the Terms of this Agreement; and
- b. the appointment of a third party to hold the Investor's Investments on behalf of the Investor, in respect of which the Manager is entered into certain agreements with the Custodian for the provision of Custodian, Nominee, settlement and associated services to which Clause 9 refers.

2.5 If investing through the ISA account then subject to the applicable ISA Regulations, Investors have the right at any time by notice in writing to the Manager to transfer in cash all or part of your Downing ISA (with all rights and obligations of the parties to it) to another ISA Plan Manager. Instructions to transfer all of your Downing ISA Investments will entitle us to terminate your Downing ISA.

2.6 The Manager is authorised and regulated by the Financial Conduct Authority with Firm Reference Number 545025. The Manager is a Limited Liability Partnership registered in England and Wales under company number OC341575 and with a registered address at St Magnus House, 3 Lower Thames Street, London EC3R 6HD. The FCA's registered address is 12 Endeavour Square, London E20 1JN.

2.7 This Agreement is supplied to you in English and we will continue to communicate with you in English for the duration of this Agreement. The Investor has been classified according to FCA guidelines as a Retail Client. If other firms regulated by the FCA would normally classify the Investor as a Professional Client, we may wish to re-classify the Investor as a Professional Client. We will notify you in writing if we wish to change your client's classification. Downing shall inform its clients in a durable medium about any right that client has to request a different categorisation and about any limitations to the level of client protection that a different categorisation would entail. This information must be provided to clients prior to any provision of services. Guidance relating to client categorisation is available in the legal section of our website at <http://www.downing.co.uk/assets/client-categorisation-guidance>

2.8 The Investor has the right to request a different client categorisation. However, if the Investor does so and if the Manager agrees to such categorisation the Investor may lose protections afforded by certain FCA Rules. This may include, but may not be limited to:

- a. the Investor will not be given any of the additional disclosures required to be provided to Retail Clients (for example on costs, commissions, fees and charges, foreign exchange conversion rates and information on managing investments);
- b. the Manager is entitled to assume that the Investor has the necessary level of experience and knowledge to understand the risks involved in relation to any investment, service, product or transaction contemplated by these Terms;
- c. the FCA Rules impose detailed requirements on financial promotions directed at Retail Clients. Promotions directed at Professional Clients are simply subject to the high-level requirement that they are fair, clear and not misleading;
- d. if the Manager were to hold money on behalf of a Retail Client, the Manager would have to notify the client of whether interest is payable (which is not required for Professional Clients); and the Manager would not be able to transfer the money to a third party without notifying a Retail Client and without explaining who is responsible for that third party's actions or omissions, and the consequences where that third party becomes insolvent;
- e. if the Manager were to manage client assets, the Manager would be obliged to provide Retail Clients with more detailed information periodically. A Retail Client has a right to a periodic statement every three months, rather than every six months for a Professional Client; and
- f. where the Manager places Investors' orders with third parties for execution, the factors taken into account in obtaining the best possible execution result for a Professional Client will differ to those for a Retail Client. It should be noted that Professional Clients can no longer opt out of best execution.

- 2.9 The Investor confirms that he/she is suitably knowledgeable of the risks associated with an investment into the Service and/or has been suitably advised of these risks.
- 2.10 The Investor confirms that he/she is not seeking advice from the Manager on the merits of entering into this Investor Agreement to establish their Portfolio and provision of the Service.
- 2.11 The Investor agrees that the Manager may hold information about them and their affairs in order to verify their identity and financial standing (among other things the Manager may consult a credit or mutual reference agency, which may retain a record of the enquiry).
- 2.12 Anti-money laundering regulations aim to prevent criminal property being used or disguised as legitimate wealth. To satisfy these regulations the Investor may have to produce satisfactory evidence of their identity before the Manager can do business with them, and from time to time thereafter. This identification process is designed to assist in the prevention of crime within the financial services industry. If the Investor does not provide the information when requested, the Manager may be unable to accept any instructions from them or provide them with any services.

### 3. Subscriptions

- 3.1 In respect of the Investor's Subscription:
- a. the investor shall make a Subscription in cash or, at the sole discretion of the Manager, in specie of not less than £20,000 to their Portfolio at the same time as submitting his/her Application Form to invest; and
  - b. the Investor may make further Subscriptions to the Service subject to a minimum of £10,000.
- 3.2 The Investor may make a withdrawal of his/her Portfolio, or terminate the Agreement, pursuant to Clause 14 below. If an Investor wishes to withdraw money or investments from their Portfolio, written instructions must be provided. The Manager will, subject to the restrictions set out in the Terms, arrange for the cash return to be realised and paid to an Investor's nominated bank account once the sale proceeds have been received.

- 3.3 Subscriptions received shall be deposited in a client account held in the name of the Custodian pending their investment into IHT Companies. Any interest paid on such deposits will be payable to the Manager and the Custodian and not the Investor.
- 3.4 The Investor acknowledges that any monies held on deposit by Downing or the Custodian are held at the Investor's risk and that neither Downing, nor any Custodian, nor any director or officer of any of them, will be liable to the Investor in the event of any loss in value of such Investments or the insolvency of any bank with which Investor's funds are deposited, nor will they be so liable in the event of any restriction on their ability to withdraw funds from such bank for reasons beyond the reasonable control of any of them.

### 4. Investment Services

- 4.1 The Manager will manage the Investor's Subscription and Portfolio, and exercise all discretionary investment powers in relation to the selection of exercising rights relating to management and sale of Investments of the Service on the Terms set out in this Agreement.
- 4.2 The Manager shall not, except as expressly provided in this Agreement or unless otherwise authorised, have any authority to act on behalf of, or in respect of, the Investor or to act as the agent of the Investor.
- 4.3 The Investor acknowledges and agrees that the Custodian is not obliged to seek or accept any instruction or direction directly from the Investor in respect of the Custodian's execution of instructions from the Manager relating to the exercise of the Investor's rights relating to Investments. The Custodian will not accept any instructions directly from the Investor.

### 5. Investment Objectives and Restrictions

- 5.1 In performing its Services, the Manager shall have regard to the Investment Objective and the Investment Restrictions.
- 5.2 The Manager shall at all times have regard to:
- a. the need for the Investments to attract the Business Relief; and
  - b. all Applicable Rules.

- 5.3 The Manager reserves the right to return a small surplus of cash if it concludes that it cannot be properly invested for the Investor and it considers this to be in the best interests of the Investor having regard to availability of Business Relief for the Investor.
- 5.4 In the event of a gradual realisation of Investments, prior to Withdrawals from or termination of the Service under Clause 16.1, the cash proceeds of realised IHT Investments may be placed on deposit (in an interest bearing client account) or invested in UK Government securities or in other investments of a similar risk profile. Any interest paid on such deposits will be payable to the Manager and not the Investor.

## 6. Terms applicable to dealing

- 6.1 The Investor should be aware that a Portfolio will be invested in a range of unquoted securities traded on AIM, they may be illiquid and such Shares tend to be harder to sell than those of larger companies.
- 6.2 Subject to both the Applicable Rules and the Manager's conflicts of interest policy (a summary of which is included at Schedule 2 of this Agreement) the Manager may make use of dealing commission arrangements in respect of deals undertaken for a Portfolio as may be disclosed to the Investor from time to time.
- 6.3 Subject to both the Applicable Rules and the Manager's Portfolio management policy (at Schedule 1 of this Agreement) the Manager will act in good faith and with due diligence in its choice and use of counterparties but, subject to this obligation, shall have no responsibility for the performance by any counterparty of its obligations in respect of transactions effected under this Agreement.
- 6.4 The Manager may aggregate your transactions with those of other customers and of its employees in accordance with the Applicable Rules. It is likely that the effect of such an allocation will not work to the Investor's disadvantage; however, occasionally this may not be the case. The Manager will allocate aggregated transactions promptly on a fair basis in accordance with the requirements of the Applicable Rules.

- 6.5 As an FCA authorised firm, the Manager is required to take all reasonable steps to obtain the best possible result on behalf of clients when placing orders for execution that result from decisions by the Manager. Set out in Schedule 3 is the Manager's summary of its policy in respect of this requirement. Where applicable, the Manager's decisions will normally be executed by itself or the Custodian in accordance with its Execution Policy.

## 7. Reports and information

- 7.1 The Manager, and where applicable the Custodian, shall supply such further information which is in its possession or under its control as the Investor may reasonably request as soon as reasonably practicable after receipt of such request.
- 7.2 Downing or the Custodian shall provide the Investor with online access to their Portfolio and with a periodic statement every quarter in respect of each Portfolio. The report will comprise the cost, current value and dividends of all holdings within a Portfolio as at the last business day of the period in question. The performance of the investments will be measured against a stock market index.

## 8. Fees and expenses

- 8.1 The Manager shall receive fees for its Services, and reimbursements of its costs and expenses, as set out in the Brochure and the Terms. The Manager will pay the costs of the Custodian.
- 8.2 An initial charge, if applicable, shall be deducted from the amount of each Investor's investment in accordance with the Terms before the balance is invested in the Portfolio.
- 8.3 Fees and any other charges relevant to an Investor's Portfolio or, where there are insufficient monies available to meet the fees and charges, the Manager may at its discretion either:
- allow this to roll up (interest free); or
  - sell investments within the Portfolio of a sufficient value to cover charges or commissions involved.

## 9. Management and Custodian obligations

- 9.1 The Manager will arrange for the Custodian to provide the Custodian services in relation to the Investor's Subscription and Investments held in the Portfolio, and for the Custodian to provide the Nominee services. The Custodian will act as Custodian for the cash and other assets in the Investor's Portfolio and the Nominee will be the legal owner of the Investments held in the Portfolio.
- 9.2 By accepting the Terms of this Agreement, the Investor agrees that:
- a. The Manager is authorised to enter into the Custody Services Agreement on the Investor's behalf as the Investor's agent, to give instructions to the Custodian and to agree any subsequent amendments to the Custody Services Agreement on the Investor's behalf provided that the Manager notifies the Investor of such amendments in accordance with the FCA rules;
  - b. the Investor is bound by the Terms of the Custody Services Agreement; and
  - c. the Custodian and Manager are each authorised to transfer cash and investments from the Investor's account to meet the respective fees and settlement or other obligations under the Custodian Agreement and the fees of the Custody Services Agreement.
- 9.3 Under the Custodian Agreement, the Investor will remain the customer of the Manager but will also become a customer of the Custodian for settlement, Nominee and custody purposes only. The Manager retains responsibility for compliance and regulatory requirements regarding the management of the Investor's Subscription and Portfolio. The Custodian does not provide investment advice, give or offer any opinion regarding the suitability of any transaction for the Portfolio. The Investor shall direct all inquiries regarding their Portfolio to the Manager and not to the Custodian. The Custodian will not accept instructions from the Investor directly.
- 9.4 The Investor acknowledges that, although the Custodian will not commingle securities with its own property, the Custodian may commingle the Investments with securities held for other clients, including those who subscribe for their own discretionary mandate including the Service. In addition, Investments deposited with the delegate of the Custodian may be held in an omnibus account by the delegate of the Custodian. In each case, individual client entitlements may not be identifiable by separate certificates or other physical documents of title, entries on a register or equivalent electronic record. If there is an irreconcilable shortfall following any default by the Custodian, or a delegate of the Custodian, the Investors may not receive their full entitlement and may share in the shortfall pro rate with other Custodians or Nominees, other clients or delegates' other clients.
- 9.5 The Manager is authorised at any time to replace the Custodian with an alternative Custodian that is, in the Manager's opinion, suitable for provision of custody services in respect of the Service and capable of providing the settlement, Nominee and custody services and/or to vary the Terms from time to time, or terminate, the Custodian Agreement. In each case, the Manager will endeavour to ensure that it does so on Terms no less beneficial to the Investor.
- 9.6 The Custodian will use reasonable care and skill in providing services under the Custodian Agreement.
- 9.7 The Custodian shall not, in the absence of fraud, negligence, wilful default or breach of contract directly relating to such cost, expense or liability on the part of the Custodian or any delegate, be liable to the Manager or to any Investor for any act or omission in the course or in connection with the proper provision of the services rendered by it hereunder or for any loss or damage which the Manager or Investor may sustain or suffer as a result, or in the course, of the proper discharge by the Custodian or any delegate of its duties hereunder or pursuant hereto.
- 9.8 The Investors indemnify the Custodian from and against any and all direct liabilities, obligations, losses, damages, penalties, actions against the Custodian, judgements, suits against the Custodian, proper costs and expenses or disbursements (other than those resulting from the fraud, negligence, wilful default or breach of contract on the part of the Custodian) which may be imposed on, incurred by or asserted against the Custodian in properly performing its obligations or duties to the Service under the Custodian Agreement.

9.9 The Investors or the Manager shall pay or reimburse the Custodian from time to time on demand for any transfer taxes payable upon transfers, exchanges or deliveries of securities made under the Custodian Agreement in accordance with the Terms.

9.10 The Custodian is authorised to deduct from any cash received or credited to the Investor's account, any amount of taxes or levies required by any revenue or governmental authority for whatever reason in respect of the Investor's accounts.

9.11 The Custodian shall register all securities in respect of which registration shall be necessary in order to perfect the transfer thereof or title thereto as soon as reasonably practicable after receipt of the necessary documents by or to the order of the Custodian in any name permitted by the FCA Rules. Where securities are subject to the law or market practice outside of the United Kingdom and it is, in the Custodian's opinion, in the Investors' best interests to do so, the Custodian may register or record or arrange the registration or recording of securities in the Custodian's name or the name of a third party. If legal title to securities is held by the Custodian, a Nominee or a third party, securities may not be segregated or separately identifiable from the Custodian's assets, or the assets of a Nominee or third party and, in the event of the Custodian's default or the default or insolvency of a Nominee or third party (as the case may be), securities may not be as well protected from the claims of the Custodian's creditors or the creditors of a Nominee or third party (as the case may be).

9.12 The Custodian shall hold the certificates and other documents from time to time, representing or evidencing title to the securities by physical possession of the certificates or other instruments representing the securities in registered or bearer form, including, inter alia, brokers' receipts or confirmations for future contracts, options or similar investments.

9.13 The Custodian shall clearly identify securities held by it or to its order hereunder as being the property of the Investors and shall maintain its records so as to ensure that it is readily apparent that the securities are the property of Investors. Documents of title for securities shall be recorded and accounts in which securities are held shall be

named or designated to make it clear that the relevant property belongs beneficially to the Investors (on an omnibus basis and not by individual identification). Where securities are held by a delegate of the Custodian, the Custodian will take reasonable steps to ensure that the records of the relevant entity make it clear that securities are held by or on the Custodian's behalf for the Investors and that they do not belong to the Custodian or any such delegate of the Custodian. The purpose of this is to make clear in the event of the failure of any such entity, that the securities are held on behalf of third parties and are not available to creditors of that entity if it fails. However, it cannot be guaranteed that there would be no loss of securities in the event of such a failure. Where securities are held by a delegate of the Custodian outside the UK, it may not be possible under the relevant law of that country for securities to be separately identifiable from the assets of the delegate of the Custodian or from the Custodian's assets and accordingly there may be a greater risk of loss in the event of a failure of any such delegate of the Custodian.

9.14 The Manager has discretion to exercise (or if it so chooses, not to exercise) any conversion, Subscription, voting or other rights (such as those that may arise in takeover situations, other offers and capital reorganisations) relating to investments held in a Portfolio together with discretion to sell any or all of the Portfolio. By entering into this Agreement, the Investor hereby authorises the Manager to act on their behalf and exercise all rights attaching to Shares held in its Portfolio as it shall deem fit and at its discretion.

9.15 Where assets are pooled with third parties, distribution of entitlements to any benefits or entitlements arising from corporate events will be allocated pro rata. Fractions of entitlements arising from this process will be rounded down to the nearest whole unit or share.

9.16 The Custodian, as soon as reasonably practicable, will claim and account for all dividends and other payments or entitlements received in relation to investments in a Portfolio, but is entitled to deduct or withhold any sum on account of any tax required to be so deducted or withheld and provide you with evidence of such deduction or withholding for your tax records.

## 10. Obligations of the Manager

10.1 The Manager shall devote such time and attention and have all necessary competent personnel and equipment as may be required to enable it to provide the Investment Services properly and efficient, and in compliance with the FCA Rules.

10.2 The Investor must immediately inform the Manager in writing of any change of tax status, other material change in circumstance and any change in the information provided in the Application Form to which Clause 10.1 above refers.

## 11. Obligations of the Investor

11.1 The Service established by this Agreement is set up on the basis of the declaration made by the Investor in his/her Application Form which includes the following statement by the Investor: the Investor confirms that the information stated in the Application Form in relation to him/her is true and accurate as at the date of the Application Form.

11.1 The Investor must immediately inform the Manager in writing of any change of tax status, other material change in circumstance and any change in the information provided in the Application Form to which Clause 11.1 above refers.

## 12. Delegation and assignment

12.1 The Manager may employ agents, including any members of its corporate group, to perform any administrative, custodial or ancillary services to assist the Manager in performing the Service, in which case it will act in good faith and with due diligence in the selection, use and monitoring of agents but otherwise shall have no liability in respect of such agents.

12.2 The Manager may from time to time change or amend the Terms of the relationship with the Custodian, including replacement thereof and negotiate such Terms on an arm's length basis in good faith.

12.3 The Manager may assign this Agreement to any appropriately authorised and regulated person, such assignment being effective upon written notice to the Investor. This Agreement is personal to the Investor and the Investor may not assign it.

## 13. Potential conflicts of interest and disclosure

13.1 The Manager and the Custodian may provide similar services or any other services whatsoever to any other customer and neither the Manager nor the Custodian shall in any circumstance be required to account to the Investor for any profits earned in connection therewith. So far as is deemed practicable by the Manager or Custodian, the Manager or the Custodian will use all reasonable endeavours to ensure fair treatment as between the Investor and other customers in compliance with the FCA Rules.

13.2 The Manager may from time to time change or amend the Terms of the relationship with the Custodian, including replacement thereof and negotiate such Terms on an arm's length basis in good faith.

13.3 The Manager may assign this Agreement to any appropriately authorised and regulated person, such assignment being effective upon written notice to the Investor. This Agreement is personal to the Investor and the Investor may not assign it.

## 14. Liability

14.1 Each of the Manager and Custodian will at all times act in good faith and with reasonable care and due diligence. Nothing in this Clause 14 shall exclude any duty or liability owed to the Investor under the FCA Rules.

14.2 The Manager shall not be liable for any loss to the Investor arising from any investment decision made in accordance with the Investment Objectives and the Investment Restrictions or for other action in accordance with this Agreement, except to the extent that such loss is directly due to the negligence or wilful default or fraud of the Manager or any of its employees.

14.3 The Investor agrees to indemnify the Manager from and against any and all direct liabilities, obligations, losses, damages, penalties, actions against the Manager, judgements, suits against the Manager, proper costs and expenses or disbursements (other than those resulting from the fraud, negligence, wilful default or breach of contract on the part of the Manager) which may be imposed on, incurred by or asserted against the Manager in connection with the services provided by the

Manager hereunder and/or the investment by the Investor in Shares. Where the Manager is entitled to recover such loss both from the Investor and from other Investors who have completed an Application Form on a like basis, the Manager agrees to only recover such loss from the Investor in proportion to the Investor's respective interest in the Shares on the date of such claim.

14.4 The Manager may be separately engaged by some of the companies that the Investor will invest in (or any of its respective subsidiaries) to assist those companies to raise finance. The Manager may receive a fee from each such company for its services. Part of the Manager's fee from such unquoted companies may therefore be calculated by reference to the amount that the Investor invests.

14.5 The Manager gives no representations or warranty as to the performance of the Portfolio. IHT Investments are high risk investments, being Non-Readily Realisable Investments. There is a restricted market for such Investments and it may therefore be difficult to sell the Investments or to obtain reliable information about their value. Investors should consider the suitability of investment in IHT Investments carefully and note the risk warnings set out in these Terms.

14.6 If the Custodian should fail to deliver any necessary documents or to account for any Investments, the Manager will take all reasonable steps on the Investor's behalf to recover such documents or Investments or any sums due or compensation in lieu thereof but, subject thereto to the Manager's general duty of good faith, shall not be liable for such failure.

14.7 In the event of any failure, interruption or delay in the performance of the Manager's obligations resulting from acts, events or circumstances not reasonably within the Manager's control (including, but not limited to: acts or regulations of any governmental or supranational bodies or authorities; breakdown, failure or malfunction of any telecommunications or computer service or services; and acts of war, terrorism or civil unrest) the Manager shall not be liable to the Investor for consequent loss in the value of, or failure to perform investment transactions for the account of, the Service.

## 15. Joint accounts

15.1 Joint accounts are only available in Downing AIM Estate Planning Service. An ISA account cannot be held in joint name.

15.2 Where Investors are applying for a Joint Account the following additional Terms shall apply:

- a. each Joint Account holder is jointly and severally liable for the obligations of the Investor under this Agreement;
- b. the Manager is entitled to accept instructions from any Joint Account holder, save as otherwise expressly agreed between Joint Account holders and the Manager in writing;
- c. statements, reports or information will be sent to the first Joint Account holder unless otherwise expressly agreed between Joint Account holders and Downing in writing;

15.3 In accordance with Applicable Rules, on the death of one Joint Account holder their interest passes to the other Joint Account holder.

15.4 The Manager is not responsible for advising Joint Account holders on the tax consequences of a Joint Account.

## 16. Withdrawals and termination

16.1 An Investor may make one or more Withdrawals:

- a. to provide distributions, if so indicated on the Application Form or as otherwise directed by the Investor from time to time which will be implemented by way of a disposal of Shares of the Portfolio to the value of the required distributions (subject to liquidity constraints);
- b. to make a partial withdrawal from the Service, subject to a minimum remaining value in the Investor's Portfolio of £15,000, provided the Investor gives not less than 15 days' prior written notice of such a request, and subject to liquidity constraints should a cash withdrawal be requested; and
- c. for complete withdrawal of the Portfolio and so termination of the Service, in which case all investment of their Portfolio shall be sold and cash transferred to the Investor, subject to liquidity constraints. In respect of making Withdrawals however, the Investor should note:

- i. that he/she may lose Business Relief in respect of them;
- ii. that it may not be practicable for the Shares to be sold, in which case there may be a delay in completing the withdrawal. If it is practicable to effect, and the Investor decides to proceed with an early withdrawal, the Manager will, unless otherwise requested (and subject as set out below), effect the withdrawal on the date of the next allotment following that in which such decision is made; and
- iii. the Manager has a lien over the Investor's Investment in respect of damages or accrued
- iv. but unpaid fees and shall be entitled to dispose of all or any such investments in order to discharge the Investor's liability and to pay any balance to the Investor.
- v. any gains on the redemption or realisation of Shares from the Service may be subject to capital gains tax or income tax depending on the circumstances. Further information is included in the relevant Tax sections of the Terms;
- vi. any Withdrawals are subject to the availability of purchasers for the Shares and/or the liquidity of the IHT Companies, which shall be determined by the Manager in its discretion. It is therefore not guaranteed that any Withdrawals will be effected within any particular timeframe.

If the Manager receives notification of the Investor's death, the Investor's Downing ISA will be terminated. The Investor's Downing ISA will cease to benefit from any tax advantages from the date of their death. The AIM Shares will be realised in full once practicable to do so and the proceeds paid to the Investor's personal representative, or alternatively the holdings may be transferred upon receipt of the necessary documentation and completion of the relevant anti-money laundering checks.

On termination, a contract note will be sent to the Investor or their personal representative.

16.2 The Manager reserves the right at any time to terminate this Agreement on no less than 30 days' written notice to the Investor, or on immediate notice if required by any competent regulatory authority. The Agreement will terminate if the Manager ceases to be appropriately authorised by the FCA or become insolvent and is not replaced by another appropriately authorised and regulated entity in accordance with Clause 16.3. On termination of provision of the Service, all Shares in the Investor's Portfolio may be transferred into the Investor's name or as the Investor may otherwise direct.

16.3 Should the Service terminate pursuant to Clause 16.2, the Manager shall endeavour to make arrangements to transfer the Service to another Fund Manager in which case that Manager shall assume the role of the Manager under this Agreement, failing which the Agreement shall terminate forthwith and, subject to Clause 17, the Investments in the Investor's Portfolio shall be transferred into the Investor's name or as the Investor may otherwise direct.

## 17. Consequences of termination

17.1 On termination of this Agreement pursuant to Clause 16, the Manager will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this Agreement.

17.2 An Investor may withdraw from a Portfolio (and so, by terminating the Agreement in respect of that Portfolio, partially terminate this Agreement) at any time; in which case all his/her Investments from that Portfolio shall be, at the Investor's discretion, either transferred to a new Custodian of the Investor's choice, or, be sold and cash transferred, but the Investor should note:

- a. Termination will not affect accrued rights, existing commitments or any contractual provision intended to survive termination and will be without penalty or other additional payments save that the Investor will pay fees, expenses and costs properly incurred by the Manager and the Custodian up to and including the date of termination and payable under the Terms of this Agreement.

- b. On termination, the Manager may retain and/or realise such Investments as may be required to settle transactions already initiated and to pay the Investor's outstanding liabilities, including fees, costs and expenses payable under Clause 8 of this Agreement.
- c. It may not be practicable for the Shares to be sold, in which case there may be a delay in completing the withdrawal. If it is practicable to effect, and the Investor decides to proceed with a withdrawal, the Manager will, unless the Investor otherwise requests, effect the withdrawal as soon as practicably possible.

### **18. Risk warnings and further disclosures**

- 18.1 Your attention is drawn to the risk warnings set out in these Terms.
- 18.2 The Manager will not borrow money on behalf of Investors, nor lend securities or enter into stock lending or similar transactions. For the avoidance of doubt, the IHT Companies may borrow money or enter into similar transactions.
- 18.3 The Manager cannot require Investors to add further monies following Subscription through the Service.
- 18.4 The Manager will not use the Subscriptions to invest in warrants, units in collective investment schemes or derivatives of any sort.

### **19. Confidential information**

- 19.1 None of the Manager, Custodian or Investor shall disclose to third parties or take into consideration information either:
  - a. the disclosure of which by it would be or might be a breach of duty or confidence to any other person; or
  - b. which comes to the notice of an employee, officer or agent of the Manager or the Custodian but properly does not come to the actual notice of that party providing services under this Agreement.
- 19.2 The Manager and the Custodian will at all times keep confidential all information acquired in consequence of the Services, except for information which:

- a. is in the public knowledge;
- b. they may be entitled or bound to disclose under compulsion of law;
- c. is requested by regulatory agencies or relevant tax authorities;
- d. is given to their professional advisers where reasonably necessary for the performance of their professional services; or
- e. is authorised to be disclosed by the other party.

The Manager and the Custodian shall use all reasonable endeavours to prevent any breach of this sub-clause.

### **20. Complaints and compensation**

- 20.1 The Manager has established procedures in accordance with the FCA Rules for consideration of complaints. Details of these procedures are available from the Manager on request. Should an Investor have a complaint, they should contact the Manager. If the Manager cannot resolve the complaint to the satisfaction of the Investor, the Investor may be entitled to refer it to the Financial Ombudsman Service. Any complaints shall be the responsibility of the Manager. complaint to the satisfaction of the Investor, the Investor may be entitled to refer it to the Financial Ombudsman Service. Any complaints shall be the responsibility of the Manager.

- 20.2 The Manager participates in the Financial Services Compensation Scheme, established under the FSMA, which provides compensation to eligible Investors in the event of a firm being unable to meet its customer liabilities. Payments under the protected investment business scheme are limited to a maximum of £85,000 per Investor per institution. Further information is available from the Financial Services Compensation Scheme, on the website [www.fcsc.org.uk](http://www.fcsc.org.uk).

### **21. Notices, instructions and communications**

- 21.1 Notices of instructions to the Manager should be in writing and signed by the Investor, except as otherwise specifically indicated.
- 21.2 The Manager may rely and act on any instruction or communication which purports to have been given by persons authorised to give instructions by the Investor under the Application Form or

subsequently notified by the Investor from time to time and, unless that relevant party receives written notice to the contrary, whether or not the authority of such person shall have been terminated.

21.3 All communications to the Investor shall be sent (whether postal or electronic) to the latest address notified by the Investor to the Manager and shall be deemed to be received by the Investor on the second day after posting or on the day after dispatch in the case of electronic communication. All communications by the Investor shall be made in writing, in English, to the Manager at St Magnus House, 3 Lower Thames Street, London EC3R 6HD or (save as otherwise provided) shall be made by telephone to the Manager, in which case conversations may be recorded for the avoidance of any subsequent doubt. Communications sent by the Investor will be deemed received only if actually received by the Manager. The Manager will not be liable for any delay or failure of delivery (for whatever reason) of any communication sent to the Investor.

## 22. Amendments

The Manager may amend these Terms and Conditions in this Agreement by giving the Investor not less than 10 business days' written notice. The Manager may also amend these Terms by giving the Investor written notice with immediate effect if such is necessary in order to comply with HMRC requirements in order to maintain the Business Relief or in order to comply with the Applicable Rules.

## 23. Data protection

All data which the Investor provides to the Manager is held by that party subject to the Data Protection Act 2018. The Investor agrees that the Manager and Custodian may pass personal data to each other and to other parties insofar as is necessary in order for them to provide their services as set in this Agreement and to the FCA and any regulatory authority which regulates them and in accordance with all other Applicable Rules.

Personal information will be stored on the Manager's database and, where the Investor has so consented, may be used by the Manager to send the Applicant details of new and existing products (including by e-mail). The Manager is registered under the data protection laws of the United Kingdom.

## 24. Entire agreement

This Investor Agreement, together with the Application Form, comprise the entire agreement of the Manager with the Investor relating to the provision of the Service.

## 25. Rights of third parties

Aside from the Custodian and the Nominee, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any Terms of this Agreement, but this does not affect any right or remedy of such third party which exists or is available apart from that act.

## 26. Severability

If any Term, condition or provision of this Agreement shall be held to be invalid, unlawful or unenforceable to any extent, such term in, condition or provision shall not affect the validity, legality or enforceability of the remainder of this Agreement.

## 27. Governing law

This Agreement and all matters relating thereto shall be governed by and construed in accordance with English Law and the parties submit to the exclusive jurisdiction of the English Courts.

## ISA Specific Terms

To the extent there is any conflict or inconsistency between the General Terms set out above and these ISA Specific Terms, these ISA Specific Terms shall take precedence in relation to the provision of the Downing AIM ISA.

### 1. Manager status

- 1.1 IBP Markets Limited acts as the ISA Plan Manager of the Downing AIM ISA and has been approved by HMRC to act as an ISA Plan Manager in respect of the Stocks and Shares component of an ISA. They will manage the Investors' Downing AIM ISA in accordance with the Applicable Rules.
- 1.2 Downing only offers a Stocks and Shares ISA and does not offer a cash ISA.

### 2. Subscribing to the Downing AIM ISA and further payments

- 2.1 If an Investor subscribes to the Downing AIM ISA, they may not subscribe to another Stocks and Shares ISA in the same UK tax year.

- 2.2 Investors should seek advice from their Adviser regarding whether or not they are eligible to subscribe to the Downing AIM ISA, and how much they can subscribe in any particular tax year. Investors are responsible for ensuring that they do not exceed their maximum allowance in the relevant tax year.
- 2.3 The minimum investment in the Downing AIM ISA is specified in the Brochure and these Terms. Subscriptions to the Downing AIM ISA may comprise a combination of either (a) and (b) below, or (b) only:
- a. an initial Subscription of such amount as does not exceed the maximum allowance in the relevant tax year;
  - b. the transfer of existing ISA(s) from other ISA Plan Manager(s) in cash or, at the sole discretion of the Manager, in specie.
- 2.4 Because the rules on taxation can change, Downing cannot guarantee that the UK tax treatment of the Downing AIM ISA will continue during the lifetime of the investment. If an Investor is uncertain about this or any aspect of how an investment may relate to an Investor's tax position, they should seek professional advice.
- 2.5 Investors can make a lump sum payment to their Downing AIM ISA by cheque or by electronic bank transfer. Other than for lump sums which constitute their first Subscription, and provided that their original application remains valid, Investors may need to complete an additional Application Form which can be obtained from Downing or from their Adviser.
- 2.6 All applications to the Downing AIM ISA are accepted on a rolling basis, which means that if Investors wish to subscribe in subsequent tax years they may not have to complete a new Application Form. This is an optional arrangement and Investors are under no obligation to make further investments. Provided that Investors make a Subscription to their account either through a lump sum or any other type of payment in each consecutive tax year, and the basis on which they pay their Adviser remains the same, they may not need to complete a new Application Form as their original Application Form may remain valid.

- 2.7 The ISA investments will be registered in the name of the Nominee but will be and must remain beneficially owned by the Investor. This means that Investors will not be the registered legal owner of those investments but they will be entitled to the benefit that they can provide.

### **3. Cash balances in the Downing AIM ISA**

- 3.1 In accordance with the ISA Regulations, the Investor's Downing AIM ISA must be fully invested into qualifying investments at all times. Cash may only be held temporarily for the purpose of purchasing such qualifying investments.
- 3.2 All uninvested cash received or held for the account of an Investor's Portfolio shall be treated by the Administrator under the FCA Rules as 'client money' on the basis set out in the General Terms.
- 3.3 Where cash is held in the Investor's ISA, interest will be paid in the same way as interest is paid on client money as set out in the General Terms.

### **4. Delegation**

- 4.1 Downing and the Administrator reserve the right to delegate any of their functions or responsibilities under these Terms to another person and Investors authorise Downing or the Administrator to disclose to that person such information about the Investor's Downing AIM ISA as is necessary for this purpose. Downing will satisfy itself that any such person is competent to carry out such functions or responsibilities.

### **5. Transfers and Withdrawals**

- 5.1 Investors may at any time request that all or part of the investments held in their Downing AIM ISA be sold and the proceeds arising be transferred or paid to them within such reasonable time as the Investor stipulates (which, subject to the ISA Regulations, must not exceed 30 days). In such cases, Investors would receive the cash sum, subject to the deduction of any fees (where appropriate).
- 5.2 Downing will accept the transfer of the Investor's existing ISA from another ISA Plan Manager in cash, subject to the minimum investment specified in the Brochure.

- 5.3 Transfers will only be accepted from an account in the Investor's name. The Investor will need to complete a transfer authority form and return this to Downing, and their existing ISA Plan Manager, with their written instructions. The Investor represents and warrants that the value of their current ISA stated on the transfer authority form is correct as at the time the form is completed. Investors should be aware that on receiving a Transfer Authority Form, Downing reserves the right not to accept a transfer of an existing ISA or an initial Subscription (if applicable) if it reasonably appears to Downing that the value of the existing ISA, together with the initial Subscription (if applicable), would not achieve the minimum investment specified in the Brochure once the Investor's investments have been liquidated and all outstanding costs, charges and fees, settled.
- 5.4 Downing will not be responsible for any loss or delay caused in the transfer or payment of proceeds to Downing where this is due to something Downing cannot reasonably control.
- 5.5 On the Investor's written instructions and within such reasonable time as they stipulate (subject to a maximum of 30 days) Downing will transfer the Investor's Downing AIM ISA to another ISA Plan Manager provided they agree to the transfer. Whilst under normal circumstances, Downing will carry out the ISA transfer within the time stipulated, occasionally it may take longer to complete due to circumstances outside of Downing's control. Downing will only transfer the Investor's Downing AIM ISA in full to another ISA Plan Manager, no partial transfers will be allowed. The Investor may be liable to pay the fees and charges of third party Administrators and/or Custodians arising from any transfer.
- 5.6 Downing will liquidate the holdings in the Investor's Downing AIM ISA and transfer the cash realised to the new ISA Plan Manager subject to any retentions or deductions that Downing may be entitled or bound to make under these Terms or under the Applicable Rules. When Downing transfers the cash realised from liquidating the ISA to another ISA Plan Manager, all rights and obligations of the parties to the Investor's Downing AIM ISA are transferred with it to the new Manager. The new ISA Plan Manager may require the Investor to complete a Transfer Application Form.

- 5.7 Where an Investor requests a transfer or withdrawal in accordance with this clause 5 and their Downing AIM ISA holds units and/or Shares in a UK UCITS scheme, non-UCITS retail scheme or a UCITS scheme in respect of which dealing has been suspended in accordance with the applicable FCA rules (or any direct foreign equivalent), this 30 day period may be extended to seven days after the suspension ends.

## 6. Termination

- 6.1 The following provisions apply in addition to those set out in section 16 of the General Terms.
- 6.2 Downing may terminate the Investor's Downing AIM ISA on notice in accordance with the relevant ISA Regulations.
- 6.3 Downing will notify the Investor if their Downing AIM ISA has become, or will become, void because of any failure, either on Downing's part or on the Investor's part, to satisfy the relevant ISA Regulations. If an ISA is made void, the Investor may lose all or part of their tax exemption relating to the ISA. Downing is required to provide HMRC with full details of any void ISAs, including the personal details of the Investor.
- 6.4 If at any time Downing ceases to provide the Service to the Investor because the Investor has notified Downing in accordance with section 16 of the General Terms, Downing will hold the assets within the Investor's Downing AIM ISA at the time at which Downing (in the capacity as Manager) receives the Investor's notice, but will no longer manage the assets on a discretionary basis. The Investor's notice to terminate this Agreement shall constitute notice to terminate their ISA which will, in such circumstances, be affected 30 days following such notice and clause 5.1 of these ISA Specific Terms will apply as relevant.
- 6.5 The Investor's Downing AIM ISA will automatically cease to be exempt from tax from the date of their death but Downing will continue to act on any authorisation previously given until it is notified of the Investor's death. Downing will then continue to act on the instructions of the Investor's personal representatives in accordance with the ISA Regulations, as applicable, until their Downing AIM ISA is closed. Upon the Investor's death, their Downing AIM ISA will lose its ISA tax status and will, in effect, become an investment account.

## **Schedule 1:**

### **Portfolio management policy**

1. The Manager will select companies on the basis of the Investment Objectives and Investment Restrictions of that particular Service.
2. The Manager is aware that Shares in IHT Companies should be held for two years to obtain the benefits of the Business Relief.
3. The Manager may look to exit an investment prior to the end of two years provided the proceeds due to the Investor are reinvested in an IHT Company in a manner that does not prejudice Business Relief.
4. Once the Investor dies, the Manager will use reasonable endeavours to liquidate the holdings with a view to the holdings becoming fully liquid within three months, however this is not guaranteed.

## **Schedule 2:**

### **Conflict of interest policy**

The Manager has produced a policy to manage effectively the conflicts of interest that may arise from its business as required by the rules and guidance contained in the Senior Management Arrangements, Systems and Controls rules issued by the FCA ("SYSC"). The policy has been reviewed and approved by the Manager and is subject to monitoring by the Manager.

Under the SYSC, the Manager is required to take all reasonable steps to identify conflicts of interest between:

1. the Manager, including its employees and contracted consultants, or any person directly or indirectly linked to them by control, and a client of the Manager; or
2. one client of the Manager and another client.

The Manager believes that it should identify any conflicts that may arise in other situations including between the Manager and any of its shareholders. Where the Manager owes a duty to such clients, it must maintain and operate arrangements to prevent any conflict from giving rise to a material risk of damage to the interests of its clients.

A copy of the Manager's "conflict of interests" policy is available upon request.

## **Schedule 3:**

### **Execution policy: General**

#### **Execution factors and execution criteria:**

When executing orders in relation to financial instruments on behalf of the Investor, we will take all reasonable steps to achieve what is called 'best execution'.

This means that our policy and procedures are designed to obtain the best possible execution result, subject to and taking into account your characteristics, client classification (categorisation as a retail client) and the characteristics of the order, the financial instruments that are the subject of that order and the execution venues to which that order can be directed.

Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, the Manager may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result.

The Manager will determine the relative importance of the execution factors by using its commercial judgment and experience in light of market information available and taking into account the execution criteria. The execution criteria are defined as the characteristics of the client, order (orders placed in the market will indicate a price range that is suitable for the investment decision), type of financial instrument (some Shares are more liquid than others, and will be less easily tradable in volume) and the execution venue.

Our commitment to provide our clients with best execution does not mean that we have any fiduciary responsibilities over and above the specific regulatory obligations placed upon us or as may be otherwise contracted to.

#### **Specific instructions**

The Manager does not routinely accept specific instructions as to how it should execute orders; however, where an Investor has provided the Manager with specific instructions regarding an order, the Manager will execute the order in accordance with those specific instructions. Investors should be aware that providing specific instructions to the Manager in relation to the execution of a particular order may prevent the Manager from taking the steps set out in this execution policy to obtain the best possible result in respect of the elements covered by those instructions.

### **Monitoring and review**

The Manager will review the effectiveness of its execution policy and order execution arrangements on an annual basis. Whenever a material change occurs that affects its ability to continue to obtain the best possible result for the investor, the Manager will notify the Investor of any material changes to its execution arrangements or its execution policy by posting an updated version on its website.

### **Notification of changes**

The Manager will notify its clients of any material changes to its order execution arrangements and policy. It may provide information, including details of any changes, either in a durable medium or via its website.

### **Process**

Downing generates its decision to deal in a particular instrument for all of its clients interested or potentially interested in that instrument simultaneously as it makes its investment management decision. This can, depending on the client, be either through the discretion allowed to an individual Investment Manager working for Downing or through an investment committee meeting of Downing called to decide whether to proceed with the investment/disinvestment decision for a particular client. The client order is then communicated by the responsible Downing Investment Manager with an Intermediary entity, such as a stockbroker authorised to transact on the recognised stock exchange concerned. If the Intermediary entity can execute the order to the Terms specified by Downing, the order is fulfilled.

### **Price**

Depending on whether Downing is investing or realising, it will normally consider, and instruct the entities with which it places orders that, the best result for its clients in relation to exchange traded instruments is to pay the minimum total consideration (investing) or obtain the maximum total consideration (realising) for its clients, representing the price of its financial instruments, plus or minus (as the case may be) the costs related to execution such as legal expenses, dealing costs and commissions. Despite being securities quoted on recognised stock exchanges, they will not always be highly liquid as Downing specialises in Small Cap and AIM quoted securities and inevitably it can, on occasion, particularly in adverse market conditions, be difficult for the stockbrokers Downing places orders with to actually execute these orders. In some circumstances, therefore, the relative illiquidity of the relevant securities

or size of the relevant holding may require consideration to be given to other execution factors, such as the ability to find the necessary liquidity and affect the transaction in the required size or the impact on the market as it may affect securities which are retained.

### **Execution venues**

For each instrument we execute on behalf of clients, consideration is made on an ongoing basis of the variety of venues or sources of liquidity available, to enable us to obtain the best possible result for execution of transactions on a consistent basis. In order to satisfy this policy we may consider one of the following venues:

- › Systematic internalisers;
- › Regulated markets;
- › Multilateral Trading Facilities (MTFs); and
- › Third party investment firms and/or affiliates acting as Market Maker or other liquidity providers.

Where we believe best execution can be achieved outside of regulated markets or MTFs, we will do so, after obtaining your consent.

In certain financial instruments there may only be one execution venue. In executing a trade in such circumstances we will presume that we have provided the best possible result in this respect for these types of instruments.

### **Execution factors**

In relation to each type of instrument the following factors will be considered to determine the venue used, the manner in which we instruct them or whether we directly execute your orders in the market place:

- › Price;
- › Costs;
- › Speed;
- › Settlement quality;
- › Size of the order;
- › Investment Objectives of the Portfolio; and

- › Any other matters considered relevant.

The relative importance of each factor is determined using the following criteria:

- › Client characteristics, including regulatory categorisation;
- › Client characteristics and nature of the order, including whether any specific instructions are given in relation to any individual or series of transactions;
- › Characteristics of the financial instruments that are the
- › Subject of the order; and
- › Characteristics of the execution venue to which the order can be directed.

Normally liquidity would be the deciding factor and it is important that the venues used are able to deliver the volume of securities required within a reasonable time frame.

Where liquidity is not the primary factor, the Manager will create appropriate audit trails to support which execution factor is relevant, the reason why, and provide evidence to support that best execution has been achieved.

### **Order handling**

Downing is committed to prompt and fair treatment of all clients' orders.

### **Monitoring**

The Manager actively monitors compliance with its Best Execution Policy on a quarterly basis.

### **Order execution policy**

The Manager will place instructions with the entities it selects to execute orders with a view to achieving the minimum or maximum total consideration (depending on whether it is investing or realising) since that is of primary importance for the Manager in achieving the best possible result for its clients in relation to transactions in exchange traded financial instruments. Speed, likelihood of execution and settlement, the size and nature of the order, market impact and any other implicit transaction costs may be given precedence over the immediate price and cost consideration only insofar as they are instrumental in delivering the best possible result for the investor in Terms of total consideration.

In selecting the Intermediary entity to execute the orders, normally a stockbroker, the Manager will, in the case of

instruments traded on UK exchanges (which make up the majority of the Manager's transactions), ensure that all the stockbrokers it transacts with are authorised by the FCA and owe it a duty of best execution under the FCA's rules on best execution. When appointing a stockbroker or other Intermediary located elsewhere in the EEA, the Manager will ensure that the broker concerned is authorised by its local regulator and owes the Manager a similar duty of best execution under the rules of that regulator. In the case of overseas stockbrokers, the Manager will take reasonable steps to consider how the overseas stockbroker acting for it is providing a best execution type service and if appropriate will seek another stockbroker to represent the Manager.

Consideration will be given to using the broker of the investee company where the Manager considers that it may improve access to liquidity. The Manager will also review the best execution policies, and where relevant conflicts policies of the stockbrokers concerned and seek to monitor their execution quality. The Manager will maintain a record of the stockbrokers who are authorised to act for each investor.

Although limit orders in normal market size which are not immediately filled may be publicised in order to facilitate the earliest possible execution of an order, the Manager may instruct an Intermediary not to disclose such orders where it, or the Intermediary, considers that non-disclosure may improve the result for the client.

In certain circumstances, the Manager may execute the purchase and sale of the same financial instrument between clients' accounts, known as a "Matched Bargain". The Manager will only undertake this where it believes that this will secure the best possible result for clients.

# Appendix

## Settlement agreement

### Parties

1. The Investor ("Settlor")
2. Downing LLP, 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD (Downing)

### Background

1. The Settlor wishes to assign absolutely to Downing (as trustee) all of their beneficial interest in the trust established in respect of an Insurance Policy (as defined in the Terms & Conditions) ("the Property") for Downing to hold on trust subject to the Terms of this settlement ("Settlement").
2. It is intended that this Settlement shall be irrevocable. The parties to this Settlement accept that no Insurance Policy shall have no settlement value and provides protection only on death subject to the Terms of such Insurance Policies. No rights or obligations under this Settlement may be assigned by any party.

### 1. Definitions and interpretation

In this Settlement, where the context admits, the following definitions and rules of construction shall apply.

- 1.1 **"Application Form"** means the relevant Application Form signed by the Settlor in respect of the Downing AIM Estate Planning Service and/or the Downing AIM ISA.
- 1.2 **"Beneficiaries"** shall mean the persons nominated by the Settlor in Section 4 of the Application Form signed by or on behalf of the Settlor.
- 1.3 **"Terms & Conditions"** shall mean the Terms and Conditions, Brochure and associated Application Form issued by Downing relating to the specific Downing AIM Estate Planning Service as at the date of the Application Form which is signed by the Settlor.
- 1.4 **"Trust Fund"** shall mean:
  - a. the Property; and
  - b. any interest earned by Downing on the Property and any other accumulations of income added to the Property, all of which shall be held subject to the powers and provisions of this Settlement.

1.5 **"Trust Period"** shall mean the period ending on the earlier of:

- a. the last day of the period of 125 years from the date of this Settlement; and
- b. such date as shall for the time being be specified pursuant to the power conferred by clause 7 of this Settlement.

Otherwise, the words and phrases used in this Settlement shall have the meaning ascribed to them in the Terms & Conditions.

### 2. Assignment

The Settlor hereby assigns absolutely and irrevocably to Downing all the Settlor's interest in the Property on the effective date referred to below.

### 3. Effective date

This Assignment and Settlement shall take effect on the Investment Date in respect of any Insurance Policy that becomes effective on or around such date or, if later, the date upon which the Settlor receives any beneficial interest in the trust established in respect of an Insurance Policy.

### 4. Power to add beneficiaries

- 4.1 The Settlor or his survivor or such person as the Settlor or his survivor shall have nominated in writing or if none Downing, may, at any time during the Trust Period, add to the Beneficiaries such persons as the person making the addition shall, subject to the application, if any, of the rule against perpetuities, determine.
- 4.2 Any such addition shall be made in writing to Downing:
  - a. naming the persons to be added; and
  - b. specifying the date or event, being before the end of the Trust Period, on the happening of which the addition shall take effect.
- 4.3 This power shall not be exercised so as to add to the Beneficiaries the Settlor or any person who shall previously have added property to the Trust Fund or the spouse or civil partner for the time being of the Settlor or any such person.

## **5. Discretionary trust of capital and income**

- 5.1 Downing, whilst agreeing to make reasonable endeavours to act in accordance with the Settlor's wishes set out in the Settlor's Application Form, shall hold the capital and income of the Trust Fund upon trust for or for the benefit of such of the Beneficiaries in such manner, and to make payments to the Beneficiaries at such times, as Downing shall in its discretion decide.
- 5.2 The exercise of Downing's powers under clause of this Settlement shall be subject to the application of the rule against perpetuities.

## **6. Trusts in default of appointment**

- 6.1 Subject to the provisions of clause 5 of this Settlement, Downing shall hold the capital and income of the Trust Fund upon trust absolutely for such of the children and remoter issue of the Settlor as shall be living at the end of the Trust Period and, if more than one, in equal Shares per stirpes, so that no person shall take if any of his ascendants is alive and so capable of taking.
- 6.2 If at the end of the Trust Period, there is no one who meets the requirements of clause 6.1 of this Settlement, Downing shall hold the capital and income of the Trust Fund on trust absolutely for a charity of Downing's choosing.

## **7. Power to alter trust period**

Downing may, at any time during the Trust Period, specify by deed, in relation to the whole or any part of the Trust Fund, a date for the purposes of clause 1.2(b) of this Settlement. The date specified shall not be earlier than the date of execution of such deed or later than the date on which the applicable perpetuity period expires.

## **8. Administrative powers**

Downing shall, in addition and without prejudice to all statutory powers, have the powers and immunities set out in this Settlement. No power conferred on Downing shall be exercised so as to conflict with the beneficial provisions of this Settlement and the powers conferred on Downing shall be exercisable only during the Trust Period and subject to the application, if any, of the rule against perpetuities.

## **9. Exclusion of Settlor and spouse or civil partner**

- 9.1 No discretion or power conferred on Downing or any other person by this Settlement or by law shall be exercised, and no provision of this Settlement shall operate directly or indirectly, so as to cause or permit any part of the capital or income of the Trust Fund to become in any way payable to or applicable for the benefit of the Settlor or any person who shall previously have added property to the Trust Fund or the spouse or civil partner for the time being of the Settlor or any such person. The prohibition in this clause shall apply notwithstanding anything else contained or implied in this Settlement.

## **10. Proper law, forum and place of administration**

- 10.1 The proper law of this Settlement shall be that of England. All rights under this Settlement shall be construed, and its construction and effect shall be determined, according to the laws of England.
- 10.2 The courts of England shall be the forum for the administration of these trusts.

## **11. Power of investment**

- 11.1 Downing may apply any money to be invested in the purchase or acquisition of such property, of whatever nature and wherever situate and whether of a wasting nature, involving liabilities or producing income or not, or in making such loans with or without security, as they think fit so that they shall have the same powers to apply money to be invested as if they were an absolute beneficial owner.
- 11.1 Downing shall not be required to diversify the investment of the Trust Fund.

## **12. Power of management**

Downing shall have all the powers of an absolute beneficial owner in relation to the management and administration of the Trust Fund.

## **13. Power to insure property**

Downing may insure all or any part of the Trust Fund against any risk, for any amount and on such Terms as they think fit but shall not be bound to do so.

#### **14. Payment of expenses**

Downing shall have power to pay out of income or capital, as it may in its discretion determine, any expenses relating to the Trust Fund (or any assets comprised within it) or its administration.

#### **15. Power to appoint agents**

Downing may employ and pay at the expense of the Trust Fund any agent in any part of the world to transact any business in connection with this Trust without being responsible for the fraud, dishonesty or negligence of such agent if employed in good faith.

#### **16. Powers to delegate**

16.1 Downing may engage any person or partnership as investment adviser to advise it on the investment of all or any part of the Trust Fund and it may, without being liable for any consequent loss, delegate to such investment adviser discretion to manage investments on such Terms as Downing thinks fit.

16.2 Downing may, without being liable for any consequent loss, delegate to any person the operation of any bank, building society or other account.

#### **17. Payment of taxes**

In the event of any inheritance tax or probate, succession, estate duty or other duties, fees or taxes whatever becoming payable in any part of the world in respect of the Trust Fund or any part of it in any circumstances whatever, Downing may pay all such duties, fees or taxes (notwithstanding that they are not recoverable from Downing or the Beneficiaries) out of the capital or income of the Trust Fund at such time and in such manner as it thinks fit. The power to pay duties, fees and taxes conferred by this clause shall extend to any related interest and penalties and to the provision of information to, or the filing of returns with, any relevant tax authorities.

#### **18. Trustee charging**

Downing shall be entitled to reimbursement of its proper expenses and to remuneration for its services in accordance with such Terms and Conditions as may from time to time be agreed between Downing and the Settlor.

#### **19. Protection of Downing generally**

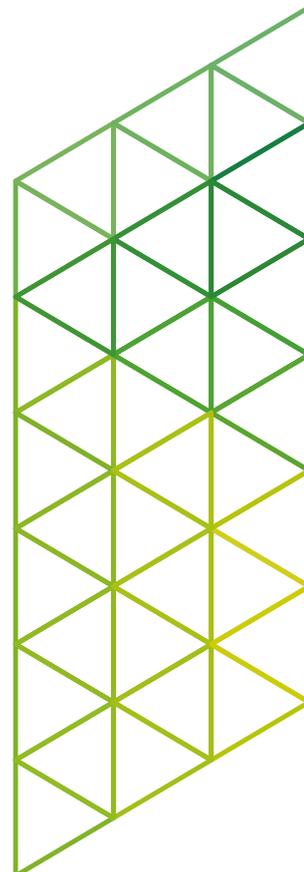
Downing shall not be liable for any loss to the Trust Fund however arising except as a result of the fraud or dishonesty of Downing.

#### **20. Release of powers**

Downing may by deed release or restrict the future exercise of all or any of the powers conferred on it by this Settlement.

#### **21. Power to vary administrative provisions**

Downing may by deed amend or add to the administrative provisions of this Settlement.





October 2021

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