



Downing AIM ISA

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Terms and Conditions

Downing



Important notice

If you are in any doubt about the content of this terms and conditions document (the “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”). Your attention is drawn to the section headed “Risk factors” on page 4 of the Downing AIM ISA Brochure (“Brochure”). An investment through Downing AIM ISA (the “Service”) will not be suitable for all recipients of these Terms.

These Terms, the 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.

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. These Terms do not constitute a direct offer to sell, or a solicitation of an offer to purchase, securities and in particular do not constitute an offering in any state, country or other jurisdiction where, or to any person or entity to whom, an offer or sale would be prohibited.

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

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. 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**. Telephone calls may be recorded for monitoring purposes.

For UK investors only.
Information correct as at 23 July 2018.

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How to Apply

- ▶ Read the 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 suitable for?

This opportunity may be suitable 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 (“IHT”).

Investment amounts

The minimum aggregate initial subscription to the ISA and the Downing AIM Estate Planning Service is £100,000.

If the transfer value of your existing ISA or your initial investment is less than £100,000, the difference can be invested into the Downing AIM Estate Planning Service and up to the maximum ISA limit may be subscribed or transferred on an annual basis from the Downing AIM Estate Planning Service to the Downing ISA.

The maximum ISA investment in the 2019/20 tax year is £20,000.

Service structure

When Investors make an investment through the Service, they appoint Downing to make investments in IHT Companies on a discretionary basis. The Service is based on an agreement between Downing 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. Downing 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.

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 longer if necessary 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 investments.

Operation of the Service

Client account

Investors' Subscriptions will be held in the Custodian's segregated and pooled 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, 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.

All documents of title (for example, share certificates) will be held by the Nominee and will be registered in the name of the Nominee.

Documentation and communication

Downing will send each Investor quarterly reports, 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 IHT 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

Insurance policy 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 14 of these Terms (subject to a maximum payout under the Downside Protection Cover of £100,000 per Investor across 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% per annum of the original Subscription (plus 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 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 per annum 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.

Insurance policy 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.

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

Retail distribution review ("RDR")

With effect from 31 December 2012, commission is not permitted to be paid to Intermediaries who provide a personal recommendation to UK retail clients on retail investment products and discretionary managed services. Instead of commission being paid, a fee ("Adviser Charge") will usually be agreed between the Intermediary and the Investor for advice and related services. In certain limited situations, such as in respect of execution only clients (where no advice or personal recommendation has been provided), commission is permitted to be paid to Intermediaries.

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

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

Downing's initial charge of 2.0% will be deducted from the amount invested where no initial commission is payable to an Intermediary. Where initial commission is payable to an Intermediary (e.g. for execution only clients of the Intermediary), Downing's initial charge will be 5.5%. Out of its fees, Downing will pay all the costs of the Offer, including initial commission where applicable.

Ongoing charges

Downing Management Charge

Downing will charge an annual fee of 2.0% plus VAT of the value of each Portfolio where no annual trail commission is payable to an Intermediary. 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.

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 2.0% 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.

No hidden or unspecified charges

All charges are disclosed above and the amount of each charge is specified. Downing does not charge any other administrative, service, dealing or exit fees to the Service or to the underlying businesses in which it invests.

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 Property Relief (“BPR”) 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% BPR (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.

BPR 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 policy

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

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

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

What happens if an investor dies within two years?

If the Investor dies within two years of subscribing, the value of the Shares will not benefit from IHT relief. Applicants may wish to cover this risk by taking out life cover for two years and should contact their independent financial adviser for details. The downside protection 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.

ISA tax benefits

Investors who hold investments in an ISA can benefit from tax-free growth and income. Any gains following the sale of shares are free from Capital Gains Tax and any dividends received are free from Income Tax.

Important notice

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

Definitions

"Adviser Charge"	fee agreed between the investor and an FCA authorised and regulated adviser, for advice and related services
"AIM"	the Alternative Investment Market of the London Stock Exchange
"Applicable Rules"	the FSMA, the FCA Rules and all other relevant laws and regulations
"Application Form"	application form and notes on application for investment under the Service
"Brochure"	document dated 13 March 2018 describing the Service
"BPR" or "Business Property Relief"	business property relief as set out in the IHTA 1984
"CGT"	capital gains tax
"Custodian", "Administrator" or "ISA Plan Manager"	Brooks Macdonald Asset Management Limited of 72 Welbeck Street, London W1G 0AY (FCA No: 184918) or such organisation as Downing may appoint to provide, and with whom it has agreed terms for, safe custody and custodial and nominee services in respect of the Service
"Downing" or "Manager"	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)
"FCA"	Financial Conduct Authority and any successor body
"FSMA"	Financial Services and Markets Act 2000 (as amended) including all regulations pursuant thereto
"HMRC"	HM Revenue & Customs
"IHT"	inheritance tax
"IHT Company"	qualifying company for IHT purposes in which an Investor holds Shares
"IHT Investments"	investments made in IHT Companies
"IHT Trades"	type of business(es) which qualifies for IHT tax relief (as more fully described in the summary on taxation)
"IHTA 1984"	Inheritance Tax Act 1984
"Insurer"	a Lloyds of London syndicate, with whom Downing has arranged an insurance policy
"Insurance Policy"	policy of insurance arranged on an annual basis with certain syndicates at Lloyds of London as described on pages 6 and 7 of these Terms
"Intermediary"	authorised intermediary who signs the Application Form and whose details are set out in the Application Form
"Investor"	individual (and certain trustees or corporate) who completes an Application Form which is accepted by Downing and so enters into the Investor Agreement and invests in IHT Companies through the Service
"Investor Agreement"	agreement to be entered into between each Investor and Downing, in the terms set out on pages 12 to 24 of these Terms
"Market value"	investments listed on a recognised stock market measured using bid price plus, where applicable, any cash
"ISA Regulations"	the Individual Savings Account Regulations 1998
"ML Regulations"	Money Laundering Regulations 2017
"NAV"	Net Asset Value
"Net Initial Investment"	initial subscription through the Service less Downing's initial charge and any initial Adviser Charge
"Nominee"	Brooks Macdonald Nominees Limited or such nominee as the Custodian may appoint to act as the Investor's nominee from time to time
"Portfolio"	Investor's holdings in IHT Companies held through the Service
"Portfolio value"	Market Value of a Portfolio (including any cash) less any Withdrawals
"Service" or "Downing AIM ISA"	Downing AIM ISA, a service set up to enable Investors to invest in IHT Companies by way of the Investor Agreement with Downing
"Subscription"	amount subscribed through the Service, as set out in the Application Form
"Sum Insured"	loss suffered upon the death of an Investor limited to the lesser of 20% of the Net Initial Investment or £100,000 (less any relevant redemptions or withdrawals taken from an Investor's Portfolio) subject to the Insurance Policy terms and conditions applicable at the time of the claim
"Terms"	this document
"Withdrawals"	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 Downing and the Investor appointing Downing to constitute and manage the Investor’s Portfolio in accordance with these Terms. Upon acceptance of a signed Application Form, this Agreement will constitute a binding agreement between the Investor and Downing.

Section 1: General Terms

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 in the Downing ISA completed by the Investor and (where applicable) the adviser in the form provided by Downing;

“**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 Downing 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;

“**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 Subject to the ISA Regulations, you have the right at any time by notice in writing to us to transfer in cash all or part of your Downing ISA (with all rights and obligations of the parties to it) to another ISA Plan Manager. Instructions to transfer all of your Downing ISA Investments will entitle us to terminate your Downing ISA.

2.2 The Administrator will keep records that identify your Investments separately. All shares acquired on your behalf may be registered in the name of the Administrator’s nominee. Your Portfolio will not be lent to third parties and no borrowings may be made by us against the security of your Portfolio. All documents evidencing title to your Portfolio shall be held by the Administrator in safe custody.

2.3 Whilst your cash is awaiting investment it is protected and held by the Administrator in a client money account maintained in accordance with the FCA Rules. If your Downing ISA holds more than 50% in cash for more than six months without you providing instructions to invest the cash then we reserve the right to close the account and return all monies to you.

2.4 This Agreement comes into force on the date that Downing accepts the Investor’s Application Form. An Application Form is accepted when recorded on the register of applications maintained by Downing.

2.5 This Agreement enables the Investor to invest through the Service.

2.6 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.

2.7 Where the Investor submits an Application Form which is accepted, and the Investor makes Subscriptions, the Investor hereby appoints Downing to fulfil its role in managing the Portfolio for the Investor on the terms set out in this Agreement. Downing agrees to accept its appointment and obligations on the terms set out in this Agreement.

2.8 Downing is authorised and regulated by the Financial Conduct Authority with Firm Reference Number number 545025. Details of Downing's registration can be located via the FCA's website at www.fca.org.uk. Downing 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 although Downing is not bound to accept it. However, if the Investor does so and if Downing agrees to such categorisation the Investor will lose the protection afforded to the Investor as a retail client under the regulatory regime in the UK.

2.9 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.

2.10 The Investor confirms that he/she is not seeking advice from Downing on the merits of any investment made through the Service. Downing shall not be liable for any losses the Investor suffers or incurs as a result of acting or deciding to act on the advice or recommendation of any third party (including their Adviser) in relation to Downing's services.

2.11 The Investor acknowledges that it is their responsibility (or the responsibility of their Adviser) to keep their financial services, objectives and appetite for risk under review, and to assess whether the Service remains suitable for their needs. If the relationship between the Investor and their Adviser ceases to exist for any reason, Downing strongly recommends that the Investor appoints a new Adviser to ensure that the Service remains suitable for the Investor.

2.12 The Investor agrees that Downing may hold information about them and their affairs in order to verify their identity and financial standing (among other things Downing may consult a credit or mutual reference agency, which may retain a record of the enquiry).

2.13 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 Downing 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, Downing 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 and subject to the ISA rules:

- a) the Investor shall make an aggregate Subscription in cash or in specie of not less than £100,000 to the Service and/or to the Downing AIM Estate Planning Service at the same time as submitting his/her Application Form to invest; and
- (b) the Investor may make further Subscriptions to the Service and/or to the Downing AIM Estate Planning Service subject to the ISA rules.

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. Downing 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 Downing will manage a Portfolio as from the receipt of each Application on the terms set out in this Agreement. Downing 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 this Agreement, the Terms and the Brochure. Downing 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 Downing has not provided the Investor with advice about the Service.

4.3 Downing will acquire for the Investor investments, which Downing reasonably believes to be IHT Investments at the time of acquisition (but please be aware that Downing 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 effected; unless specified in the Brochure and/or the Terms. If Downing sells IHT Investments on behalf of an Investor, there may be tax consequences about which an Investor should speak to their adviser.

4.4 Downing 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.

5. Investment objectives and restrictions

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

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

- (a) the desire for the 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 and that, although they will be traded on AIM at the time of purchase they may be illiquid and such shares tend to be harder to sell than those of larger companies.

6.2 Subject to both the FCA Rules and Downing's conflicts of interest policy (a summary of which is included at Schedule 2 of this Agreement) Downing 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 FCA Rules and Downing's portfolio management policy (at Schedule 1 of this Agreement) Downing will act in good faith and with due diligence in its choice and use of counterparties but, subject to this obligation, shall have no responsibility for the performance by any counterparty of its obligations in respect of transactions effected under this Agreement.

6.4 Downing may aggregate your transactions with those of other customers and of its employees in accordance with the FCA 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. Downing will allocate aggregated transactions promptly on a fair basis in accordance with the requirements of the FCA Rules.

6.5 As an FCA authorised firm Downing 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 Downing. Set out in Schedule 3 is Downing's summary of its policy in respect of this requirement. Where applicable, Downing's decisions will normally be executed by itself or the Custodian in accordance with its Execution Policy.

7. Reports and information

7.1 Downing, 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 quarterly 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 FTSE AIM All Share Index.

8. Fees and expenses

8.1 Downing shall receive fees for its respective Services, and reimbursements of its costs and expenses, as set out in the Brochure and the Terms. Downing will pay the costs of the Administrator.

8.2 An initial charge, if applicable, 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, Downing 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 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 Downing 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 Downing 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 (and additional questionnaire if applicable) 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 Downing 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 Downing 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 Downing may employ agents, including associates, to perform any administrative, custodial or ancillary services to assist Downing 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 Downing 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 Downing 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 Downing and the Custodian may provide similar services or any other services whatsoever to any other customer and neither Downing 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 Downing or Custodian, Downing or the Custodian will use all reasonable endeavours to ensure fair treatment as between the Investor and other customers in compliance with the FCA Rules.

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

13. Liability

13.1 Each of Downing 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 FCA Rules.

13.2 Downing 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 Downing or any of its employees.

13.3 The Investor agrees to indemnify Downing from and against any and all direct liabilities, obligations, losses, damages, penalties, actions against Downing, judgements, suits against Downing, proper costs and expenses or disbursements (other than those resulting from the fraud, negligence, wilful default or breach of contract on the part of Downing) which may be imposed on, incurred by or asserted against Downing in connection with the services provided by Downing hereunder and/or the investment by the Investor in Shares. Where Downing is entitled to recover such loss both from the Investor and from other investors who have completed an Application Form on a like basis, Downing 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 Downing gives no representations or warranty as to the performance of the Portfolio. IHT Investments are high risk Investments. Investors should consider the suitability of investment in IHT Investments carefully and note the risk warnings set out in these Terms.

13.5 If the Custodian should fail to deliver any necessary documents or to account for any Investments, Downing 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 Downing'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 Downing's obligations resulting from acts, events or circumstances not reasonably within Downing'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) Downing 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. Termination

14.1. Without prejudice to the completion of transactions already initiated, you have the right to terminate your Downing ISA at any time by providing us with written notice. We will make such transfers in cash and payments out of your Downing ISA as you direct, subject to liquidity. Your Downing ISA will be treated as being terminated on the date the final payment of any proceeds is made to you. You should note:

- (a) that you may lose IHT Relief in respect of your Downing ISA;
- (b) that it may not be practicable for the AIM Shares to be sold, in which case there may be a delay in completing the withdrawal. If it is practicable to effect, and you decide to proceed with a withdrawal, we will, unless you otherwise request, effect the withdrawal as soon as practicably possible; and
- (c) we have a lien over your portfolio in respect of damages or accrued but unpaid fees and shall be entitled to dispose of all or any AIM shares in order to discharge your liability and to pay any balance to you.

If we receive notification of your death, your Downing ISA will be terminated. Your Downing ISA will cease to benefit from any tax advantages from the date of your death. The AIM Shares will be realised in full and the proceeds paid to your personal representative, or alternatively the holdings may be transferred upon receipt of the necessary documentation. On termination, a contract note will be sent to you or your personal representative.

14.2 We will be entitled to terminate the Downing ISA by giving you 30 days' written notice served on you to take effect from receipt of the notice by you. You may be required to sell all of your AIM Shares in your Downing ISA and/or transfer your Portfolio. If:

- (a) we give you not less than 30 days' written notice of our intention to terminate our role as Manager under this Agreement; or
- (b) we cease to be appropriately authorised by the FCA or we become insolvent we shall endeavour to make arrangements to transfer your Downing ISA; in which case that manager shall assume our role under this Agreement, failing which the Agreement shall terminate forthwith and, subject to Clause 15 of this Agreement, the Investments in your Portfolio shall be transferred into your name or as you may otherwise direct.

15. Consequences of termination

15.1 On termination of this Agreement pursuant to Clause 14, Downing will use reasonable endeavours to complete all transactions in progress at termination expeditiously on the basis set out in this Agreement.

15.2 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 Downing and the Custodian up to and including the date of termination and payable under the terms of this Agreement.

15.3 On termination, Downing 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.

16. Risk warnings and further disclosures

16.1 Your attention is drawn to the risk warnings set out in page 4 of the Brochure.

16.2 Downing 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.

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

17. Confidential information

17.1 None of Downing, 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 Downing or the Custodian but properly does not come to the actual notice of that party providing services under this Agreement.

17.2 Downing 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.

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

18. Complaints and compensation

18.1 Downing has established procedures in accordance with the FCA Rules for consideration of complaints. Details of these procedures are available from Downing on request. Should an Investor have a complaint, they should contact Downing. If Downing cannot resolve the complaint to the satisfaction of the Investor, the Investor may be entitled to refer it to the Financial Ombudsman Service (FOS). The FOS is an independent service set up to resolve disputes between customers and businesses providing financial services. The FOS can be contacted at: Exchange Tower, London E14 9SR and further information about the FOS may be found at financial-ombudsman.org.uk.

18.2 Downing 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.

19. Notices, instructions and communications

19.1 Notices of instructions to Downing should be in writing and signed by the Investor, except as otherwise specifically indicated.

19.2 Downing 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.

19.3 All communications to the Investor shall be sent (whether postal or electronic) to the latest address notified by the Investor to Downing 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 Downing LLP at St Magnus House, 3 Lower Thames Street, London EC3R 6HD or (save as otherwise provided) shall be made by telephone to Downing, 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 Downing. Downing will not be liable for any delay or failure of delivery (for whatever reason) of any communication sent to the Investor.

20. Amendments

Downing may amend these terms and conditions in this Agreement by giving the Investor not less than 10 business days' written notice. Downing 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 FCA Rules.

21. Data protection

All data which the Investor provides to Downing is held by that party subject to the Data Protection Act 1998. The Investor agrees that Downing 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 Downing's database and may be used by Downing to send the Applicant details of new and existing products (including by e-mail) unless the Applicant notifies Downing in writing that it may not be used in this way. Downing is registered under the data protection laws of the United Kingdom.

22. Entire agreement

This Agreement, together with the Brochure, Terms and Application Form, comprise the entire agreement of Downing with the Investor relating to the provision of the Service.

23. 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.

24. 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.

25. 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.

26. Trustees

26.1 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.

26.2 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.

26.3 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.

Section 2: ISA Specific Terms

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

1. Manager status

1.1 Brooks Macdonald Asset Management Limited acts as the ISA Plan Manager of the Downing AIM ISA and has been approved by HMRC to act as an ISA Plan Manager in respect of the stocks and shares component of an ISA. They will manage the Investors' Downing AIM ISA in accordance with the Applicable Rules.

1.2 Downing only offers a stocks and shares ISA and does not offer a cash ISA.

2. Subscribing to the Downing AIM ISA and further payments

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

2.2 Investors should seek advice from their Adviser regarding whether or not they are eligible to subscribe to the Downing AIM ISA, and how much they can subscribe in any particular tax year. Investors are responsible for ensuring that they do not exceed their maximum allowance in the relevant tax year.

2.3 The minimum investment in the Downing AIM ISA is specified in the Brochure and these Terms. Subscriptions to the Downing AIM ISA may comprise a combination of either (a) and (b) below, or (b) only:

(a) an initial subscription of such amount as does not exceed the maximum allowance in the relevant tax year;

(b) the transfer of existing ISA(s) from other ISA Plan Manager(s) in cash or in specie.

2.4 Because the rules on taxation can change, Downing cannot guarantee that the UK tax treatment of the Downing AIM ISA will continue during the lifetime of the investment. If an Investor is uncertain about this or any aspect of how an investment may relate to an Investor's tax position, they should seek professional advice.

2.5 Investors can make a lump sum payment to their Downing AIM ISA by cheque or by electronic bank transfer. Other than for lump sums which constitute their first subscription, and provided that their original application remains valid, Investors may need to complete an additional Application Form which can be obtained from Downing or from their Adviser.

2.6 All applications to the Downing AIM ISA are accepted on a rolling basis, which means that if Investors wish to subscribe in subsequent tax years they may not have to complete a new Application Form. This is an optional arrangement and Investors are under no obligation to make further investments. Provided that Investors make a subscription to their account either through a lump sum or any other type of payment in each consecutive tax year, and the basis on which they pay their Adviser remains the same, they may not need to complete a new Application Form as their original Application Form may remain valid.

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

3. Cash balances in the Downing AIM ISA

3.1 In accordance with the ISA Regulations, the Investor's Downing AIM ISA must be fully invested into qualifying investments at all times. Cash may only be held temporarily for the purpose of purchasing such qualifying investments.

3.2 All uninvested cash received or held for the account of an Investor's Portfolio shall be treated by the Administrator under the FCA Rules as 'client money' on the basis set out in the General Terms.

3.3 Where cash is held in the Investor's ISA, interest will be paid in the same way as interest is paid on client money as set out in the General Terms.

4. Delegation

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

5. Transfers and withdrawals

5.1 Investors may at any time request that all or part of the investments held in their Downing AIM ISA be sold and the proceeds arising be transferred or paid to them within such reasonable time as the Investor stipulates (which, subject to the ISA Regulations, must not exceed 30 days). In such cases, Investors would receive the cash sum, subject to the deduction of any fees (where appropriate).

5.2 Downing will accept the transfer of the Investor's existing ISA from another ISA Plan Manager in cash, subject to the minimum investment specified in the Brochure.

5.3 Transfers will only be accepted from an account in the Investor's name. The Investor will need to complete a transfer authority form and return this to Downing, and their existing ISA Plan Manager, with their written instructions. The Investor represents and warrants that the value of their current ISA stated on the transfer authority form is correct as at the time the form is completed. Investors should be aware that on receiving a transfer authority form, Downing reserves the right not to accept a transfer of an existing ISA or an initial subscription (if applicable) if it reasonably appears to Downing that the value of the existing ISA, together with the initial subscription (if applicable), would not achieve the minimum investment specified in the Brochure once the Investor's investments have been liquidated and all outstanding costs, charges and fees, settled.

5.4 Downing will not be responsible for any loss or delay caused in the transfer or payment of proceeds to Downing where this is due to something Downing cannot reasonably control.

5.5 On the Investor's written instructions and within such reasonable time as they stipulate (subject to a maximum of 30 days) Downing will transfer the Investor's Downing AIM ISA to another ISA Plan Manager provided they agree to the transfer. Whilst under normal circumstances, Downing will carry out the ISA transfer within the time stipulated, occasionally it may take longer to complete due to circumstances outside of Downing's control. Downing will only transfer the Investor's Downing AIM ISA in full to another ISA Plan Manager, no partial transfers will be allowed. The Investor may be liable to pay the fees and charges of third party administrators and/or custodians arising from any transfer.

5.6 Downing will liquidate the holdings in the Investor's Downing AIM ISA and transfer the cash realised to the new ISA Plan Manager subject to any retentions or deductions that Downing may be entitled or bound to make under these Terms or under the Applicable Rules. When Downing transfers the cash realised from liquidating the ISA to another ISA Plan Manager, all rights and obligations of the parties to the Investor's Downing AIM ISA are transferred with it to the new manager. The new ISA Plan Manager may require the Investor to complete a transfer application form.

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

6. Termination

6.1 The following provisions apply in addition to those set out in section 14 of the General Terms.

6.2 Downing may terminate the Investor's Downing AIM ISA on notice in accordance with the ISA Regulations.

6.3 Downing will notify the Investor if their Downing AIM ISA has become, or will become, void because of any failure, either on Downing's part or on the Investor's part, to satisfy the ISA Regulations. If an ISA is made void, the Investor may lose all or part of their tax exemption relating to the ISA. Downing is required to provide HMRC with full details of any void ISAs, including the personal details of the Investor.

6.4 If at any time Downing ceases to provide the Service to the Investor because the Investor has notified Downing in accordance with section 14 of the General Terms, Downing will hold the assets within the Investor's Downing AIM ISA at the time at which Downing (in the capacity as Manager) receives the Investor's notice, but will no longer manage the assets on a discretionary basis. The Investor's notice to terminate this Agreement shall constitute notice to terminate their ISA which will, in such circumstances, be effected 30 days following such notice and clause 5.1 of these ISA Specific Terms will apply as relevant.

6.5 The Investor's Downing AIM ISA will automatically cease to be exempt from tax from the date of their death but Downing will continue to act on any authorisation previously given until it is notified of the Investor's death. Downing will then continue to act on the instructions of the Investor's personal representatives in accordance with the ISA Regulations, as applicable, until their Downing AIM ISA is closed. Upon the Investor's death, their Downing AIM ISA will lose its ISA tax status and will, in effect, become an investment account.

Section 3: Appendix

Schedule 1: Portfolio management policy

1. Downing will select companies on the basis of the Investment Objectives and Investment Restrictions of that particular Service.
2. Downing is aware that shares in IHT Companies should be held for two years to obtain the benefits of the IHT relief.

Schedule 2: Conflict of interest policy

Downing 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 chapter 10 of the Senior Management Arrangements, Systems and Controls rules issued by the FCA ("SYSC"). The policy has been reviewed and approved by Downing and is subject to monitoring by Downing.

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

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

Downing believes that it should identify any conflicts that may arise in other situations including between Downing and any of its shareholders. Where Downing 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 Downing's "conflict of interests" policy is available upon request.

Schedule 3: Execution policy

General

Execution factors and execution criteria:

Downing 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, Downing may appropriately determine that other execution factors are more important than price in obtaining the best possible execution result.

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

Specific instructions

Downing does not routinely accept specific instructions as to how it should execute orders; however, where an Investor has provided Downing with specific instructions regarding an order, Downing will execute the order in accordance with those specific instructions. Investors should be aware that providing specific instructions to Downing in relation to the execution of a particular order may prevent Downing 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

Downing will review the effectiveness of its execution policy and order execution arrangements on an annual basis. Whenever a material change occurs that affects Downing's ability to continue to obtain the best possible result for the Investor, Downing 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

Downing 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 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 effect 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 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 timeframe. 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 Investment 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

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

Order execution policy

Downing 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 Downing is investing or realising) since that is of primary importance for Downing 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 Downing's clients in terms of total consideration.

In selecting the intermediary entity to execute the orders, normally a stockbroker, Downing will, in the case of instruments traded on UK exchanges (which make up the majority of Downing'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, Downing will ensure that the broker concerned is authorised by its local regulator and owes Downing a similar duty of best execution under the rules of that regulator. In the case of overseas stockbrokers, Downing will take reasonable steps to consider how the overseas stockbroker acting for Downing is providing a best execution type service and if appropriate will seek another stockbroker to represent Downing. Consideration will be given to using the broker of the investee company where Downing considers that it may improve access to liquidity. Downing will also review the best execution policies, and where relevant conflicts policies of the stockbrokers concerned and seek to monitor their execution quality. Downing will maintain a record of the stockbrokers who are authorised to act for each Downing client.

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

Schedule 4:

Insurance policy terms and conditions

Initial Sum Insured

Initial Sum Insured is a loss at the Insurance Calculation Date of up to 20% of the Net Initial Investment, being the funds invested by Investors less the initial charge of 5.5% (subject to a maximum Sum Insured of £100,000 per Investor across all Downing IHT Products that have downside protection insurance), less any Withdrawals. A maximum Sum Insured of £100,000 corresponds broadly to a Subscription of approximately £530,000.

Age

The Insurance Policy only covers Investors up to (but not including) their 90th birthday on the date of their death.

Annual renewal

The Insurance Policy is renewable each year and may be cancelled by the Insurer or Downing. As such, there is no guarantee that the Insurance Policy will continue or that the terms of the Insurance Policy will remain the same during the period of an Investor's investment in the relevant Downing IHT Products. In the event that it becomes uneconomic to continue to offer the Insurance Policy, having considered alternative underwriting options, Downing reserves the right to withdraw the Insurance Policy and make an appropriate reduction in the annual management fees.

Premiums

Premiums are payable by Downing under a group policy. No premiums are payable directly by, or on behalf of, Investors.

Insurance Policy exclusions

Commission waived

Any amounts of commission waived and added to an investment as additional investment is not covered by the Insurance Policy.

Redemption of a Portfolio

The Portfolio must be sold following death to trigger a payment under the Insurance Policy, where applicable. Once a Portfolio has been passed to the beneficiaries following the death of an Investor, the policy will no longer apply.

General exclusions

No benefit will be payable under the Insurance Policy 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;
 - (ii) the radioactive, toxic, explosive or other dangerous effect of any explosive nuclear equipment or part of that equipment; and
 - (iii) biological or chemical contamination due to or arising from terrorism.

In the event that any evidence required to assess the death claim is not provided, no benefit will be payable under the Insurance Policy.

Insurance policy claims process

The claims process following the death of an Investor having a valid claim under the 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 the Investor's details, a request for payment form, and proof of the Sum Insured as at the date of death to the Insurer.
3. The insurance claim will be paid when the Insurer is satisfied with the entitlement to a claim and the Investment has been redeemed. The payment will then be made to the beneficiaries as indicated by the Investor at the time of investment.

Any claim will run concurrently with the process for exiting from the Service, although any claim under the Insurance Policy will only be payable once the Portfolio has been liquidated and cash returned to beneficiaries.

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 ISA.
- 1.2 “**Beneficiaries**” shall mean the persons nominated by the Settlor in Section 4 of the Application Form signed by or on behalf of the Settlor.
- 1.3 “**Terms & Conditions**” shall mean the terms and conditions, Brochure and associated Application Form issued by Downing relating to the Downing AIM ISA 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.



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