



April 2024

# Downing Estate Planning Service

Terms & Conditions

Downing 

# Important notice

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

An investment through the Service will not be appropriate for all recipients of these Terms. If you are in any doubt about the content of these Terms and/or any action that you should take, you are strongly recommended to seek advice immediately from an independent financial adviser authorised and regulated by the Financial Conduct Authority 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") and your attention is drawn to the section headed "Risk factors" on pages 8 to 12.

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. Such documents do not constitute an offer to provide the Service in any state, country or other jurisdiction where, or to any person or entity whom, such an offer or sale would be prohibited.

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

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

No person has been authorised to give any information, or to make any representation, concerning the 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.

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.

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If you have any questions, please speak to your financial adviser, email us at [customer@downing.co.uk](mailto:customer@downing.co.uk) or call us on 020 7416 7780. Please note, telephone calls may be recorded for monitoring purposes.

**Information correct as at April 2024.**

## How to Apply

- › Read these Terms, the Brochure and the Application Form.
- › Discuss the opportunity with your intermediary.
- › Complete and send your application and subscription to: Downing LLP, St Magnus House, 3 Lower Thames Street, London EC3R 6HD or send a copy of your signed application form to the email address below.

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

Telephone: 020 7416 7780

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

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

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# The Service

## Who may this Service be appropriate for?

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

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

## Investment amounts

The minimum individual Subscription through the Service is £25,000. There is no restriction on the maximum Subscription by an individual.

## Service structure

By entering into an Investor Agreement, an Investor will enter into an individual discretionary investment management arrangement with Downing.

The Service is a discretionary management service. Subscriptions made through the Service will be invested in suitable portfolio of companies on behalf of the Investor. Downing will be responsible for discretionary decisions in relation to the selection of, and the exercise of rights in relation to, investments in the Investor's Portfolio, but the Investor acquires and retains beneficial ownership of the Investments within their Portfolio. Legal title to the Investments will be held in the name of the Custodian acting as nominee for the Investors.

Please refer to pages 5 and 6 for more details on the investment objectives, policy strategy and restrictions.

## Life of the Service

In order to obtain inheritance tax relief ("IHT"), Shares must have been held for a minimum period of two years on death.

## Exit opportunities, distributions and withdrawals

The Service has been designed to provide access to Investor's capital twice a month, subject to liquidity. Those opting for distributions can elect to receive these monthly, quarterly, six-monthly or annually. There are no exit charges or penalties, but any gains on the redemption or realisation of Shares from the Service may be subject to capital gains tax or income tax depending on the circumstances. All withdrawals are subject to liquidity constraints and are not guaranteed. Any amount drawn from an Investor's Portfolio prior to death will not be eligible for Business Relief and may be subject to IHT in the normal way.

Partial withdrawals from the Service are permitted, subject to a minimum remaining value in the Service of £15,000.



# Operation of the Service

## Client account

Each Investor's Subscription will be held by the Custodian in a segregated and pooled client money bank account with trust status prior to investment in the Portfolio and following the realisation of investments in the Portfolio or on a withdrawal prior to distribution of proceeds to Investors or beneficiaries. Any interest arising on cash held for an Investor is paid to the Downing Foundation, which is typically made from three to four charities.

## Accounts

Accounts will be maintained for each Investor, showing the amount contributed by that Investor and the amounts invested and yet to be invested on that Investor's behalf.

## Timing of investment

Downing intends to invest Subscriptions fortnightly. There is, however, no guarantee that this will be achieved.

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

## Investment in the Portfolio Companies

Through the Application Form, the Investor can indicate their preferred allocation, which Downing will take into account in their selection of one or more suitable Portfolio Companies for the Investor.

When a suitable Company or Companies have been selected, Downing will facilitate the acquisition of the Shares on behalf of the Investor within the timeframe referred to above.

All documents of title for Investments will be held by the Custodian. Share certificates will be issued in the name of the Custodian.

Any dividends received by the Custodian from the Portfolio Companies on behalf of the Shares owned by the Investor will be forwarded directly on to the Investor. Downing does not however anticipate any dividends being paid by the Portfolio Companies.

## Investment Objectives

The Investment Objectives for the Service are to seek investment into Companies that:

- a. have a business and growth strategy that should support capital preservation and which can deliver modest, steady returns to Investors, with a target range of return of 3.0% to 4.5% per annum. This target return is to be reviewed on an annual basis by Downing;
- b. carry out a Trade, which will enable the Investor to benefit from Business Relief, if their investment is held for at least 2 years and at the date of death;
- c. benefit from a diversified portfolio of underlying businesses – including (but not limited to) diversity of sector, technology, geography, business stage and time horizon for potential exit; and,
- d. have taken into account Environmental, Social and Governance (ESG) factors in their business model.

Investors should note that the Service achieving any or all of these Investment Objectives is not guaranteed and Investors should consider the risk factors set out in this document, before making any decision to invest in the Service. The Portfolio Companies or their underlying businesses may also invest in other Downing products, if suitable for the strategy and objective. No additional management charges would be applied.

A Portfolio Company may provide capital and / or debt instruments to a separate Company, where doing so supports the Investment Objectives of the Service and the Portfolio Companies.

## Investment Restrictions

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

The Service's underlying Portfolio Companies will not make investments into listed funds or other liquid investments, except where:

- a. the underlying Portfolio Company need to hold liquidity for future commitments and are seeking a return on these funds in the meantime;
- b. the funds are required for future business use in a known and reasonable timescale; and,
- c. such an investment is not expected to negatively impact the Portfolio Companies' qualification for Business Relief.

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

## Management Agreement

A management agreement is in place between Downing and each of the underlying Portfolio Companies. This agreement sets out the duties of Downing, including, but not limited to: identifying, evaluating and progressing potential business opportunities that are suitable for the Portfolio Companies; monitoring the performance of the underlying businesses of the Portfolio Companies; managing the liquidity of the Portfolio Companies; reporting to the boards of the Portfolio Companies on a quarterly basis; calculating valuations of the assets and liabilities of the Portfolio Companies on a quarterly basis, which, for the avoidance of doubt, are then subject to approval by the respective Boards of the Portfolio Companies; and, any other ancillary services as may be agreed between Downing and the Portfolio Companies from time to time.

It is noted that tax relief may not be available to Investors in certain circumstances and neither Downing nor the Custodian accepts any liability for any loss or damage suffered by any Investor or any other person in consequence of such Business Relief not being available or reduced. In this regard, Investors are strongly advised to read the risk factors set out on pages 8 to 12.

## The Custodian

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

### (a) Function

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

### (b) Restrictions on transfer

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

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

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

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

**(d) Appointment of new Custodian**

Downing makes the arrangements in respect of custody.

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

**(e) Investment**

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

**(f) Indemnity**

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

# Risk factors

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

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

## General risks

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

- › **Valuations** of unquoted companies are calculated by Downing and approved by the respective boards of the Portfolio Companies, in accordance with the International Private Equity and Venture Capital Valuation Guidelines (“IPEV”). The Investor’s Portfolio will include holdings in the underlying Portfolio Companies which, in turn, will carry on their business through a number of underlying businesses. The Portfolio Company and their underlying businesses will generally consist of unquoted companies and/or limited liability partnerships with very limited or no historical performance track record. Therefore, such valuations will include a high degree of judgement, and the actual proceeds generated from the disposal of the Investor’s interest in any Portfolio Company may materially differ from the value attributable to the Shares prior to the disposal.
- › **Liquidity risk:** The shares of unquoted companies are deemed to be illiquid assets, as they are not traded on a regulated exchange. They may also be harder to sell and therefore liquidity may be restricted.
- › **Capital is at risk:** The value of this investment may go down as well as up. Investors may not get back the full amount they invested. The FSCS for deposits protection does not apply to the Service. It does, however, apply to funds held in the client money account prior to investment in the Service. Under the FSCS investment protection scheme there may be circumstances in which investors can claim up to £85,000 of compensation where Downing LLP is unable or unlikely to honour legally enforceable obligations against it (e.g. claims for fraud or misrepresentation). For more details on the FSCS and its eligibility criteria click here: [www.fscs.org.uk/what-we-cover](http://www.fscs.org.uk/what-we-cover)
- › **Returns are not guaranteed:** Returns are targets and not forecasts and there is no guarantee that the Service’s target returns will be achieved.
- › **Global events:** Where macroeconomic events occur that have a far reaching impact on the operations of the underlying Portfolio Companies and their underlying businesses, the value of the Portfolio Companies and their underlying businesses may be reduced. Examples of such macroeconomic events include (but are not limited to), the significant and broad economic impacts caused by a global pandemic (as referred to below), Brexit (as referred to below), cyclical falls in the values in the residential property market, reductions in the availability of credit / investment from financial institutions, sustained falls in major listed stock markets, adverse movements in interest rates and / or currency rates and the failure of political institutions including government.
- › **Coronavirus pandemic:** The coronavirus pandemic has had a substantial impact on many businesses and is expected to have a significant and long-lasting impact on the UK and global economies. The impact that this has on the Portfolio Companies and their underlying businesses over the medium and long term is difficult to predict. Existing and future Portfolio Companies and their underlying businesses, may lose value or fail as a result of the ongoing effects or aftermath of the pandemic, resulting in a reduction in the value of the Portfolio Companies.
- › **Investment risk:** Investments in unquoted and smaller quoted companies are long term and are considered to be higher risk than securities listed on the London Stock Exchange. The performance and valuation of these investments may be more volatile than other securities.
- › **Use of debt:** Where the Portfolio Companies and / or their underlying businesses take on third party, prior ranking debt and then suffer from underperformance, their underlying net asset valuation may be impacted to a greater level than if no debt had been taken on.



- › **Corporate sales activity:** A reduction in the demand and / or price expectations for corporate sales of businesses similar to those underlying businesses of the Portfolio Companies, may impact on the ability of the Portfolio Companies to exit from an underlying businesses and / or achieve their target sales value.
- › **Conflicts of Interest:** The Portfolio Companies may co- invest alongside other funds managed or advised by Downing. With these relationships, there's a chance that the interests of one group of investors will present a conflict with the interests of another group, or with the interests of Downing. In the event of a conflict of interest, Downing's investment committee and conflicts committee (and their external advisers) will work to ensure that this is resolved fairly and in accordance with Downing's conflicts policy.
- › **Concentration:** The Portfolio companies will typically hold interests in a number of underlying businesses. These businesses may vary by sector, value, scale, stage, geography and technology. The relative concentration of businesses held by the Portfolio Companies across these variables will move over time, as existing underlying businesses are sold and new businesses are added by the Portfolio Companies. The Portfolio Companies may have exposure to high levels of concentration within one or more such variables, for example by sector, which in turn may impact the value of the investors' shares in the event of an adverse development within that variable.
- › **Currency movements:** Adverse movements in currency may impact the financial performance of the Portfolio Companies and their underlying businesses. This could be a direct impact where, for example, the underlying business of the Portfolio Company operates outside of the UK and adverse currency movements impact the valuation of that underlying business; or it could be an indirect impact, where, for example, adverse currency movements impact demand levels and operating costs of the underlying businesses of the Portfolio Companies that are based in the UK. Where appropriate, the Portfolio Companies may consider utilising currency hedging products to minimise currency risk, although such products are not always cost effective.
- › **Geography:** The majority of underlying businesses that the Portfolio Companies will hold interests in, will be in the UK. Adverse changes in the business environment that the non-UK underlying businesses operate in, may impact on the value of the Portfolio Companies' holdings. These adverse changes could relate to developments in the tax framework, the regulatory environment, the legal system, the political infrastructure, domestic currency controls, the financial services sector, local supply and demand dynamics, and the currency exchange rate.
- › **The UK exit from the European Union ("Brexit"):** Whilst new agreements were put into place following the UK's departure from the European Union, there is still some uncertainty as to the arrangements long term effect on UK Companies. Therefore the Portfolio Companies and their underlying businesses may still be subject to a period of uncertainty, including uncertainty around regulatory or tax change.
- › **The value of the Shares may go up or down:** An Investor may not get back the full amount invested even after a successful claim against the Wealth Guard Cover, where applicable.
- › **Identifying suitable investment opportunities:** The performance of investments made, and the availability of Business Relief, through the Service is dependent on Downing's ability to identify suitable opportunities for the Portfolio Companies to hold interests in and therefore the Portfolio Companies' ability to carry on Business Relief qualifying trades.
- › **Past performance:** The past performance of Downing and the Service is not a guide to the future performance of an investment made through the Service.
- › **Business relief qualification:** If a Portfolio Company ceases to carry on a Business Relief qualifying trade, this could prejudice its qualifying status for Business Relief and therefore the Investors ability to benefit from IHT relief.
- › **Tax reliefs:** The levels and bases of reliefs from taxation may change and such changes could apply retrospectively. The tax reliefs referred to in these Terms are described in accordance with Downing's, and the Service's taxation adviser's, interpretation of current legislation, rules and published practice in force as at the date of the Terms, which may change and affect the return to Investors. The value of the tax relief will depend on the specific circumstances of individual Investors.
- › **Maintenance of Business Relief:** Although it is intended that the Service will be operated such that Investors will qualify for Business Relief after two years, there is no guarantee that this will be achieved or maintained. The level of Business Relief could be restricted if it is deemed that an insufficient proportion of the Portfolio Company's assets are being used for the purposes of Business Relief qualifying trades.
- › **Interest rates:** The returns generated through the Service may be affected by changes to bank base rates. The Portfolio Companies may have cash on deposit prior to employing funds in its trades, and profits generated from some trades may also be affected by the level of interest rates. If low bank base rates continue in the medium to long term it may be more difficult to achieve the target returns set out in the Terms and Conditions and the Brochure.

- › **Excess demand for liquidity:** There could be a delay in returning cash in the event of significant demand for withdrawals or distributions; Investors may, therefore, not receive cash for a period of 12 months or more. It is unlikely that there will be an external market for the Shares.
- › **There is no guarantee that the Wealth Guard Cover will continue after two years.** The Wealth Guard Cover is also subject to conditions and if they are not met, then the policy will not pay out. Following the initial two years, investors will no longer be applicable for the Wealth Guard after they have had returns of at least 10% (net of all Downing fees). This return is calculated on the net initial investment (after all initial fees).
- › **The Optional Life Cover policy is subject to conditions.** If the conditions are not met in full then the policy will not pay out.
- › **Insurer:** Downing does not warrant the solvency or ability to pay claims of any Insurer with whom any insurances are placed.
- › **Current tax practice:** The information in these Terms is based upon current taxation and HMRC practice. Any changes in the legislation or HMRC practice may affect the value of an investment.

## Specific industry risks - asset-backed businesses

- › **Value of property:** In the event of a failure of an 'asset-backed' business, the value of the freehold or long leasehold property owned by a company may be significantly below cost where it is considered by potential purchasers that the trade previously undertaken is no longer viable or that alternative uses for the property are limited or unfeasible. In addition, any trading losses incurred would reduce the proceeds payable to Investors from the sale of the property. Therefore, although asset-backed businesses provide an additional level of protection compared to businesses with no assets, there remains the possibility of Investors bearing significant losses in the event of the failure of any business.
- › **Business growth:** Whilst the Portfolio Companies will seek to support the growth of their underlying businesses, the growth forecasts for such underlying businesses of the Portfolio Companies may not be met and the value of the underlying businesses may fall below the level originally expected and in some cases, below the value of the capital provided by the Portfolio Companies.
- › **Management failure:** The management team engaged to lead an underlying business of the Portfolio Companies may fail to meet expectations, resulting in underperformance of that underlying business and a negative financial impact on the Portfolio Companies.
- › **Regulatory or legal changes:** Changes in regulatory or legal requirements for the sectors that the underlying businesses of the Portfolio Companies operate in, may make their existing operating model unsustainable. Where such businesses are unable to adapt their operating model in part or in whole to ensure the long-term viability and profitability, then there will be a negative financial impact on the Portfolio Companies.
- › **Market demand:** In the event of a material reduction in the demand for the services or products provided by the underlying businesses of the Portfolio Companies, then future revenues and profitability may be impacted. The extent of this impact will be influenced by whether the reduction is specific to the underlying businesses or their sector, and whether this is a temporary or structural change in customer behaviour.
- › **Market supply:** In the event of a material increase in the supply of competitors and / or competitor services and products to the underlying businesses of the Portfolio Companies, then future revenues and profitability may be impacted. The extent of this impact will be influenced by whether this increase in supply is a short-term or long-term phenomenon and the ability of the underlying business to succeed in an increasingly competitive market over the long term.
- › **Increasing operating and or material costs:** Where increases in operating and / or material costs, such as staff costs, cost of goods/sales and other overheads (such as utilities and insurance) of the underlying businesses of the Portfolio Companies cannot be mitigated by corresponding increases in revenues (either through increased unit pricing or greater economies of scale), then profitability may be reduced.
- › **Fraud:** The value of an underlying business of the Portfolio Companies may be impacted in the event of a fraud being perpetrated against it. Recovery of such value may not be possible, particularly in the event of a sophisticated fraud that leads to the failure of the underlying business.
- › **Key customer and/or supplier dependency:** In the event of underlying businesses of the Portfolio Companies being overly reliant on key customers or suppliers, there is a risk to the future value of the businesses where such key customers or suppliers fall away or fail to provide the expected demands or supplies.
- › **UK property development:** adverse changes to the UK property development sector, including, but not limited to, reductions in demand for new properties, oversupply of existing / new properties in an area where a new

development is taking place, increases in development costs (such as labour, material and professional costs) and legislative changes relating to property taxes, may all negatively impact the performance of the Portfolio Companies that have underlying businesses that are directly or indirectly exposed to this sector.

## Specific industry risks - energy businesses

- › **Electricity prices:** Adverse movements in the current and forecast prices for electricity may have a negative impact on the value of the underlying businesses of the Portfolio Companies that generate and sell electricity or gas.
- › **Availability of subsidies:** The awarding bodies may abandon, reduce, or change the terms of energy subsidies, which may impact the returns available from existing underlying businesses or from future businesses that the Portfolio Companies would otherwise wish to support and develop.
- › **Availability of supply of equipment:** the underlying businesses of the Portfolio Companies may be unable to secure the timely supply of equipment. This could delay the installation of projects and increase the capital cost of the projects and, therefore, delay or reduce financial returns from the projects.
- › **Reliability of equipment:** Mechanical failure or other defects or accidents which result in non-performance or under-performance of equipment will have a negative impact on the revenue and profitability of the underlying business of the Portfolio Companies.
- › **Dependence on meteorology:** Certain of the underlying businesses carried on by the Portfolio Companies may consist of the supply of electricity generated. For renewable energy projects, this depends on the actual weather conditions affecting each site such as usable wind intensity, solar irradiation or rainfall. Weather conditions may fluctuate, with a corresponding effect on the amount of electricity generated.
- › **Warranties:** The underlying businesses of the Portfolio Company may be the beneficiary of warranties or guarantees given by an equipment supplier or other contractor, but warranties and guarantees typically only apply for a limited duration and can exclude some causes of project non-availability, such as scheduled and unscheduled grid outages. Project component suppliers may be unable to meet their warranty obligations in respect of components, in whole or in part, due to production, economic or financial difficulties or other reasons. Such circumstances could cause the underlying businesses of the Portfolio Companies to experience increased costs, which could have a material adverse effect on the returns to a Portfolio Company. Many of the suppliers of smallscale energy technologies are relatively small companies, which may be unable to provide spare parts or meet warranty claims if their technology fails.
- › **Construction:** Where relevant, prior to the construction and operating phase of a project, Downing expects that the underlying businesses of the Portfolio Companies will enter into agreements with third- party professionals and independent contractors and other companies to provide the required construction, installation and maintenance services. If such contracted parties are not able to fulfil their contractual obligations, the underlying businesses of the Portfolio Companies may be forced to provide additional resources to complete their work, or to engage other companies to complete the work, which may be on different terms. Any financial difficulty, breach of contract or delay in services by these third-party professionals and independent contractors could have a material adverse effect on the returns to the Portfolio companies and their underlying investments.
- › **Grid connection:** Energy projects are typically connected to the distribution or transmission grid to sell their energy output. Therefore, the distribution network operators will be required to connect the projects developed by the relevant underlying businesses of the Portfolio Companies to the electricity grid. Neither Downing nor any of the underlying businesses of the Portfolio Companies will be the owners of, or will control, the transmission or distribution facilities except those needed to interconnect projects to the electricity network. In the event of a failure of the distribution network operator to connect the projects developed by the underlying businesses of the Portfolio Companies to the electricity grid, the Investors may suffer economic losses. Such losses could have a material adverse effect on the returns to the Portfolio Companies and their underlying investments.
- › **Third party claims:** The underlying business of a Portfolio Company or its sub-contractors may cause damage to the landlord's or tenant's property resulting in claims being made against the underling business of the Portfolio Company (e.g. for roof repairs as a result of poor installation, etc). Downing will seek to ensure that underlying businesses of the Portfolio Companies have insurance to cover these risks as well as having contracts enabling it to make a claim against its sub-contractors. However, in the event of a claim being made against the underling business of the Portfolio Company, the insurance may not cover the underlying business of the Portfolio Company's total financial loss, or the sub-contractor may not be able to meet its liabilities, resulting in a material adverse effect on the returns to the Portfolio Companies and their underlying investments.

- › **Early termination on leases:** Rental contracts and/or easements regarding land and properties where installations are located may be subject to early termination in certain circumstances. Such early termination would require transfer of the installation to another site causing: (i) costs for deconstruction and reconstruction, (ii) costs for rebuilding on alternative sites (subsidies may not be available on the new site), (iii) transportation costs, (iv) installation costs, and (v) opportunity costs for the interruption of electricity production, etc. Therefore, the early termination of rental contracts and/or easements by landlords is likely to have a material adverse effect on the value of a Portfolio Company.
  - › **Access:** Landlords or tenants may refuse access to a site to enable equipment to be repaired and/or maintained. Whilst such action would be in breach of contract, the underlying business of the Portfolio Company may need to resort to the courts to obtain access to the site and this cost may fall on the underlying business of the Portfolio Company. During the period of any dispute with a landlord or tenant, the underlying business of the Portfolio Company may suffer economic loss as a result of the sub-optimal performance of the equipment on the site. This loss may not be recoverable in full from either the defaulting landlord or tenant or the insurer of the underlying business of the Portfolio Company.
  - › **Insurance:** The capital equipment owned by the underlying businesses of the Portfolio Companies may be damaged as a result of, inter alia, natural disasters (e.g. lightning strikes), accidents (e.g. fire), or vandalism. Downing will seek to ensure that the underlying businesses of the Portfolio Company ensures these risks where it considers this to be appropriate. However, in the event of the capital equipment being damaged the insurance may not cover the underlying businesses of the Portfolio Company's financial loss (in whole or in part), resulting in an adverse impact on the Portfolio Company.
  - › **Development partners:** The projects developed by the underlying businesses of the Portfolio Companies are likely to be constructed and operated in co-operation with one or more development partners. Such development partners are likely to be involved in sourcing projects, submitting planning applications, or in the supply, operation and maintenance of equipment. The ability of Downing to maintain existing partnerships and develop new partnerships will be key to performance. If disputes were to occur between underlying businesses of the Portfolio Company and one or more of its partners, or if one or more partnerships were to terminate, this could have a material adverse effect on the returns to the Portfolio Companies and their underlying investments.
  - › **Permits and authorisation:** The construction of energy projects requires various permits and authorisations. Certain issues may arise after the underlying business of the Portfolio Company has commenced the construction of a project and the Service has committed funds, for example, from local wildlife protection groups, which could delay completion of the project or its efficient operation. This could have a material adverse effect on the returns to the Portfolio Companies and their underlying investments. Having received the required permits, the project may fail to comply with the necessary conditions of the permits and a permit could be revoked, suspended or delayed. The loss or suspension of a permit in any underlying business of the Portfolio Companies could have a material adverse effect on its value.
  - › **Environmental claims and liabilities:** Although Downing will expect all of the underlying businesses of the Portfolio Companies to make provisions to meet all known and anticipated environmental claims and liabilities, if any, there can be no assurance that additional costs and liabilities will not be incurred in the future, or that injunctions by environmental regulators will not result in business interruptions, and that these factors, either in isolation or together, may have a material adverse effect on the return from an investment. More generally, environmental laws and regulations may have an impact on the activities of the underlying businesses of the Portfolio Companies. It is not possible to accurately predict the effects of future changes in such laws and regulations on the financial condition and results of the underlying businesses of the Portfolio Companies. There can be no assurance that material costs and liabilities will not be incurred.
- The Service described in the Brochure may not be appropriate for all Investors. Investors are accordingly advised to consult an investment adviser authorised and regulated by the Financial Conduct Authority under the FSMA, and an appropriately qualified taxation adviser, prior to investing.**



# Insurance policies

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

- › **Wealth Guard Cover** – covering a loss in value of up to 20% of the Net Initial Investment for those aged under 90 years at death; and
- › **Life Cover** – for investors aged under 85 years on the Investment Date, covering a fixed sum equal to 40% of the gross Subscription amount where an Investor dies within two years of the Investment Date. Also available on a join life second death basis where both investors die within two years of the Investment Date.

Cover is capped at a pay-out of £100,000 per policy for a total of £200,000 if both policies pay-out. Each policy is limited to a £100,000 pay-out across all Downing IHT products, so if investments are held in more than one product, investors will be required to select which product and which part of each subscription will be covered by each policy. These limits apply on a per Investor basis so for joint applications the maximum total cover is doubled.

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

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

## Wealth Guard Cover terms and conditions

### 1. Sum insured

The cover is only applicable if the value of the Portfolio on a full exit following death has reduced below the Net Initial Investment (less any withdrawals). The initial Sum Insured is a loss in value on full exit following death of up to 20% of the Net Initial Investment, being the funds invested by Investors net of all initial charges as set out on page 17 of these Terms. A maximum Sum Insured under the Wealth Guard Cover of £100,000 usually corresponds to a Subscription of approximately £500,000, depending on the level of initial charges paid. To the extent that Subscriptions are made in excess of the maximum allowed, either in this product or across more than one Downing IHT product, the Investor will be required to select which parts of the Subscription are covered by the Wealth Guard Cover. Any ongoing Adviser Charges in excess of 0.5% p.a. of the original Subscription (including VAT) will be treated as a withdrawal from the Service and will not be subject to the Wealth Guard Cover.

### 2. Age

The Wealth Guard Cover only covers Investors under 90 years of age on the date of death.

### 3. Minimum cover period

The Investor is covered for a minimum period of two years from the Investment Date. Once the two-year period has elapsed, the Investors may be removed from cover. Following the initial two year period, all investors who have received a minimum return of 10% (net of all Downing fees), will be removed from the cover. This return is calculated on the net initial investment (after all initial fees).

### 4. Annual renewal

The Wealth Guard Cover is renewable each year and may be cancelled by the Insurer or Downing within one month of allotment or thereafter, after the minimum two-year period. Also, following the initial two year period, all investors who have received a minimum return of 10% (net of all Downing fees), will be removed from the cover. This return is calculated on the net initial investment. As such there is no guarantee that the Wealth Guard Cover will continue or that the terms of the Wealth Guard 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 Wealth Guard Cover, having considered alternative underwriting options, Downing reserves the right to withdraw the Wealth Guard Cover after the minimum two-year period.

### 5. Premiums

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

### 6. Proceeds

Investors agree to assign beneficial interest in the Wealth Guard Cover to Downing 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 Wealth Guard 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 Wealth Guard Cover to the selected beneficiaries may be liable to IHT if the initial value transferred into the trust exceeded the investors available nil rate band, which is calculated by taking the nil rate band (currently £325,000) less any



other chargeable transfers or chargeable gifts made by the investor in the seven years before the date the Shares are issued to the investor/the policy was assigned to the trust. Where no IHT is payable on the creation of the trust, no IHT will be payable on the distribution of the proceeds to the beneficiary. If IHT is payable on the creation of the trust, IHT will be chargeable at up to 6% on the value of the proceeds distributed to the beneficiary. We recommend that Investors seek independent tax advice for a detailed assessment of any potential IHT liability. Any change in the taxation legislation or HMRC practice may alter the rate of IHT applicable to any proceeds from the Wealth Guard Cover policy.

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

## Wealth Guard Cover exclusions

### 1. Initial commission waived

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

### 2. Age

Investors are not covered if they are under 18 years of age at the Investment Date or 90 years (or older) 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 Wealth Guard Cover, where applicable.

### 4. Returns of 10% of more

After the initial two year period, investors will be removed from the cover, when they have received returns of at least 10% (net of all Downing fees). This return is calculated on the net initial investment.

### 5. General exclusions

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

- › War, invasion, act of foreign enemy, hostilities (whether war is declared or not), civil war, rebellion, civil commotion, riot, revolution or military or usurped power.
- › Radioactive contamination from:
  - i. ionising radiation or contamination from any nuclear fuel, or from any nuclear waste arising from burning nuclear fuel; or

- ii. the radioactive, toxic, explosive or other dangerous effect of any explosive nuclear equipment or part of that equipment.

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

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

## Life Cover terms and conditions

### 1. Sum insured

Where an Investor dies within two years of the Investment Date, the Sum Insured is a fixed amount equal to 40% of the original gross Subscription, being the funds invested by Investors in the Service gross of all initial charges (including any initial adviser charges facilitated through the Service, where applicable). The maximum Life-Cover pay-out is £100,000 per Investor across the Downing IHT products, which corresponds to a gross Subscription of £250,000. To the extent that Subscriptions are made in excess of the maximum allowed, either in this product or across more than one Downing IHT product, the Investor will be required to select which parts of the Subscription are covered by the Life Cover Policy.

Joint life second death cover is also available, to cover circumstances where both investors die within two years of the investment period. Each Investor benefits from the maximum pay-out for a total of £200,000 (equating to a gross subscription of £500,000).

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

### 2. Age

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

### 3. Cover period

If the Investor is eligible under the eligibility criteria below, the Investor is covered for a period of two years from the Investment Date. Once the two-year period has elapsed, the Investor will no longer benefit from the Life Cover policy.

#### 4. Premiums

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

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

#### 5. Proceeds

Investors agree to assign beneficial interest in the Life Cover to Downing to hold on trust. We agree to act as Trustee on the terms set out in the Application Form.

Where a successful claim is made under the Life Cover policy and Downing receives a pay-out (as Trustee) in respect of the particular Investor, the proceeds will be payable by Downing (as Trustee) to such of the Investor's family or beneficiaries as Downing selects, taking into account the settlor's wishes as set out in the application form.

The payment of the proceeds of the Life Cover policy to the selected beneficiaries may be liable to IHT if the initial value transferred into the trust exceeded the investors available nil rate band, which is calculated by taking the nil rate band (currently £325,000) less any other chargeable transfers or chargeable gifts made by the investor in the seven years before the date the Shares are issued to the investor/the policy was assigned to the trust.

Where no IHT is payable on the creation of the trust, no IHT will be payable on the distribution of the proceeds to the beneficiary.

If IHT is payable on the creation of the trust, IHT will be chargeable at up to 6% on the value of the proceeds distributed to the beneficiary.

We recommend that Investors seek independent tax advice for a detailed assessment of any potential IHT liability. Any change in the taxation legislation or HMRC practice may alter the rate of IHT applicable to any proceeds from the Life Cover policy.

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

## Life Cover policy exclusions

### 1. Age

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

### 2. General exclusions

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

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

No benefit will be payable if the evidence required to assess the death claim is not provided to the Insurer.

### 3. Medical exclusions

An Investor must declare when completing an Application Form that:

- a. They have not been diagnosed with any form of **terminal illness**.
- b. In respect of a **life limiting illness** or anything that may may be diagnosed as a **life limiting illness**, they:
  - i. are not currently undergoing or awaiting to undergo any medical investigations;
  - ii. are not awaiting any form of hospitalisation or awaiting any form of surgery;
  - iii. if you have a life limiting illness, you are required to seek a written opinion from a medical professional that your life expectancy is expected to exceed 24 months, with such opinion being dated within one month of the date of your application.

Failure to confirm these three criteria will exclude an Investor from the Life Cover policy. The Application Form, including the above declarations, must be completed and dated no more than five weeks prior to the Investment Date in order for the above declarations to be valid. If the period is any greater, the Insurer may require the declarations to be repeated.

#### Medical definitions

- **Terminal illness** – an illness that has no known cure or progressed to the point where it cannot be cured and in the opinion of a registered UK doctor the illness is expected to lead to death within two years.
- **Life limiting illness** – a medical condition for which there is no known cure and it is expected that death will be a direct consequence of the specified illness.

Life limiting illnesses can include but are not limited to:

- Cancer
- Heart and cardiovascular disease.
- Chronic lung conditions such as Chronic Obstructive Pulmonary Disease (COPD)
- Neurodegenerative diseases (e.g. dementia)
- Autoimmune diseases
- AIDS/HIV
- Bedridden condition

> **Cancer** - any malignant tumours, carcinoma, leukaemia, sarcoma and lymphoma.

> **Heart disease** – including heart attack (myocardial infarction, cardiac arrest), angina, cardiomyopathy, heart surgery and/or heart failure.

> **Chronic lung condition** – requiring the need for regular oxygen treatment and/or bronchodilators and/or hospitalisation.

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

The provision of the Life Cover policy for new Investors who have not yet been allotted Shares is subject to the continued availability of such cover from the Insurer. If the Life Cover policy is no longer available on terms acceptable to Downing and an Application Form has been completed selecting such Life Cover, Downing will notify you prior to accepting your application to obtain your consent to proceed with the Subscription without the Life

Cover policy in place, subject to the appropriate reduction in the premiums set out on page 14. This will not apply in respect of any Investors whose Shares have been issued and who have selected Life Cover – such persons will, subject to the eligibility criteria above, benefit from the Life Cover policy for the maximum two-year period.

### Insurance policy claims process

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

- a. The Investor's personal representatives should notify Downing of the death, supplying original birth, death, and, if appropriate, marriage certificates.
- b. Downing will forward to the Insurer the Investor's details, a request for payment form, and proof of the Sum Insured. Only Downing may make a claim under an Insurance Policy. The Insurer may request further information in order to be satisfied that the claim is valid and we shall pass such requests to the Investor's representatives, who shall be responsible for providing the requisite responses. Downing will have no other obligation to progress a claim under an Insurance Policy.
- c. The insurance claim will be paid when the Insurer is satisfied with the entitlement to a claim and, in the case of the Wealth Guard 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 Wealth Guard Cover, any claim will run concurrently with the process of exiting the Service, although a claim under the Wealth Guard Cover will only be payable once the Subscription through the Service has been redeemed.

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

# Costs and Charges

## 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 gross subscription amount and paid to the Intermediary. Alternatively, the Investor can pay this fee personally.

**Downing initial charge:** The initial charge payable to Downing will be either:

(i) 2% of the Subscription after the deduction of any Adviser Charge where the Investor is advised by an Intermediary or

(ii) where the Investor has come into the Service directly or where initial commission is payable on the application, such as for execution-only clients of an intermediary, the initial charge will be up to 4% of the gross Subscription. In this latter case, Downing will pay all the costs of the Intermediary, including initial commission, where applicable.

## Annual charges

**Downing Annual Management Charge:** Up to 0.5% plus VAT per annum of the net assets of the underlying Portfolio Companies, payable by the Portfolio Companies. The annual management charge will only be payable at the end of each financial period of the Portfolio Companies and is subject to the Investor having received returns of at least 3% from the Portfolio Company over that financial period. It is charged to each Portfolio Company individually, therefore it is possible for the charges to be taken on one company and not another.

For Investor returns of over 3% per annum to 4% per annum, the charge is pro-rated up to the maximum of 0.5% per annum, which is levied when Investor returns are 4.0% per annum or more. See example charges below:

<b>Investor return</b>	<b>3.0%</b>	<b>3.5%</b>	<b>4.0%</b>	<b>4.5%</b>	<b>5.0%</b>
<b>Annual charge</b>	<b>0.0%</b>	<b>0.25%</b>	<b>0.5%</b>	<b>0.5%</b>	<b>0.5%</b>

Both returns and charges are calculated based on a 12 month period which runs from October 1 to September 30 of the subsequent year.

For the purposes of this paragraph, "Investor returns" shall mean the increase in the Net Asset Value of the relevant Portfolio Company after taking into account the Downing Annual Management Charge. Where the Investor Return is 3% or lower in the relevant financial period, no Downing Annual Management Charge will be payable by the relevant Portfolio Company in respect of that period and it will be lost.

**Downing underlying service charge:** Each Portfolio Company shall pay to Downing a sum equal to 1.5% plus VAT per annum of the net asset value of such Portfolio Company calculated and invoiced quarterly in arrears. The underlying service charge will be used to cover all the running costs of the Portfolio Companies. The cost of the Wealth Guard Cover is also included in this charge.

**Annual Trail Commission:** Where an Investor has come into the Service directly or annual trail commission is payable to an Intermediary, Downing will charge an additional fee of up to 0.5% plus VAT per annum to the Investor. This additional fee will be paid to Downing by the Investor selling Shares.

**Annual Adviser Charge:** An annual Adviser Charge may be facilitated through the Service. The fee will be deducted from the Investor's Portfolio, from the proceeds of the sale of shares and paid to the Intermediary. Alternatively, the Investor can pay these fees personally.

## Commission

Intermediaries who are permitted to receive commission (e.g. for execution only clients) can be paid initial commission, usually at the rate of 2% of the amount subscribed, plus annual trail commission, usually at the rate of 0.5% p.a. of their clients' holdings. Commission is payable by Downing out of its fees.

## Life Cover charge

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

## Other Downing fees

Downing may undertake additional services that are typically outsourced but will provide the services in-house where it is considered to be in investors' interests. These costs for these services will be charged at market rate and approved by the Portfolio Company's independent boards.

## Value Added Tax ("VAT")

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

# Taxation

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

## Inheritance tax (“IHT”)

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

Under current legislation, proceeds received on exit from a Company that qualifies for Business Relief can be re-invested into shares in another Business Relief qualifying Company to maintain the Business Relief provided that: (i) the whole of the proceeds have been used to purchase the replacement shares; and (ii) the original and replacement shares have been held for

## Business Relief Qualifying trade

A Business Relief Qualifying 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.

Business Relief will not be available to the extent that the Company has any assets that: (i) have not been used wholly or mainly for the business in the previous two years (or since acquisition if shorter); and (ii) are not required for the future use of the business.

## Insurance policies

The proceeds of the Insurance Policies will be held upon trusts (“Trusts”) declared by the Investor for the benefit of the investor’s family. Downing will be the trustee. This means the proceeds should not form part of the Investor’s estate for IHT.

## Funding your Trust - Life Cover only

As the settlor to the Trust, the Investor is deemed to have gifted the premiums to the Trust. The investor may offset their annual exemption (currently £3,000 per year) against the gifts of the premiums, this is applicable to each year when premiums are payable (subject to no other gifts being made earlier in the tax year).

Any amount which is not covered by the annual exemption will be treated as a chargeable lifetime transfer, and may result in an IHT charge. The amount chargeable to IHT will be reduced by the investors available nil rate band, therefore provided they have not made chargeable lifetime transfers equal to or in excess of the nil rate band (currently £325,000) in the 7 years prior to the investment, the premium will be covered by the nil rate band and no IHT will be payable.

Where the investor has either fully or partially utilised their nil rate band within the 7 years prior to the date of the premium payment, the excess value not covered by the annual exemption and the available nil rate band will be liable to IHT. If this occurs, the investor will be required to make an additional payment to the Trust to cover the lifetime charge and complete HMRC forms. The extra amount payable will be 25% of the value of the premium payment which is chargeable to IHT. In practice, we expect this outcome to be relevant in very few cases.

## Payment of proceeds

The payment of the proceeds of the Insurance Policies to your beneficiaries could trigger an IHT charge (an exit charge). The exit charge is calculated based on the initial value transferred to the trust less the available nil rate band at the date of exit (the date in which the proceeds are paid to the beneficiary). The available nil rate band is calculated by taking the nil rate band (currently £325,000) less any chargeable transfers made by the settlor in the 7 years before the creation of the trust.

Provided the value transferred to the trust does not exceed the available nil rate band no IHT will be payable. If the value transferred were to exceed the available nil rate band, IHT will be chargeable at up to 6% on the value of the proceeds distributed to the beneficiaries. The actual rate of IHT in respect of the Insurance Policy proceeds depends on the length of time between the creation of the trust and the transfer of the proceeds to the beneficiaries. Any change in the taxation legislation or HMRC practice may alter the rate of IHT applicable to any proceeds from Insurance Policies.



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.

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

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

If the Investor dies within two years of the date of Subscription, the value of the Shares will not benefit from Business Relief. Applicants may wish to cover this risk by taking out Life Cover for two years and should contact their independent financial adviser for details. The Wealth Guard Cover insurance included within the Service does not cover this risk.

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

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

If a joint account holder dies within two years of the date of Subscription, the value of his/her interest in the Shares will not qualify for the Business Relief. Joint account holders may want to cover this risk by taking out Life Cover for two years and should contact their professional adviser for details. If the joint account holders are spouses or civil partners, transfers between such individuals are generally exempt from inheritance tax and therefore the jointly held shares will pass to the surviving spouse free of IHT.

## 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 applicable at the time of sale. In the event that there are no third party purchasers, Shares may (subject to liquidity) be repurchased by the Portfolio 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 Business Relief.

## Important notice

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

# Definitions

<b>“Adviser Charge”</b>	fee agreed between the investor and an FCA authorised and regulated adviser, for advice and related services
<b>“Applicable Rules”</b>	the FSMA, the FCA Rules and all other relevant laws and regulations
<b>“Application Form”</b>	application form and notes on application completed by the Investor and, where appropriate, the Intermediary, for investment under the Service
<b>“Brochure”</b>	the document describing the Service
<b>“BR” or “Business Relief”</b>	Business Relief (formerly known as Business Property Relief) as set out in the IHTA 1984
<b>“CGT”</b>	capital gains tax
<b>“Custodian”</b>	Thompson Taraz Depository Limited of 47 Park Lane, London W1K 1PR (FCA No: 465415) or such organisation as the Manager may appoint to provide, and with whom it has agreed terms for, safe custody and custodial and nominee services in respect of the Service
<b>“Downing” or “Manager”</b>	Downing LLP, which is authorised and regulated by the Financial Conduct Authority in the United Kingdom (whose business was transferred from Downing Corporate Finance Limited)
<b>“Wealth Guard Cover”</b>	the “Wealth Guard Cover” insurance policy in respect of the Service, particulars of which are set out on pages 13 and 14
<b>“FCA”</b>	Financial Conduct Authority and any successor body
<b>“FSMA”</b>	Financial Services and Markets Act 2000 (as amended) including all regulations pursuant thereto
<b>“HMRC”</b>	HM Revenue & Customs
<b>“IHT”</b>	inheritance tax
<b>“IHTA 1984”</b>	Inheritance Tax Act 1984
<b>“Insurer”</b>	an A Rated Insurer, with whom Downing has arranged an insurance policy. The rating is provided by AM Best, which is a global credit rating agency with a unique focus on the insurance industry
<b>“Insurance Policy”</b>	Wealth Guard Cover and/or the Life Cover
<b>“Intermediary”</b>	authorised intermediary who signs the Application Form and whose details are set out in the Application Form

<b>"Investment Date"</b>	date upon which Shares are allotted in one or more of the Portfolio Companies pursuant to the Service
<b>"Investment Objectives"</b>	the investment objectives of the Service, as described on page 5
<b>"Investment Restrictions"</b>	the investment restrictions that apply to the Services, as described on page 6
<b>"Investor Agreement"</b>	agreement to be entered into between each Investor and Downing, in the terms set out on pages 22 to 32 of these Terms
<b>"Life Cover"</b>	the "Life Cover" insurance policy in respect of the Service, particulars of which are set out on pages 14 to 16
<b>"ML Regulations"</b>	Money Laundering Regulations 2007
<b>"NAV"</b>	net asset value
<b>"Net Assets"</b>	net assets of the underlying Portfolio Companies
<b>"Net Initial Investment"</b>	initial subscription through the Service less Downing's initial charge and any initial Adviser Charge
<b>"Portfolio Companies"</b>	The underlying companies within the Downing Estate Planning Service, where Investors will become direct shareholders
<b>"Service"</b>	Downing Estate Planning Service, a service set up to enable Investors to invest in a portfolio of companies by way of the Investor Agreement with Downing
<b>"Shares"</b>	ordinary shares in a Portfolio Company, purchased by the Service on behalf of Investors
<b>"Subscription"</b>	amount subscribed through the Service, as set out in the Application Form
<b>"Sum Insured"</b>	for the Wealth Guard Cover, the loss suffered upon the death of an Investor limited to the lesser of 20% of the value of the Net Initial Investment or £100,000 (less any subsequent redemptions or withdrawals taken from an Investor's Portfolio). For the Life Cover policy, 40% of the original gross investment or £100,000 (less any subsequent redemptions or withdrawals taken from an Investor's Portfolio). Both are subject to the Insurance Policy terms and conditions applicable at the time of the claim
<b>"Terms"</b>	this document

# Investor agreement

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

## 1. Definitions, construction and interpretation

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

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

**“Investment”** shares in a Portfolio Company acquired by Downing and held by the Custodian on behalf of the Investor;

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

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

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

**“Service”** for each individual Investor, a mandate for Investment Services provided by Downing for that Investor in accordance with the terms of this Investor Agreement.

**“Terms”** the terms and conditions of the Downing Estate Planning Service, as annexed to this Agreement and amended from time to time.

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

1.3 Any reference to a statute, statutory instrument or to rules or regulations shall be references to such statute, statutory instrument or rules and regulations as amended from time to time,

re-enacted or replaced and to any codification, consolidation, re-enactment or substitution thereof as from time to time in force.

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

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

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

## 2. Setting up a Portfolio

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

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

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

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

2.4 Provision of this Service requires:

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

- 2.5 Downing is authorised and regulated by the Financial Conduct Authority with Firm Reference Number 545025. 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 12 Endeavour Square, London E20 1JN.
- 2.6 This Agreement is supplied to you in English and we will continue to communicate with you in English for the duration of this Agreement. The Investor has been classified according to FCA guidelines as a Retail Client. If other firms regulated by the FCA would normally classify the Investor as a Professional Client, we may wish to re-classify the Investor as a Professional Client. We will notify you in writing if we wish to change your client classification. Downing shall inform its clients in a durable medium about any right that client has to request a different categorisation and about any limitations to the level of client protection that a different categorisation would entail. This information must be provided to clients prior to any provision of services. Guidance relating to client categorisation is available in the legal section of our website at <http://www.downing.co.uk/assets/client-categorisation-guidance>
- 2.7 The Investor has the right to request a different client categorisation. However, if the Investor does so and if Downing agrees to such categorisation the Investor may lose protections afforded by certain FCA Rules. This may include, but may not be limited to:
- (a) the Investor will not be given any of the additional disclosures required to be provided to Retail Clients (for example on costs, commissions, fees and charges, foreign exchange conversion rates and information on managing investments);
  - (b) Downing is entitled to assume that the Investor has the necessary level of experience and knowledge to understand the risks involved in relation to any investment, service, product or transaction contemplated by these Terms;
  - (c) the FCA Rules impose detailed requirements on financial promotions directed at Retail Clients. Promotions directed at Professional Clients are simply subject to the high-level requirement that they are fair, clear and not misleading;
  - (d) if Downing were to hold money on behalf of a Retail Client Downing would have to notify the client of whether interest is payable (which is not required for Professional Clients); and Downing would not be able to transfer the money to a third party without notifying a Retail Client and without explaining who is responsible for that third party's actions or omissions, and the consequences where that third party becomes insolvent;
  - (e) if Downing were to manage client assets, Downing would be obliged to provide Retail Clients with more detailed information periodically. A Retail Client has a right to a periodic statement every three months, rather than every six months for a Professional Client; and
  - (f) where Downing places Investors' orders with third parties for execution, the factors taken into account in obtaining the best possible execution result for a Professional Client will differ to those for a Retail Client. It should be noted that Professional Clients can no longer opt out of best execution.
- 2.8 The Investor confirms that he/she is suitably knowledgeable of the risks associated with Non-Readily Realisable Investments and/or has been suitably advised of these risks.
- 2.9 The Investor confirms that he/she is not seeking advice from Downing on the merits of entering into this Investor Agreement to establish their Portfolio and provision of the Service.
- 2.10 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).
- 2.11 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:
- a. the Investor shall make a Subscription of not less than £25,000 through the Service at the same time as submitting his/her Application Form to invest; and
  - b. the Investor may make further Subscriptions through the Service at any time. The total Subscriptions made through the Service by the Investor shall be the initial value of the Investor's Portfolio in that Service.
- 3.2 The Investor may make a withdrawal of his/her Portfolio, or terminate the Agreement, pursuant to Clause 16 below.
- 3.3 Subscriptions received shall be deposited in a client account held in the name of the Custodian pending their investment into a Portfolio Company. Any interest paid on such deposits will be payable to Downing and the Custodian and not the Investor.
- 3.4 The Investor acknowledges that any monies held on deposit by 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 the Investor's Subscription and Portfolio, and exercise all discretionary investment powers in relation to the selection of Investments of the Service on the terms set out in this Agreement.
- 4.2 Downing shall not, except as expressly provided in this Agreement or unless otherwise authorised, have any authority to act on behalf of, or in respect of, the Investor or to act as the agent of the Investor.
- 4.3 The Investor acknowledges and agrees that the Custodian is not obliged to seek or accept any instruction or direction directly from the Investor in respect of the Custodian's execution of instructions from Downing relating to the exercise of the Investor's rights relating to Investments.

### 5. Investment objectives and restrictions

- 5.1 In performing its Services, Downing shall have regard to the Investment Objective and the Investment Restrictions.
- 5.2 Downing shall at all times have regard to:
- a. the need for the Investments to attract the Business Relief; and
  - b. all Applicable Rules.
- 5.3 Downing reserves the right to return a small surplus of cash if it concludes that it cannot be properly invested for the Investor and it considers this to be in the best interests of the Investor having regard to availability of Business Relief for the Investor.
- 5.4 In the event of a gradual realisation of Investments, prior to withdrawals from or termination of the Service under Clause 16.1, the cash proceeds of realised portfolio Investments may be placed on deposit (in an interest bearing client account) or invested in UK Government securities or in other investments of a similar risk profile. Any interest paid on such deposits will be payable to Downing and not the Investor.

### 6. Terms applicable to dealing

- 6.1 The Investor should be aware that the Portfolio will be invested in unlisted securities where there is generally no relevant market or exchange, and consequent rules and customs and there will be varying practices for different securities. Transactions in shares of such securities will be affected on the best commercial terms which can be secured.
- 6.2 Subject to both the Applicable 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 through the Service as may be disclosed to the Investor from time to time.
- 6.3 Subject to both the Applicable 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 Applicable 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 of this Agreement is Downing's summary of its execution 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 shall provide the Investor with quarterly valuations of the net assets of the Portfolio Companies, in respect of their Portfolio.

7.3 Downing will provide the Investor with an annual report for each Portfolio Companies which form part of the Investor's portfolio.

7.4 Reports will include a measure of performance of the Portfolio. Any statements, reports or information so provided by Downing will state the basis of any valuations of investments provided.

## 8. Fees and expenses

Downing shall receive fees for its services, and reimbursement of its costs and expenses, as set out in the Terms.

## 9. Custodian services

9.1 Downing will arrange for the Custodian to provide the custodian services in relation to the Investor's Subscription and Investments held in the Portfolio, and for the Custodian to provide the nominee services. The Custodian will act as custodian for the cash and other assets in the Investor's Portfolio be the legal owner of the Investments held in the Portfolio.

9.2 By accepting the terms of this Agreement, the Investor agrees that:

- a. Downing is authorised to enter into the Custody Services Agreement on the Investor's behalf as the Investor's agent, to give instructions to the Custodian and to agree any subsequent amendments to the custody services agreement on the Investor's behalf provided that Downing notifies the Investor of such amendments in accordance with the FCA rules;
- b. the Investor is bound by the terms of the Custody Services Agreement; and
- c. the Custodian and Downing are each authorised to transfer cash and investments from the Investor's account to meet the respective fees and settlement or other obligations under the Custodian Agreement and the fees of the Custody Services Agreement.

9.3 Under the Custodian Agreement, the Investor will remain the customer of Downing but will also become a customer of the Custodian for settlement, nominee and custody purposes only. Downing retains responsibility for compliance and regulatory requirements regarding the management of the Investor's Subscription and Portfolio. The Custodian does not provide investment advice, give or offer any opinion regarding the suitability of any transaction for the Portfolio. The Investor shall direct all inquiries regarding their Portfolio to Downing and not to the Custodian. The Custodian will not accept instructions from the Investor directly.

9.4 The Investor acknowledges that, although the Custodian will not commingle securities with its own property, the Custodian may commingle the Investments with securities held for other clients, including those who subscribe for their own discretionary mandate including the Service. In addition, Investments deposited with the delegate of the Custodian may be held in an omnibus account by the delegate of the Custodian. In each case, individual client entitlements may not be identifiable by separate certificates or other physical documents of title, entries on a register or equivalent electronic record. If there is an irreconcilable shortfall following any default by the Custodian, or a delegate of the Custodian, the Investors may not receive their full entitlement and may share in the shortfall pro rate with other custodians or nominees, other clients or delegates' other clients.

9.5 Downing is authorised at any time to replace the Custodian with an alternative custodian that is, in Downing's opinion, suitable for provision of custody services in respect of the Service and capable of providing the settlement, nominee and custody services and/or to vary the terms from time to time, or terminate, the Custodian Agreement. In each case, Downing will endeavour to ensure that it does so on terms no less beneficial to the Investor.

9.6 The Custodian will use reasonable care and skill in providing services under the Custodian Agreement.

9.7 The Custodian shall not, in the absence of fraud, negligence, wilful default or breach of contract directly relating to such cost, expense or liability on the part of the Custodian or any delegate, be liable to Downing or to any Investor for any act or omission in the course or in connection with the proper provision of the services rendered by it hereunder or for any loss or damage which Downing or Investor may sustain or suffer as a result, or in the course, of the proper discharge by the Custodian or any delegate of its duties hereunder or pursuant hereto.

9.8 The Investors indemnify the Custodian from and against any and all direct liabilities, obligations, losses, damages, penalties, actions against the Custodian, judgements, suits against the Custodian, proper costs and expenses or disbursements (other than those resulting from the fraud, negligence, wilful default or breach of contract on the part of the Custodian) which may be imposed on, incurred by or asserted against the Custodian in properly performing its obligations or duties to the Service under the Custodian Agreement.

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

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

9.11 The Custodian shall register all securities in respect of which registration shall be necessary in order to perfect the transfer thereof or title thereto as soon as reasonably practicable after

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

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

9.13 The Custodian shall clearly identify securities held by it or to its order hereunder as being the property of the Investors and shall maintain its records so as to ensure that it is readily apparent that the securities are the property of Investors. Documents of title for securities shall be recorded and accounts in which securities are held shall be named or designated to make it clear that the relevant property belongs beneficially to the Investors (on an omnibus basis and not by individual identification).

Where securities are held by a delegate of the Custodian, the Custodian will take reasonable steps to ensure that the records of the relevant entity make it clear that securities are held by or on the Custodian's behalf for the Investors and that they do not belong to the Custodian or any such delegate of the Custodian. The purpose of this is to make clear in the event of the failure of any such entity, that the securities are held on behalf of third parties and are not available to creditors of that entity if it fails. However, it cannot be guaranteed that there would be no loss of securities in the event of such a failure. Where securities are held by a delegate of the Custodian outside the UK, it may not be possible under

the relevant law of that country for securities to be separately identifiable from the assets of the delegate of the Custodian or from the Custodian's assets and accordingly there may be a greater risk of loss in the event of a failure of any such delegate of the Custodian.

## **10. Obligations of Downing**

- 10.1 Downing shall devote such time and attention and have all necessary competent personnel and equipment as may be required to enable it to provide the Investment Services properly and efficient, and in compliance with the FCA Rules.
- 10.2 Except as disclosed in any Terms issued in relation to the Service and as otherwise provided in this Agreement (for example on early termination), Downing shall not take any action which may prejudice the tax position of the Investor insofar as it is aware of the relevant circumstances, and in particular which may prejudice obtaining Business Relief for the Investments.

## **11. Obligations of the Investor**

- 11.1 The Service established by this Agreement is set up on the basis of the declaration made by the Investor in his/her Application Form which includes the following statement by the Investor: the Investor confirms that the information stated in the Application Form in relation to him/her is true and accurate as at the date of the Application Form.
- 11.2 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 11.1 above refers.
- 11.3 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.

## **12. Delegation and assignment**

- 12.1 Downing may employ agents, including any members of its corporate group, 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.

12.2 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.

12.3 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.

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

13.1 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.

13.2 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.

13.3 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.

## **14. Liability**

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

14.2 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.

14.3 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.

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

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

14.6 If the Custodian should fail to deliver any necessary documents or to account for any Investments, 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.

14.7 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.

## 15. Joint accounts

15.1 Where Investors are applying for a Joint Account the following additional terms shall apply:

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

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

15.3 Downing is not responsible for advising Joint Account holders on the tax consequences of a Joint Account.

## 16. Withdrawals and termination

16.1 An Investor may make one or more withdrawals:

- a. to provide distributions, if so indicated on the Application Form or as otherwise directed by the Investor from time to time which will be implemented by way of a disposal of shares of the Portfolio to the value of the required distributions (subject to liquidity constraints);
- b. to make a partial withdrawal from the Service, subject to a minimum remaining value in the Investor's Portfolio of £15,000, provided the Investor gives not less than 10 days' prior written notice of such a request, and subject to liquidity constraints should a cash withdrawal be requested; and
- c. for complete withdrawal of the Portfolio and so termination of the Service, in which case all investment of their Portfolio shall be sold and cash transferred to the Investor, subject to liquidity constraints. In respect of making withdrawals however, the Investor should note:



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

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

16.3 Should the Service terminate pursuant to Clause 16.2, Downing shall endeavour to make arrangements to transfer the Service to another fund manager in which case that manager

shall assume the role of Downing under this Agreement, failing which the Agreement shall terminate forthwith and, subject to Clause 17, the Investments in the Investor's Portfolio shall be transferred into the Investor's name or as the Investor may otherwise direct.

## 17. Consequences of termination

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

17.2 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.

17.3 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.

## 18. Risk warnings and further disclosures

18.1 Your attention is drawn to the risk warnings set out in these Terms.

18.2 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, an Portfolio Company and an underlying business of an Portfolio Company may borrow money or enter into similar transactions.

18.3 Downing cannot require Investors to add further monies following subscription through the Service.

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

## 19. Confidential information

19.1 None of 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.

19.2 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.

## 20. Complaints and compensation

20.1 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. Any complaints shall be the responsibility of Downing

20.2 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 £85,000 per person per institution. Further information is available from the Financial Services Compensation Scheme, on the website [www.fscs.org.uk](http://www.fscs.org.uk).

## 21. Notices, instructions and communications

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

21.2 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.

21.3 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 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.

## 22. 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 Business Relief or in order to comply with the FCA Rules.

## 23. Data protection

All data which the Investor provides to Downing is held by that party subject to the Data Protection Act 2018. 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 and Custodian's database and it 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. Each of Downing and the Custodian is registered under the data protection laws of the United Kingdom.

#### **24. Entire agreement**

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

#### **25. Rights of third parties**

Aside from the Custodian, 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.

#### **26. Severability**

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

#### **27. Governing law**

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

#### **Schedule 1:**

##### **Portfolio management policy**

1. Downing will support the Portfolio Companies to develop their underlying businesses on the basis of the Investment Objectives and Investment Restrictions.
2. Downing is aware that shares in Portfolio Companies should be held at the time of death and for at least the two years preceding death to obtain Business Relief.
3. Downing may look to exit an Investment prior to the end of two years provided the proceeds due to the Investor are reinvested in an Portfolio Company manner that does not prejudice Business Relief.
4. Once the Investor dies, Downing will use reasonable endeavours to realise an exit at the next available opportunity, subject to liquidity.

#### **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 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 reasonable 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:**

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

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

Price will ordinarily merit a high relative importance in obtaining the best possible result. However, in some circumstances, 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 will be less easily tradable in volume) and the execution venue.

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

### **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.

### **Characteristics of IHT Investments**

All IHT Investments transacted in are shares in one or more Portfolio Company, none of which are admitted to trading on any regulated exchange, multi-lateral trading facility ("MTF") or other market.

### **Characteristics of execution venues**

The most distinctive characteristic of the transactions that Downing directly executes is that the majority are off-market transactions subject to direct negotiation with an independent third party. In relation to acquisitions by Downing for its clients, the third party is generally the only possible source of the shares. Normally, this is the issuing company, though sometimes it is an existing holder of the shares.

In the case of disposals, the possibility of an IPO producing a higher price for Downing's clients is considered (and any disposals through an IPO are then handled through brokers in accordance with the policy for quoted investments) but, unless an IPO is considered clearly advantageous, the transaction remains off-market and handled through private negotiations with third parties who are willing to purchase the shares. Accordingly, there is normally no choice of execution venue in either case, and generally there is only a choice of counterparty in the case of a sale.

The decision of Downing on investment/sale, and the negotiations with counterparties, and possible counterparties, therefore incorporate within them a consideration of the execution factors of price, costs, speed, likelihood of execution and settlement size and the nature of transaction and other relevant considerations, as part of the decision whether to buy or sell the relevant financial instrument on particular terms rather than, as may be the case with securities for which there is a choice of execution venue, the execution factors and related choice of venue being capable of separate consideration after a decision to trade has been taken without considering those factors.

### **Price and value generation**

Depending on whether Downing is investing in or selling private equity investments, it will normally consider the best result to be paying the minimum total consideration or obtaining the maximum total consideration respectively for its clients, representing the price of its financial instruments less the costs related to execution, such as legal and other expenses.

However, in relation to acquisitions, Downing also considers the overall best result for the client on sale of the investment as part of its initial structuring of transactions. In some cases, negotiating the appropriate level of control over the conduct of the business and providing appropriate incentives for growth of the business may be regarded as more important to achieving the best possible result for its clients than simply getting the lowest possible acquisition cost.

Equally, in relation to both acquisitions and disposals, although the pricing is of the highest importance, attention is also paid to the size of the stake and the importance of achieving completion of the transaction with a reliable counterparty in order to ensure settlement in view of the limited range of possible sellers and buyers in each case.

Additionally, particularly on disposals, obtaining the highest possible price has to be weighed against any warranties, escrow agreements and any other ongoing liabilities on disposal. In accordance with FCA requirements, Downing is obliged to inform its clients that client orders may be executed outside a regulated market or an MTF.

# Appendix

## Settlement agreement

### Parties

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

### Background

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

### 1. Definitions and interpretation

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

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

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

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

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

### 2. Assignment

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

### 3. Effective date

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

### 4. Power to add beneficiaries

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



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

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

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

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

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

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

## **8. Administrative powers**

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

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

- 9.1 No discretion or power conferred on Downing or any other person by this Settlement or by law shall be exercised, and no provision of this Settlement shall operate directly or indirectly, so as to cause or permit any part of the capital or income of the Trust Fund to become in any way payable to or applicable for the benefit of the Settlor or any person who shall previously have added property to the Trust Fund or the spouse or civil partner for the time being of the Settlor or any such person. 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.
- 10.1 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.

16.1 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.



# Investments that matter

**April 2024**

Downing is a trading name of Downing LLP. Downing LLP is authorised and regulated by the Financial Conduct Authority (Firm Reference No. 545025). Registered in England and Wales (No. OC341575). Registered Office: 6th Floor, St Magnus House, 3 Lower Thames Street, London EC3R 6HD.

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**Downing** 