



# Downing AIM Estate Planning Service

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Terms and Conditions

Downing 

# Important notice

These Terms contain information relating to an investment made through the Service. An investment may only be made on the basis of these Terms (in particular, the Investor Agreement), the Brochure and the 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 page 4 of the Service’s Brochure.

These Terms, the Downing AIM Estate Planning Service Brochure and the Application Form 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 are likely to 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 Service other than the information contained in these Terms, the Brochure or Application Form and, if given or made, such information or representation must not be relied upon.

Applications will only be accepted if submitted through an FCA authorised Intermediary, whose details are completed in the Application Form.

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 31 January 2020.

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## How to Apply

- ▶ Read these Terms, the Brochure and the Application Form
- ▶ 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

### **If you have any questions, please contact us**

Telephone: **020 7416 7780**

Email: **ih@downing.co.uk**

Web: **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.
- ▶ Investors 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 three months 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.

The Manager will seek to make investments into at least 20 IHT-qualifying AIM companies, which after two years should qualify for IHT relief.

## 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 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.

## 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 10 working days of Downing's receipt of an investor's written request. In the case of requests to withdraw £30,000 or more, Downing will endeavour to raise the entire amount within the timescale requested by the investor but reserves the right to take such longer period as may be required to ensure the orderly disposal of investments. 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.

# Operation of the Service

## Client account

Investors' Subscriptions will be held in the Custodian's aggregated client account prior to investment in IHT Companies 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 cash held on an investor's behalf in the client account will earn interest. The rate varies from time to time. Please check with Downing for the current rate.

## 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 and 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. Any dividends received by the Custodian or the Nominee from IHT Companies will be reinvested by the Manager or held in the client account.

## Documentation and communication

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

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.

## Other information

### 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 IHT 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. 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.

# 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 across both policies combined.

Eligible investors will receive Downside Protection Cover by default unless, in their Application Form, they opt to receive Life Cover for some or all of their Subscription. Any amount of the Subscription that is opted to be covered by the Life Cover policy will not 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 automatically benefit from the Downside Protection Cover, subject to such policy still being available.

The liability limits for Downside Protection Cover and Life Cover are independent, with a maximum payout of £100,000 on each.

## Downside Protection Cover terms and conditions

### 1. Sum insured

The cover is only applicable if the value of the Portfolio on death has reduced below the Net Initial Investment (less any withdrawals). The initial Sum Insured is a loss in value on 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 10 of these Terms (subject to a maximum payout of £100,000 per investor across all insurance policies held on all Downing estate planning products). A maximum Sum Insured of £100,000 usually corresponds to a Subscription of approximately £500,000, depending on the level of initial charges paid. 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 Insurer reserves the right to remove any investors 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 2% 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.

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 and 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). 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.

### 2. Age

The Life Cover policy only covers investors up to (but not including) their 85th birthday 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. of the original gross investment for the first two years). No premiums are paid directly or on behalf of investors.

If an investor 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 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.

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.

### 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 5 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 2 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 14. 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:

1. The investor's representatives should notify Downing of the death, supplying original birth, death, and, if appropriate, marriage certificates.
2. 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.
3. 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. 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.

# 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

The initial charge payable to Downing will be 0% of the amount invested after the deduction of any Adviser Charge until 31 May 2020, when it will revert to 2% unless initial commission is payable on the application (e.g. for execution only clients of an intermediary) where the initial charge will be 2% until 31 May 2020 and then revert to 4%. Out of its fees, Downing will pay all the costs of the Offer, including initial commission where applicable.

## Annual charges

### Downing Management Charge

2.0% plus VAT per annum of the value of each Portfolio. Where annual trail commission is payable to an Intermediary, Downing will charge an annual fee of 2.5% 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 once a year. Alternatively, the investor can pay this fee personally.

## Life Cover charge

If Life Cover is chosen, there is an additional 2.25% p.a. charge 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

### Probate valuations

- ▶ Valuations up to six listed securities: £250 plus VAT
- ▶ Valuations of seven or more listed securities: £200 plus VAT and £10 plus VAT per security held

### Dealing charges

Downing does not charge dealing charges, however, third party transactional fees will apply.

## 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, plus annual trail commission, usually at the rate of 0.5% of the values of the Portfolios they have introduced. Commission is payable by Downing out of its fees.

## 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 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 IHT 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 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. Under the insurance policies, the maximum proceeds payable in respect of any one investor is capped at £100,000 under either insurance 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.

The IHT liability rate in respect of the Insurance Policies 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 subscribing, the value of the Shares will not benefit from IHT relief. Applicants may wish to cover this risk by taking out Life Cover through the Service or elsewhere for two years and should contact their independent financial adviser for details. The downside protection 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 by the beneficiaries.

If the Shares are held through a Joint Account these notes also cover the position. Therefore, if a Joint Account holder dies within two years of subscribing, the value of his interest in the Shares will not qualify for the IHT BPR 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

If Shares are sold to a third party (whether to provide distributions or a full exit), a capital gain or loss may arise, subject to the annual Capital Gains Tax exemption. In the event that there are no third party purchasers, Shares are likely to be repurchased by the IHT Companies, which will result in the proceeds in excess of the amount originally subscribed for the Shares being taxed as income. If the Shares were acquired by you from a third party, the amount originally subscribed for the Shares may differ from the price paid. Any withdrawals from the Service will not benefit from IHT relief.

## 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 13 March 2018 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>	Brooks Macdonald Asset Management Limited of 72 Welbeck Street, London W1G 0AY (FCA No: 184918) 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 6 and 7
<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>"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 14 to 23 of these Terms
<b>"Life Cover"</b>	the "Life Cover" insurance policy in respect of the Service, particulars of which are set out on pages 9 and 10
<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>	Brooks Macdonald Nominees Limited 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>"Portfolio value"</b>	Market Value of a Portfolio (including any cash) less any Withdrawals
<b>"Service"</b>	Downing AIM Estate Planning Service, a service set up to enable investors to invest in IHT Companies by way of the Investor Agreement with the Manager
<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, 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 and conditions applicable at the time of the claim
<b>"Terms"</b>	this document
<b>"Withdrawals"</b>	amounts withdrawn by an investor from their Portfolio, whether in cash or stock transferred in specie at Market Value

# Investor agreement

This Investor Agreement (“the Agreement”) sets out the agreement between the Manager and the investor appointing the Manager to constitute and manage your portfolio in accordance with these Terms. Upon acceptance of a signed Application Form, this Agreement will constitute a binding agreement between you and the Manager.

## 1. Definitions, construction and interpretation

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

“**Applicable Rules**” the FSMA, the FCA Rules and all other relevant laws and regulations;

“**Application Form**” an application form to invest through the Service completed by the investor and (where applicable) the adviser in the form provided by the Manager;

“**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;

“**IHT Relief**” exemption from IHT;

“**Investment**” an investment acquired at the discretion of the Manager for the investor through the Service;

“**Investment Objective**” the investment objective for the Investments made through the Service as set out in the Brochure and/or the Terms;

“**Investment Restrictions**” the investment restrictions for the Investments made through the Service as set out in the Brochure and/or the Terms;

“**Investment Services**” the investment 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;

“**Readily Realisable Investment**” a government or public security denominated in the currency of the country of its issuer or any other security which is:

(i) admitted to the Official List of the UK Listing Authority or the equivalent in another EEA State,

(ii) regularly traded on or under the rules of such an exchange, or

(iii) regularly traded on or under the rules of a recognised investment exchange or (except in relation to unsolicited real time financial promotions) designated investment exchange, or a newly issued security which can reasonably be expected to fall within the above categories when it

begins to be traded. Note that this term does not include AIM, or Sharemark traded investments, nor does it include unlisted securities.

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 from time to time amended, 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. Investing through the Service

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 recorded on the register of applications maintained by the Manager.

2.2 Where the investor submits an Application Form which is accepted, and the investor makes Subscriptions, the investor hereby appoints the Manager to fulfil its role in managing the Portfolio for the investor on the terms 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 The Manager is authorised and regulated by the Financial Conduct Authority with Firm Reference Number 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 25 The North Colonnade, London E14 5HS. 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 is classified as a Retail Client. 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 will 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.

2.6 The investor confirms that he/she is suitably knowledgeable of the risks associated with the investment and/or has been suitably advised of these risks.

2.7 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.

2.8 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).

2.9 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 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.

Please note that it may take up to three months to fully invest Subscriptions.

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 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 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 a Portfolio as from the receipt of each Application on the terms set out in this Agreement. The Manager will exercise all discretionary powers in relation to the selection and buying of, exercising rights relating to, or selling Investments of a Portfolio on the terms set out in the Terms and the Brochure. The Manager will also arrange for the Custodian to provide safe custody services in relation to the Portfolio (including cash).

4.2 The investor confirms that he/she has read and understood the Brochure and the risk factors set out in it and acknowledges that the Manager has not provided the investor with advice about the Service.

4.3 The Manager will acquire for the investor investments, which the Manager reasonably believes to be IHT Investments at the time of acquisition (but please be aware that the Manager does not provide any commitment that any such investment will remain an IHT Investment at all times thereafter). Subject thereto, there shall be no restriction on the amount invested in any one investment, or on the proportion of an investor's Portfolio in any one investment, or on the markets which transactions are affected; unless specified in these Terms. If the Manager sells IHT Investments on behalf of an investor, there may be tax consequences about which an investor should speak to their adviser.

4.4 The Manager shall not, however, 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.

4.5 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.

#### **5. Investment objectives and restrictions**

5.1 In performing its Services, the Manager shall have regard to, and shall comply with, the Investment Objective and the Investment Restrictions.

5.2 In performing its Services, the Manager shall at all times have regard to:

- (a) the need for Portfolio to attract the tax advantages; and
- (b) all applicable rules.

#### **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 affected 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: the MSCI UK Investable Market Index.



## **8. Fees and expenses**

8.1 The Manager shall receive fees for its respective 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 Administrator.

8.2 An initial charge shall be deducted from the amount of each investor's investment 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:

- (a) allow this to roll up (interest free); or
- (b) sell investments within the Portfolio of a sufficient value to cover charges or commissions involved.

## **9. Management and custodian obligations**

9.1 The Custodian will hold all investments in an investor's Portfolio in safe custody on the following basis:

- (a) title documents of investments in respect of which such documents are issued will be physically held by the Custodian.
- (b) any registerable investment acquired for an investor's Portfolio will normally be registered in the name of the Custodian or its nominee company (the "Nominee"); and
- (c) any documents of title to investments in bearer form will be held by the Custodian.

9.2 Investors should note that investments held by the Custodian or the account of a Portfolio may be pooled with other holdings held by the Custodian. Such investments may not be identifiable by separate certificates, other physical documents of title or equivalent electronic record and, should the Custodian default, an investor will share in any shortfall in proportion to their original share of any investments in the pool. On occasion, investments may be used to settle another person's transaction, which will not affect the Custodian's record of entitlement.

9.3 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. 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.

9.4 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.

9.5 The Custodian, as soon as reasonably practicable, will claim and account for all dividends, interest 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 investor**

10.1 Each portfolio 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.

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.

10.3 The investor must provide the Manager with any information which it reasonably requests for the purposes of providing the Service pursuant to the terms of this Agreement.

## **11. Delegation and assignment**

11.1 The Manager may employ agents, including associates, 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.

11.2 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.

11.3 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.

## **12. Potential conflicts of interest and disclosure**

12.1 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 Applicable Rules.

12.2 The Manager has in place a conflicts of interest policy (the "Conflicts Policy") pursuant to the Applicable Rules which sets out how it identifies and manages conflicts of interest. Set out in Schedule 2 is a summary of the Manager's Conflicts Policy.

### **13. Liability**

13.1 Both the Manager and Custodian will at all times act in good faith and with reasonable care and due diligence. Nothing in this Clause 13 shall exclude any duty or liability owed to the investor under the Applicable Rules.

13.2 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.

13.3 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.

13.4 The Manager gives no representations or warranty as to the performance of the Portfolio. IHT Investments are high risk 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 the Brochure.

13.5 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.

13.6 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.

### **14. Joint accounts**

14.1 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 the Manager in writing;

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

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

### **15. Termination**

15.1. 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) that he/she may lose IHT Relief in respect of them;
- (b) 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 a withdrawal, the Manager will, unless the investor otherwise requests, effect the withdrawal as soon as practicably possible; and

(c) the Manager has a lien over the investor's Investment in respect of damages or accrued 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.

15.2 If:

(a) the Manager gives to the investor not less than three months' written notice of its intention to terminate its role as Manager under this Agreement; or

(b) the Manager ceases to be appropriately authorised by the FCA or becomes insolvent 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 15, the Investments in the investor's Portfolio shall be transferred into the investor's name or as the investor may otherwise direct.

## 16. Consequences of termination

16.1 On termination of this Agreement pursuant to Clause 15, the Manager will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this Agreement.

16.2 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.

16.3 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.

## 17. Risk warnings and further disclosures

17.1 Your attention is drawn to the risk warnings set out in the Brochure.

17.2 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.

17.3 The Manager will not use the Subscriptions to invest in warrants, units in collective investment schemes or derivatives of any sort.

## 18. Confidential information

18.1 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.

18.2 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.

## 19. Complaints and compensation

19.1 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.

19.2 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 £50,000 per investor per institution. Further information is available from the Financial Services Compensation Scheme, on the website [www.fscs.org.uk](http://www.fscs.org.uk).

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

20.1 Notices of instructions to the Manager should be in writing and signed by the investor, except as otherwise specifically indicated.

20.2 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.

20.3 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.

## **21. 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 IHT Relief or in order to comply with the Applicable Rules.

## **22. Data protection**

All data which the investor provides to the Manager is held by that party subject to the Data Protection Act 1998. 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 may be used by the Manager to send the Applicant details of new and existing products (including by e-mail) unless the Applicant notifies the Manager in

writing that it may not be used in this way. The Manager is registered under the data protection laws of the United Kingdom.

## **23. Entire agreement**

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

## **24. Rights of third parties**

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 term 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.

## **25. 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.

## **26. 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.

## **27. Trustees**

27.1 If the investor is a Trust, any reference in these Terms to the investor shall be construed, where appropriate to any one or more of the Trustees of the Trust (the "Trustees"). Downing will hold all Trustees jointly and severally liable under the Agreement. Downing will ensure that any instructions are carried out in accordance with the authorisations that the Trustees provide when completing the Application Form.

27.2 Downing shall be entitled to assume that the Trustees of a Trust have full power to deal in the assets of the Portfolio being Trust property and Downing shall not be liable to the beneficiaries of the Trust for any action that Downing properly takes on the investor's behalf.

27.3 The Trustees must inform Downing promptly when a Trustee dies or retires. In this event, the remaining Trustees remain bound by these Terms. The Trustees must also inform Downing promptly when a new Trustee is appointed, and provide Downing with any documentation that it requires to evidence such appointment.

### **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 IHT relief.
3. The Manager may look to exit an investment prior to the end of two years if the growth of the investment has outperformed the market and covers any loss of tax benefit. It may also exit an investment in the event of a trade sale of the investment.
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.

### **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**

The Manager has an obligation when executing orders on behalf of clients to obtain the best possible outcome. The FCA requires various execution factors to be taken into account including price; cost; speed; market impact, likelihood of execution and settlement; size; or any other consideration relevant to the execution of the order. 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 judgement 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 illiquid shares will be less easily tradable in volume) and the execution venue.

#### **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. Thus the firm will undertake to print out evidence of the relevant market data to contrast the volumes achieved against the market availability. Such evidence will be subject to the firm's internal monitoring process in accordance with its compliance policies.

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, 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 application form signed by the Settlor in respect of the Downing AIM Estate Planning Service.
- 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 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 and 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 5.1 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.

9.2 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.

11.2 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.



St Magnus House  
3 Lower Thames Street  
London EC3R 6HD

020 7416 7780  
contact@downing.co.uk  
www.downing.co.uk



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