

# Velocity Credit Ventures Portfolio Management Service

## Information Memorandum

Dated 25 September 2020

THE TAX TREATMENT REFERRED TO IN THIS INFORMATION MEMORANDUM DEPENDS ON THE INDIVIDUAL CIRCUMSTANCES OF EACH CLIENT AND MAY BE SUBJECT TO CHANGE IN FUTURE. IN ADDITION, THE AVAILABILITY OF ANY TAX RELIEFS DEPENDS ON THE TRADING COMPANIES MAINTAINING THEIR QUALIFYING STATUS. THE PORTFOLIO MANAGEMENT SERVICE IS NOT SUITABLE FOR ALL CLIENTS AS THE UNDERLYING INVESTMENTS ARE ILLIQUID.

# Important Information

This notice is important and requires your immediate attention. If you are in any doubt about the action you should take in regard to the contents of this information memorandum and appendices you should contact an independent financial adviser or other professional adviser authorised under the Financial Services and Markets Act 2000 (FSMA) who specialises in advising on investments of this type. Reliance on this information memorandum for the purpose of engaging in any investment activity may expose an individual to a significant risk of losing all of the property or other assets invested. Nothing in this document constitutes investment, tax, financial, regulatory or other advice by Sapphire Capital Partners LLP or by Velocity Credit Advisors Limited. Not all Trading Companies may qualify for Business Relief and therefore any tax benefits are not guaranteed. Your attention is drawn to the section headed "Risk Factors" on page 25.

This information memorandum ("Information Memorandum") constitutes a financial promotion pursuant to Section 21 of the Financial Services and Markets Act 2000 ("FSMA") issued by Sapphire Capital Partners LLP whose registered office is at 28 Deramore Park, Belfast BT9 5JU (the "Investment Manager" or "Sapphire") and which is authorised and regulated by the Financial Conduct Authority ("FCA") (FCA Number: 565716). In relation to regulated activities provided to Trading Companies, Velocity Credit Advisors Limited (the "Investment Advisor") is an Appointed Representative (FCA Number: 920486) of Sapphire Capital Partners LLP. This document does not constitute a prospectus as defined by the Prospectus Regulations 2005 (the "Regulations"). This Information Memorandum is issued in connection with the individual portfolio management service offered by the Investment Manager pursuant to which the Investment Manager will create and manage Portfolios in accordance with Mandates given by its clients on a discretionary client-by-client basis where such Portfolios will include one or more investments in shares issued by companies ("Trading Companies") whose subsidiaries make short-term loans to

UK companies. In this Information Memorandum this service is referred to as the "Velocity Credit Ventures Portfolio Management Service" or "the Service". The Trading Companies in which the Investment Manager may invest are advised by Velocity Credit Advisors Limited (the "Investment Advisor").

This document is only intended for release in the United Kingdom and does not constitute an offer, or the solicitation of an offer, in relation to shares in any jurisdiction in which such offer or solicitation is unlawful. It is the responsibility of any person outside the United Kingdom wishing to make an application to subscribe for Shares in Trading Companies to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

The promotion is only suitable for and should only be distributed to individuals who are classified as being:

1. a) a professional client, as defined in COBS 3.5; or
2. b) a retail client who meets the conditions set out in COBS 4.7.7 or COBS 4.7.8; or
3. c) a certified high net worth Client, a certified sophisticated Client or a self-certified sophisticated Client, as defined in COBS 4.7.9 and COBS 4.7.10

The Service is offered solely on the basis of the information contained in this Information Memorandum. No person has been authorised to give any information or make any representations other than those contained in this Information Memorandum, or in any written brochure, notice or report which accompanies this Information Memorandum. Neither the Investment Advisor nor the Investment Manager or any of their respective directors, officers, employees, and agents accept any liability for any direct, indirect or consequential loss or damage suffered by any

person as a result of relying on any information or opinions contained herein or in any other communication in connection with the provision of the Service to a Client except where such liability arises under FSMA, regulations made under FSMA or the FCA rules and which may not be excluded.

The Service is provided by the Investment Manager and is regulated in accordance with the Markets in Financial Instruments Directive ("MiFID"). The Service does not constitute an Alternative Investment Fund or an Unregulated Collective Investment Scheme within the meaning of section 235 of FSMA or a Non-Mainstream Pooled Investment.

The Investment Manager and the Investment Advisor believe that the factual content hereof is accurate and that statements of opinion herein are reasonably held. Additionally, some material included in this document is derived from public or third-party sources, and each of the Investment Advisor and the Investment Manager disclaims all liability for any errors or misrepresentations which any such inclusions may contain. The information contained in this Information Memorandum is current at the date of publication.

This Information Memorandum contains certain information that constitutes "forward-looking statements" which can be recognised by use of terminology such as "may", "will", "should", "anticipate", "estimate", "intend", "continue", or "believe" or their respective negatives or other comparable terminology. Forward-looking statements are provided for illustrative purposes only. Due to various risks and uncertainties, actual events, results or performance may differ materially from those reflected or contemplated in such forward-looking statements.

In making an investment decision to appoint the Investment Manager, a potential Client must rely on his or her own independent assessment of the Service and the terms on which investments from that Client's Portfolio may be made.

This Information Memorandum should not be considered as a recommendation by the Investment Manager, the Investment Advisor or their respective subsidiaries or affiliates (or their respective directors, shareholders, partners, officers, affiliates, employees, agents

or advisers) to appoint the Investment Manager to provide the Service and each potential Client must make his/her own independent assessment of the merits or otherwise of doing so and should take his/her own professional advice. Neither the issue of the Information Memorandum nor any part of its contents is to be taken as any form of commitment on the part of the Investment Manager to make investments on behalf of its Clients, as investments will only be made for a Client if the Investment Manager is able to take a decision to invest which it regards as suitable for that Client and, in particular, as being in accordance with the Client's risk tolerance and ability to bear losses in accordance with that Client's Mandate to the Investment Manager. In no circumstances will the Investment Manager, or the Investment Advisor or its subsidiaries or affiliates be responsible for any costs or expenses incurred in connection with any appraisal by any Client of the Service or for any other costs or expenses incurred by a prospective Client in connection with such Subscription. Neither the Investment Manager nor the Investment Advisor are liable for information published in other public sources.

The information contained in this Information Memorandum makes reference to the current laws of the United Kingdom concerning Business Relief and associated tax benefits as at the date of the Information Memorandum. The levels and bases of relief may be subject to change. The tax reliefs referred to herein are those currently available and are of summary nature only. The application and value of such tax reliefs depends upon the individual circumstances of each Client. Accordingly, the tax reliefs may or may not apply to any specific individual depending on their circumstances and may change or be withdrawn by the government or the taxation authorities. You are strongly advised to consult your professionally qualified Independent Financial Adviser ("IFA") authorised under the Financial Services and Markets Act 2000 ("FSMA"), tax adviser, legal adviser, and any other professional adviser before making an investment.

There are situations where the interests of Clients may conflict with those of the Trading Companies, the Investment Advisor, the Borrowers or their respective directors or employees and where these exist, controls are

exercised to ensure that Clients are always treated fairly. Further details can be found under the “Governance & Reporting” section on page 16.

25th September 2020

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# Key Parties

Investment Manager	Sapphire Capital Partners LLP 28 Deramore Park Belfast, BT9 5JU.
Investment Advisor	Velocity Credit Advisors Limited 2a The Quadrant, Epsom Surrey KT17 4RH.
Custodian	Woodside Corporate Services Limited 4 <sup>th</sup> Floor, 50 Mark Lane London, EC3R 7QR
Nominee	WCS Nominees Limited 4 <sup>th</sup> Floor, 50 Mark Lane London, EC3R 7QR
Tax Adviser	BDO LLP 55 Baker Street London, W1U 7EU
Solicitors	RW Blears LLP 15 Old Square London, WC2A 3UE

# Introduction

By subscribing to the Velocity Credit Ventures Portfolio Management Service, Clients will gain exposure to a diverse portfolio of short-term credits to small and medium enterprises (“SMEs”), managed by a team with wide corporate and financial experience.

The aim of the Service is to preserve capital value whilst seeking to provide an annual target return to Clients of between 3% and 6%. An investment made in the Shares of Trading Companies should qualify for Business Relief and as a result should be eligible for Inheritance Tax relief once they have been held for two years.

A summary of the key elements of the Service is set out below, as more fully described in pages 9 to 34 inclusive of this Information Memorandum:

## Investment

Each Client selects an investment strategy and in accordance with their Mandate, the Investment Manager creates and manages a Portfolio of investments based on that strategy on a discretionary basis for each Client.

Clients may select a Mandate which is based on one of the three investment return strategies: Growth, Income or Blended described in this Information Memorandum.

Based on the chosen investment return strategy, the Investment Manager may then subscribe for Shares in one or more Trading Companies, collectively referred to in this document as Velocity Credit Ventures, which will then be held within each Client's Portfolio. The Shares are held by a Nominee on behalf of Clients who hold the beneficial interest.

The Shares selected will benefit from a return derived from the successful trading activities and profits of each Trading Company which has issued those Shares, though as success can never be assured your capital invested in Shares issued by Velocity Credit Ventures will be at risk. Your attention is drawn to the Risk Factors on pages 25 to 30.

Clients may also appoint the Investment Manager to make investments on their behalf

pursuant to such other strategies as may in the future be offered by the Investment Manager and agreed with its Clients from time to time.

## Trading Activity

Velocity Credit Ventures provide short term, single-purpose trade credits to UK SMEs.

These trade credits are utilised to finance an asset or an expenditure which generates a defined cash flow. It is this cash flow which is used to repay the credit.

Credits will be provided directly to SMEs or indirectly by way of facilities provided to specialised lenders.

Velocity Credit Ventures each lend pari-passu with each other to the same Borrowers in proportion to their Available Cash. This ensures that all Investors have a fair and proportionate exposure to the same commercial rewards and risks attaching to the same underlying loans made by Velocity Credit Ventures to the same Borrowers. Accordingly, Client Portfolios will differ only by reason of the mix of Shares selected by each Client on a client-by-client basis under the three investment strategies - 'Growth', 'Income' or 'Blended' – described above .

## **Target Return**

The target return on the Shares selected for a Client Portfolio will be derived from post-tax profits attributable to the fees and interest earned on each Credit advanced by the Velocity Credit Ventures which have issued those Shares. The Service targets an annual return to Clients of between 3% and 6% after costs, calculated on the net amount (after the deduction of advisor fees) invested in Shares issued by Velocity Credit Ventures ("Target Return").

## **Subscription**

The minimum Subscription into a Client's Portfolio is £25,000. There is no maximum investment and Clients can make further Subscriptions into their Portfolio of not less than £10,000 per additional investment.

Investments will only be made for a Client if the Investment Manager is able to take a decision to invest which it regards as suitable for that Client and, in particular, as being in accordance with the Client's risk tolerance and ability to bear losses in accordance with that Client's Mandate to the Investment Manager.

## **Life Insurance**

In order to benefit from IHT relief, Shares in Trading Companies must be held for a minimum of two years. Life insurance may be available through an insurance broker to protect a Client's estate during the first two years for the potential IHT exposure of 40% of the Subscription amount. This cover is subject to terms and conditions and details may be requested from the Investment Advisor and is not guaranteed to be available.

## **Managing Risk**

All Borrowers will be subject to comprehensive due diligence to establish the suitability and credit worthiness of the transaction. The evaluation process of each Credit aims to ensure that every transaction meets the strict lending criteria adopted by Velocity Credit Ventures.

Additionally, each Trading Company will benefit from, or purchase, insurance to cover itself against potential credit defaults on Credits. This Credit Insurance may not be purchased where an Obligor is a State Entity or where the Credit is on a portfolio meeting specific criteria as set out on page 12. The Credit Insurance may have certain limitations as set out in "Security & Collateral" on page 12.

## **Withdrawing Capital**

A Client may request a Withdrawal of some or all of their capital from their Portfolio after the first anniversary of their initial Subscription, and the Service aims to satisfy such requests within 90 days. (but cannot guarantee that such requests will be satisfied). If a Client is not withdrawing all of their capital, then they must leave a residual balance invested in their Portfolio of £25,000.

The Investment Manager will try to fulfil withdrawal requests by selling a Client's Shares to a third party in the first instance, in preference to a sale of Shares back to the issuing Trading Company; such a third party might be the Investment Advisor. If Shares have increased in value at the time of their sale then the gain made when they are sold to a third party is likely to be subject to capital gains tax. If a third-party buyer cannot be identified and the Shares are sold back to the issuing Trading Company the Client is likely to be subject to income tax on the increase in value. The Shares will not be listed or traded on any recognised investment exchange and so a sale of Shares to a third party or to the issuing Trading Company may not be achievable at a price comparable to their net asset value for a considerable period if economic conditions are adverse or a Trading Company has insufficient Available Cash. Accordingly, capital invested in Shares issued by Velocity Credit Ventures will be at risk and your attention is drawn to the Risk Factors on pages 25 to 30. The value of an investment may go down as well as up and a Client may not get back the full amount invested and may, therefore, lose some or all of the investment.

Each Trading Company will normally maintain approximately ten per cent of its assets in cash or Short-term Investments. Furthermore, the

Credits provided by a Trading Company will normally be of a short term or revolving in nature and accordingly a Trading Company will aim to ensure that it has Available Cash to fund Share buybacks within a reasonable period following a Withdrawal request. Therefore, at any given point in time, each Trading Company may be in a position to buy-back a Client's Shares if they choose to sell them and their sale cannot be matched with a purchase by a third party.

If a Trading Company has insufficient Available Cash to fund a withdrawal of capital, then the Trading Company will seek to act fairly in the interests of all Clients holding its Shares. This may mean that the Trading Company satisfies withdrawal requests in the order in which they are made but it may also mean that in certain circumstances, if there are a significant number of withdrawal requests, the fair course of action may be to realise assets or restructure the Trading Company and return available funds to Clients pursuant to a tender offer to buy their Shares in proportion to their respective holdings so that all Clients have an equal chance to realise their investment or part of it or to remain invested. In these circumstances the published value of investments may not be able to be realised. Where investors elect to realise their investment, or part of it, where required the Investment Manager will use its reasonable endeavours, with the assistance of the Investment Advisor, to offer those Clients (who did not want to withdraw their capital at this stage) an investment with a comparable risk profile and target rate of return into which their capital can be reinvested so that their entitlement to relief from inheritance tax can be rolled over and preserved in a new shareholding holding.

## **Governance & Reporting**

It is the Investment Manager's policy to maintain the highest standard of governance and reporting to Clients. With this aim each of the Trading Companies is required to:

- have its annual financial statements audited and made available to all Clients; and
- provide Clients with a quarterly performance summary via the Investment Advisor.

See "Governance & Reporting" on page 16 for further details on governance and reporting.

## **Costs & Fees**

Other than a Dealing Fee on the sale or transfer of Shares, Clients are not charged any fees. The Portfolio setup costs and administration costs and fees are paid by each Trading Company. See "Fees & Costs" on page 14 for full details of the costs, fees and charges.

## **How to Subscribe**

After reading this Information Memorandum and having consulted your IFA or intermediary, please complete the Application Form and return to the Investment Advisor by email to:

[applications@velocity.co.com](mailto:applications@velocity.co.com)

or send an original by post to:

**Woodside Corporate Services Limited**  
4th Floor  
50 Mark Lane  
London, EC3R 7QR

# Investment & Trading Strategy

Clients provide the Investment Manager with Mandates to make investments through the Service in Shares issued by Trading Companies and pursuant to such other strategies as may in the future be offered by the Investment Manager and agreed with its Clients from time to time.

The Investment Manager will acquire Shares in Trading Companies, collectively Velocity Credit Ventures, which will be selected and managed in separate Client Portfolios in accordance with the Mandates given by its Clients on a discretionary client-by-client basis. Velocity Credit Ventures carry on the business of debt finance to UK businesses.

## Investment Strategies

Clients may select a Mandate which is based on one of the following three investment strategies and which incorporate the following characteristics:

### Growth Strategy

A focus on growth from investments in Shares issued by a Trading Company which retains all its profits with an annual target return of between 3% and 6%.

### Income Strategy

A focus on income from investments in Shares issued by a Trading Company which distributes all profit by paying a semi-annual dividend after 12 months with an annual target return of between 3% and 6%.

### Blended Strategy

A diversified participation from investments in a blend of Shares in Trading Companies within the Growth Strategy and the Income Strategy with an annual target return of between 3% and 6%.

Based on the Mandate selected, the Investment Manager will create and manage Portfolios on a discretionary client-by-client basis and make investments in Shares issued by one or more Trading Companies.

Clients may also appoint the Investment Manager to make investments on their behalf pursuant to such other strategies as may in the

future be offered by the Investment Manager and agreed with its Clients from time to time.

## Trading Strategies

Each Trading Company carries on the business of providing debt finance to UK businesses in the form of Credits which incorporate the following characteristics:

- The purpose of the Credit is to enable the Borrower to finance a trade expenditure or an asset which generates a defined revenue or cash flow. It is this revenue or cash flow which is utilised to repay the Credit.
- The defined revenue or cash flow must be generated in the UK, or, if generated overseas, from an OECD country.

Credits to Borrowers are therefore single purpose loans financing a defined future cash flow. General purpose Credits will not be provided.

- Borrowers must be UK companies.
- The Borrowers must operate in sectors which the Investment Advisor considers to be resilient or which may benefit from the changing economic environment caused by COVID-19 and Brexit. Such sectors may include (but are not limited to) digital products and distribution, wholesale food, manufacturing, professional services, health, defence and security.
- With the objective of diversifying its lending portfolio, a Trading Company may provide Credits to a lending business ("Specialist Lender") where the Specialist Lender utilises

the same credit criteria as Velocity Credit Ventures.

## Environment, Social, Governance

The Investment Advisor is a signatory to the United Nations Principles for Responsible Investments.

As such the Investment Advisor includes Environment, Social, Governance (“ESG”) issues in investment analysis and investment decisions, and monitors ESG issues through the terms of transactions.

## Examples

The following example transactions are provided for illustrative purposes only:

**Borrower A** produces specialist medical optical equipment and its customers are typically hospitals and universities. It has a customer to whom it wishes to offer 60-day credit on an invoice for the supply of equipment.

Velocity Credit Ventures purchase the invoice from the company by paying them 90% of the invoice value. Following 60 days, the customer settles the invoice by paying into a dedicated account, from which the Credit is repaid plus interest and; the remaining net amount is remitted to the borrower.

**Borrower B** is an on-demand video streaming platform, offering comedy shows from live acts. There are two income streams – subscription service and content sales.

Velocity Credit Ventures provide a loan facility to finance the borrower’s digital media spend subject to eligibility criteria being met. These criteria are continuously monitored meaning if the media spend is not delivering the projected sales, the loan drawdowns can be stopped. The borrower repays capital and interest on a monthly basis from revenue generated from new customers.

**Borrower C** is a lending business (i.e. a Specialist Lender) discounting invoices issued by over 20 companies. These companies are operating in various sectors with customers in the UK and in Europe. At any one time the Specialist Lender is financing about £200,000

in invoices per company and has a total loan book of £4 million.

Velocity Credit Ventures provide a facility of £1 million with the borrower retaining the first £4 million of risk. With this diversification and with the borrower retaining the first 80% of risk, the credit default insurance is not purchased for this Credit.

## Lending Process

The Investment Advisor manages the lending process for all Velocity Credit Ventures. Each credit opportunity will undergo an evaluation process involving the following phases:

### Phase 1: initial assessment

The parties and transaction are checked to ensure they meet the eligibility criteria.

### Phase 2: KYC / AML of borrower

Due diligence is undertaken on the Borrower and any counterparty. This may include due diligence on the directors and owners of the companies.

### Phase 3: credit scoring of transaction

Detailed credit scoring of the transaction through qualitative and quantitative evaluation of the transaction.

### Phase 4: closing

Implementation of lending documentation, security and collateralisation of the Credit and implementation of the monitoring system.

### Phase 5: monitoring

Ongoing monitoring of the transaction. In some cases, the transaction performance can be monitored in real time.

### Phase 6: settlement

Settlement or repayment of the credit; transaction completes.

Unless the Client Mandate specifically states otherwise, Velocity Credit Ventures each lend

pari-passu with each other to the same Borrowers in proportion to their Available Cash. This ensures that all Investors have a fair and proportionate exposure to the same commercial rewards and risks attaching to the same underlying loans made by Velocity Credit Ventures to the same Borrowers.

The additional factors to which the Investment Adviser will have regard when undertaking a credit assessment and deciding what steps are needed to make the credit assessment a reasonable one, include each of the following criteria where applicable:

- the type of credit;
- the amount of the credit or the credit limit;
- the duration (or likely duration) of the credit;
- the frequency of the repayments;
- the amount of the repayments;
- the annual percentage rate of charge;
- any other costs, including any charge for non-compliance with the loan agreement, which will or may be payable by or on behalf of the Borrower in connection with the Credit;
- the price (that is, the interest rate) of the Credit which the Investment Adviser will negotiate on a basis which is fair and appropriate and reflective of the risk profile of the loan taking into account the time value of money.

The Investment Adviser maintains a record of each credit assessment where a loan agreement is entered into which is sufficient to demonstrate that a credit risk assessment was carried out, was reasonable and undertaken in accordance with the criteria noted above.

The Investment Adviser uses a risk management framework that is appropriate to the nature, scale and complexity of each Trading Company taking into account the credit assessments of its loans, the probability of defaults and the circumstances in which the valuation of each loan will be reviewed.

The Directors of each Trading Company will assess, monitor and periodically review the adequacy and effectiveness of the Investment Adviser's risk management framework including by assessing outcomes against

expectations and identify appropriate measures to be taken by the Investment Adviser to address any deficiencies in the risk management framework.

## **Security & Collateral**

Each lending transaction entered into by Velocity Credit Ventures will include certain security and/or collateral for the benefit of all Velocity Credit Ventures

Each Credit will be linked to a defined cash flow. In certain transactions, this cash flow may be paid into a separate collection account controlled by or on behalf of Velocity Credit Ventures.

Certain lending transactions (but not all transactions) may benefit from charges over the Borrower which ringfence amounts paid into Collection Accounts from other creditors of the Borrower. Personal guarantees may also be taken from Directors or Shareholders of a Borrower as additional collateral security for the repayment of all sums due in respect of a Credit. Where a Trading Company does not have any security or only has security which ranks after a prior ranking security then it may not recover the full value of its Credit if the claims of creditors ranking ahead of the Trading Company exceed the value of the cashflow on which a repayment of its Credit depends.

Additionally, insurance against 90% of the risk of a Borrower or an Obligor not repaying a Credit in full will normally be purchased for the benefit of Velocity Credit Ventures.

The Investment Adviser will exercise its discretion whether to purchase a lower amount of Credit insurance or to dispense with insurance altogether where:

- the Obligor is, or where the Borrower's obligations are guaranteed by, a State Entity; or
- where the Credit is provided to finance a portfolio to which, in the opinion of the Investment Adviser, any two of the following apply:
  - The portfolio consists of a sufficient diversification of counterparties or Obligors;

- the value of the outstanding portfolio loans does not exceed 80% of the value of any security held to secure repayment of those portfolio loans;
- there is capital at risk to the value of at least 10% of the portfolio, subordinated to the Credit provided by Velocity Credit Ventures.

The good standing of the underwriters for the provision of Credit insurance will be approved by the Directors of Velocity Credit Ventures and the terms of the insurance cover will be reviewed on a regular basis.

# Fees & Costs

There are certain fees and charges in relation to the establishment and management of the Service and which are set out below. Other than a Dealing Fee on a Withdrawal, the Service does not charge any fees to Clients.

## **Establishment Fee**

The costs of establishing the Service and the costs associated with the setting up the credit and risk management processes are charged to Velocity Credit Ventures. The Establishment Fee is 4% of the Net Subscription amount and includes a fee payable to the Investment Manager and Investment Advisor.

## **Annual Administration Fee**

The Annual Administration Fee of 2% per annum of the Net Subscription amount is charged to Velocity Credit Ventures by the Investment Advisor and is to cover the costs associated with the acquisition of Borrowers, payment to the Investment Manager, the evaluation of Credits and the ongoing management of the Portfolio.

## **Trading Companies' Costs**

There will be ongoing operating and administration costs and expenses incurred by each Trading Company and their subsidiaries. Such costs and expenses are those normally incurred by an operating business and include but are not limited to costs of acquiring Borrowers, fees paid to the directors, membership fees of professional bodies, costs of professional advisors, costs associated with licensing software to underwrite and manage the Credits, accountancy and audit fees. Some of these services may be provided to each Trading Company by or through the Investment Advisor. Each Trading Company is responsible for paying its proportionate share of the insurance premium for any credit default insurance policy, the premiums will be calculated by a third party and may be partly paid on policy inception and then adjustable on the turnover of the Trading Company. In

addition, each Trading Company will incur costs relating to the Subscriptions and allotment of Shares to Clients' Portfolios, such as cost for the services of the Nominee and Custodian. Certain services provided to the Trading Companies, including any services provided by Juice Ventures Limited, may be compensated by a performance related incentive.

Save for the payment of such costs all profits attributable to successful trading accrue to the benefit of Clients holding Shares in Velocity Credit Ventures.

## **Dealing Fee**

To cover the costs of processing a Subscription or a Withdrawal the Investment Advisor will charge a fee of 1% on the value of the transaction ("Dealing Fee"). In the case of a Subscription the Dealing Fee is paid by the Trading Company. In the case of a Withdrawal, the Dealing Fee is paid by the Client on the sale or transfer of Shares and will be paid by deduction from the net disposal proceeds. Any stamp duty at the current rate of 0.5% liable to be paid on the disposal of any Shares will be paid by the Investment Advisor from the Dealing Fee. The Client will be liable for any additional stamp duty cost in excess of the prevailing rate of 0.5%.

## **Adviser Fees**

If a Client requests that a payment is made to their IFA or intermediary for advice received, this will be deducted from the Client's Portfolio, before an investment is made in the Shares of a Trading Companies.

If a Client requests that an initial payment is made to their IFA or intermediary for advice received, this will be deducted from the Client's

Portfolio, before an investment is made in the Shares of a Trading Companies. On-going adviser charges may also be facilitated from your Portfolio, and the Investment Manager may meet such on-going facilitation payment through the sale of your Shares as described in the Investment Management Agreement.

## **Material Contracts**

Each Trading Company will enter into an Investment Advisory agreement (“Advisory Agreement”) with the Investment Advisor pursuant to which the Investment Advisor will carry out various activities and services on behalf of the Trading Company.

An Advisory Agreement may be terminated by a Trading Company in the event of insolvency, fraud, wilful misconduct or negligence on the part of the Investment Advisor. The Investment Advisor may terminate an Advisory Agreement upon cessation of the activities of the Trading Company. The Investment Advisor will be paid by each Trading Company and in some circumstances may receive fees from the Borrowers.

Each Trading Company will enter into separate agreements with each director of the Trading Company.

All fees and costs may be subject to VAT.

# Governance & Reporting

It is the policy of the Investment Manager and the Investment Advisor to maintain the highest standard of governance and reporting to Clients. The arrangements with the Trading Companies and the Investment Advisor include the following provisions.

## Board

The Board of each Trading Company is responsible for the overall governance of the Trading Company and for setting and reviewing the process and criteria for lending to Borrowers with advice from the Investment Advisor. The Board shall also have a minimum of two non-executive Directors. Directors on the Board may also be Directors of the Investment Advisor.

## Reporting

The Investment Advisor will provide Clients with regular reporting in the form of a quarterly report measuring the underlying Credits of each Trading Company.

Each Trading Company will also be required to publish audited accounts each financial year and provide these to Clients (via the Investment Advisor).

Clients may reasonably request further information on each Trading Company and the Investment Advisor will endeavour to supply such information subject to any duty of confidentiality to which the Trading Company or the Investment Advisor may be subject.

## Valuation

The Investment Advisor will calculate the valuation of each Trading Company on a quarterly basis in the form of a Net Asset Value ("NAV") per Share. The valuation will be on a basis consistent with the valuation principles issued by the International Private Equity and Venture Capital Association. These principles may vary from time to time but normally will be based on discounted cashflows. Clients should be aware that the value of shares in an unquoted company can fluctuate. In addition,

there is no guarantee that the valuation of Shares will fully reflect its underlying NAV, or that Clients will be able to buy and sell at that valuation or at all.

## Conflicts

Under some circumstances conflicts of interest may arise between a Trading Company, another Trading Company, the Investment Advisor, Clients, Borrowers and Directors and employees of a Trading Company or the Investment Advisor and other related entities.

## Conflicts Policy

Both the Investment Manager and the Investment Advisor have in place policies to manage conflicts of interest and which set out how each identifies and manages conflicts of interest.

Under circumstances where a potential conflict of interest arises which has not been previously and fairly disclosed to Clients, the potential conflict of interest will be managed as follows:

- any individuals involved in decision making at the Investment Advisor or Trading Company will be prohibited from taking part in negotiations relating to a transaction giving rise to the potential conflict of interest.
- any decision in relation to the transaction will require the approval of the non-executive directors of the relevant Trading Company.
- if the non-executive directors so wish or if they cannot reach a consensus on the transaction, an extraordinary general meeting of the Trading Company may be called to allow Clients to decide whether or not to proceed with the transaction.

## **Conflicts Disclosure**

The Investment Manager and the Investment Advisor and / or their Directors or employees or Shareholders are directly or indirectly engaged in providing their services to funds or entities which may have an economic interest in one or more of the Trading Companies, Borrowers or other entities which have an economic relationship with a Trading Company.

This includes but is not limited to an economic interest in (i) Velocity Capital Advisors Limited, a company which, in relation to one or more separate Velocity SEIS and EIS funds, arranges investments for the Investment Manager in companies to which Velocity Trading Ventures may lend money and (ii) Juice Ventures Limited, a company which provides user acquisition finance for digital media spend for the acquisition of customers and which may provide consultancy services to the Investment Advisor.

Velocity Credit Ventures may provide financing to Borrowers together with entities which are owned by the Investment Advisor or Juice Ventures Limited and / or provide financing to Borrowers which have shared Directors or employees.

The Investment Manager, the Investment Advisor and/ or Juice Ventures Limited may, at a date in the future, have a direct interest in a protected cell company and/or a cell, which may provide insurance to one or more Trading Companies. Any profits generated by the protected cell company or cell are not returned to a Trading Company or Clients.

The ownership and beneficial interests in the companies set out in this Section are listed in Appendix 1: Ownership & Interests.

# Team

The Service will be managed by the Investment Manager and the Trading Companies will be advised by the Investment Advisor.

## **Investment Manager**

The Investment Manager is Sapphire Capital Partners LLP ("Sapphire"), a multi-award-winning investment management firm and which is authorised and regulated by the Financial Conduct Authority (FCA Reference: 565716). Sapphire is a specialist investment management firm established to provide investment management services and bespoke fund solutions.

### **Boyd Carson, Partner**

Sapphire is headed by Boyd Carson, who has a considerable breadth of knowledge in the financial sector. Boyd has nearly 30 years' experience in the accounting and corporate finance markets, having previously worked at PwC where he was a director in the firm's transaction services group in New York specialising in acquisitions and disposals. Boyd is a Fellow of the Institute of Chartered Accountants

## **Investment Advisor**

The Investment Advisor is Velocity Credit Advisors Limited and it is an appointed representative of Sapphire. The Investment Advisor has a senior team with track records and experience across a wide business spectrum including finance, marketing and law.

### **Nicholas Burnell, Non-Executive Director**

Nick has held senior positions at leading investment banks including Deutsche Bank and Morgan Grenfell in London and New York. His experience includes day-to-day, management of a loan book of £1,500 million (approx.) and worked in OECD & emerging market countries. As a member of the investment committee of Rutley European Property Limited, he assisted in the establishment, private fund-raising and subsequent flotation on the Official List of the LSE of Rutley European Property Limited, a pan European core-plus commercial property fund. He is a Director of Bluehaven Capital Partners a regulated corporate advisory business. Nick holds an MA in Law from Magdalene College, Cambridge.

### **Rajeev Saxena, Non-Executive Director**

Rajeev was formerly the Marketing Director of Red Bull Energy Drink, UK & Ireland. He

completed an MBA at the Institute for Management Development (IMD) in Lausanne and has since founded a series of successful entrepreneurial businesses across a range of industries. These include MPPI, an Indian media fund, raising money and managing Indian property ventures, a 200mw wind farm development near Istanbul and Soho House Mumbai, a franchise business launching the Soho House brand in Mumbai. Rajeev is the Managing Director of Velocity Capital Advisors Limited the investment consultant to the Velocity SEIS and EIS funds and of Juice Ventures Limited, a company providing the Investment Advisor with specialist advice in relation to Digital Ventures.

### **Rupert J. Strachwitz, Chief Executive Officer**

Rupert began his financial services career in insurance where he was a financial risk underwriter with Frankona Rückversicherung AG. He moved into investment banking where he was a risk manager for a media finance advisor firm before joining Dresdner Kleinwort Capital in 2001 where he led the structuring

and placing of alternative asset funds. He co-founded a sustainable energy business in 2007 where he was initially responsible for cross-border project finance before leading the business to a successful IPO on the London Stock Exchange. Rupert is also co-founder and the interim Managing Director of TR8CY UK Limited a technology platform supporting trade finance for SMEs. He is an associate member of The Chartered Institute for Securities & Investment.

### **Tom Lindup, Structuring**

Tom began his career as a corporate finance lawyer at Sidley Austin LLP, advising on debt and equity capital markets, mergers and acquisitions and private equity transactions, representing both financial institutions and corporates across an array of sectors. He worked closely with a number of treasury teams focusing on bi and multilateral loan agreements, EMTN Programmes, investment grade and high yield debt issuances, and receivables financing. He joined Van Elle Limited as group managing director in March 2015, successfully steering the group through its AIM flotation in October 2016. Tom is also Chief Operating Officer of Velocity Capital Advisors Limited and of Juice Ventures Limited.

### **Katherine Chan, Credit**

Katherine is a qualified CPA accountant who was formerly Director at Commerzbank and Senior Credit Officer, managing a €4 Billion (EUR) credit portfolio of assets and receivables-based financing, lease financing and structured finance predominantly of UK and international corporates. Previously, Katherine worked in financial services covering a range of business lines including securitisation, equity derivatives and fixed income at Deutsche Bank, Dresdner Kleinwort and HSBC respectively. She graduated from the University of Melbourne, majoring in Accounting and Management. Katherine is also Chief Financial Officer of Juice Ventures Limited.

# Investment Details

The Investment Manager will create and manage Portfolios in accordance with Mandates given by Clients on a discretionary client-by-client basis to make investments through the Service in Shares issued by Trading Companies.

Each Client will be allocated Shares in multiples of GBP 1.00 in either one or more Trading Companies. All investments will be registered in the name of the Nominee, who will act as the legal owner of all Shares, until such time as the Client elects to dispose of their Shares. Each Client will be beneficially entitled to the Shares allocated to them.

## Subscriptions

By making an investment, Clients are making a Subscription into their own Portfolio through which they will be the beneficial owner of Shares in one or more Trading Companies.

The minimum individual Subscription into a Client Portfolio is £25,000 (subject to the Investment Manager's discretion). There is no limit on the individual investment into a Portfolio. Further investments of no less than £10,000 per additional investment can be made (subject to the Investment Manager's discretion to accept lower amounts).

Investments will only be made for a Client if the Investment Manager is able to take a decision to invest which it regards as suitable for that Client and, in particular, as being in accordance with the Client's risk tolerance and ability to bear losses in accordance with that Client's Mandate to the Investment Manager.

## Mandates

The Investment Manager will create and manage Portfolios in accordance with the Mandates given by Clients on a discretionary client-by-client basis to make investments through the Service in Shares issued by Trading Companies.

Clients may select a Mandate which is based on one of three investment strategies: Income, Growth and Blended. Further details of these investment strategies are set out in "Investment Strategies" on page 10.

Clients may also appoint the Investment Manager to make investments on their behalf pursuant to such other strategies as may in the future be offered by the Investment Manager and agreed with its Clients from time to time.

The Boards of the Trading Companies meet on a regular basis and therefore allocations of Shares to Clients' Portfolios are expected to occur up to twice each month. At the request of a Client and at the discretion of the Investment Manager allocations may be considered by the Boards of the Trading Companies at short notice. An allotment of the Shares in each Trading Company is at a price of GBP 1.00 per Ordinary Share unless the Investment Advisor has completed a valuation as outlined under "Governance & Reporting" on page 16 in which case the allotment of the Shares shall be at the reported NAV of each Trading Company. The Client's Portfolio will be the beneficiary of the Shares until such time as the Client elects to make a Withdrawal in accordance with the provisions set out below.

## Target Return

The Shares in each Trading Company have a target annual return of between 3% and 6% per annum, calculated on the Net Subscription amount (the "Target Return").

Each Trading Company seeks to achieve an overall return for the Shares equal to the Target Return over the period the Client holds the Shares and the anticipated Target Return is predicated on the Client holding the Shares for at least two years.

For those Clients who have selected the Growth Strategy, the Target Return is dependent on the growth in value of the Trading Company and therefore each Client will benefit from an overall return for the Shares at the time of a Withdrawal. For those Clients who have selected the Income Strategy, the Target Return is dependent on the retained profit generated by the Trading Company and therefore each Client will benefit from an overall return for the Shares at the time the Trading Company elects to declare a dividend.

Clients should be aware that the Target Return is not guaranteed, and the achievement of the Target Return will depend upon a number of factors including those set out under "Risk Factors" on page 25.

Should a Trading Company generate a return for the Shares in excess of its respective Target Return, then such excess return will accrue in full for the benefit of Clients.

The Target Return should not be taken as a guarantee of the Portfolio's future performance and accordingly, Clients should not place any reliance on the Target Return in deciding whether to subscribe to the Portfolio. The value of Shares may go down as well as up and this could result in a Client incurring a total loss of their investment. If you cannot afford to lose the entire amount subscribed to the Portfolio, you should not consider applying to the Portfolio.

## **Liquidity**

Clients should be aware that the Shares are not quoted and that there is no active market for buying or selling of the Shares.

As there is no ready market for the sale of Shares, the Investment Manager cannot guarantee a Client's ability to sell their Shares for a fair market value.

## **Withdrawals**

The Service will seek to satisfy all Withdrawal requests made by a Client by either facilitating a sale to an incoming Client ("Matched Bargain") or by the Trading Company purchasing their Shares ("Buy Back") within 90 days of such request.

The value of the Shares on Buy Back or for the purposes of a Matched Bargain sale will be the prevailing NAV per Share. A Matched Bargain can only be utilised to the extent that there are incoming Clients to purchase the existing Client's Shares.

Each Trading Company's ability to facilitate Withdrawals will always be subject to liquidity constraints, the Trading Company's Directors discretion and the terms of the Investment Management Agreement. It may not be possible to facilitate prompt payment in all cases. In particular, if there are a number of unusually large Withdrawals, the timing and process for realisation of investments may take considerably longer than targeted. In the event of a change of law impacting Business Relief, the timing and process for all realisations will be determined at the Directors' discretion.

If a Trading Company has insufficient cash reserves to fund a Withdrawal then the Trading Company will seek to act fairly in the interests of all its shareholders. This may mean that the Trading Company satisfies Withdrawal requests made by the Investment Manager in the order in which they are made but it may also mean that in certain circumstances, if there are a significant number of Withdrawal requests, the fair course of action may be to realise assets or restructure the Trading Company and return available funds to Clients pursuant to a tender offer to buy their Shares in proportion to their respective holdings so that all Clients have an equal chance to realise their investment or part of it or to remain invested. In these circumstances the published value of investments may not be able to be realised. Where Clients elect to realise their investment, or part of it, where required the Investment Manager will use its reasonable endeavours, with the assistance of the Investment Advisor to offer those Clients (who did not want to withdraw their capital at this stage) an investment with a comparable risk profile and target rate of return into which their capital can be reinvested so that their entitlement to relief from inheritance tax can be rolled over and preserved in a new shareholding holding.

The Dealing Fee will be payable by a Client on the aggregate value of the shares sold or redeemed.

## **Financial Services Compensation Scheme**

The Investment Manager is covered by the Financial Services Compensation scheme. Two other types of FSCS protection are also relevant to Clients: deposits and investments.

Deposit protection applies when money belonging to Clients is held in the client account. This occurs initially when investor money is transferred to the Investment Manager to make an investment and when interest repayments and repayments of capital are being held on behalf of Clients. While the money is in a client account (which is likely to be a short period) it is protected by the FSCS deposit protection which is currently £85,000 per person per eligible claim. This client account is operated by WCS Nominees Limited, the custodian appointed by the Investment Manager.

Investors may also be entitled to investment protection in cases where loss is incurred by factors such as investments in Velocity Credit Ventures Portfolio Management Service being mis-sold or misrepresented. The FSCS investment protection is currently up to £85,000 per person per eligible claim. The Shares issued by the Trading Companies are not protected by the FSCS. Accordingly, neither the FSCS nor anyone else will pay a Client compensation upon the failure of a Trading Company. If a Trading Company goes out of business or becomes insolvent, you may lose all

or part of your investment. Individuals approaching retirement and considering options under the new pension freedoms should realise that an investment in the shares of a Trading Company is a much higher- risk alternative to buying an annuity. Individuals in retirement, who may have significant sums in savings and may be concerned about low-interest rates and are tempted to invest, may be taking an inappropriate level of risk with their money. Further information is available from the Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St Botolph Street, London, EC3A 7QU.

Further information is set out in the Investment Management Agreement at the back of this Information Memorandum, and must be read carefully, as it sets out the details of a Client's contract with the Investment Manager.

### **How to apply**

You should first review this Information Memorandum and you also need to review the Client Agreement and the Application Form. You should consult your IFA, authorised under the Financial Services and Markets Act 2000 ("FSMA"). You should then complete the Application Form and send it to:

Woodside Corporate Services Limited  
4th Floor  
50 Mark Lane  
London, EC3R 7QR.

# Taxation

The summary below provides an indicative guide to the tax implications stemming from investments made through the Service and is based on a current understanding of UK tax law and practice. It does not set out all of the rules or regulations that must be adhered to and should not be interpreted as the provision of tax, legal, financial or other advice. Clients are strongly recommended to seek independent professional advice on the tax consequences of acquiring, holding and disposing of unquoted shares before appointing the Investment Manager to make investments on their behalf. The tax treatment of investments made through the Service depends on the individual circumstances of each client and may be subject to change in the future.

## Business Relief

### Overview

An inheritance tax liability on the estate of a deceased person, or on the transfer of assets by way of a lifetime gift, may be reduced or eliminated to the extent that the assets comprise “Relevant Business Property” (as defined in IHTA). For this purpose, “Relevant Business Property” includes shares where the company concerned is unlisted and its business does not consist wholly or mainly of making or holding investments. Sums invested in Trading Companies would potentially be sheltered from inheritance tax.

To obtain the relief, Shares must have been owned during the previous two years at the time of death or must have been inherited from a spouse or civil partner and, when the spouse’s or civil partner’s period of ownership is taken into account, the combined period of ownership must be at least two years.

Under current legislation, if you choose to sell shares in a Business Relief qualifying company, you can reinvest the proceeds into another Business Relief qualifying company, not losing the IHT relief, as long as: (i) the sales proceeds are reinvested within three years of the sale and (ii) both the original and replacement shares have been held for at least two out of the last five years in total.

### IHT Example

Below is an example of how Business Relief can reduce IHT. The illustration shows the difference in the total amount beneficiaries could receive with an investment in the Service as compared to making an investment yielding a similar annual return but with no Business Relief:

	No investment	Investment in Portfolio
Gross Investment	£100,000	£100,000
Annual Return <sup>(1)</sup>	3%	3%
Value of investment <sup>(2)</sup>	£106,090	£106,090
IHT at 40% <sup>(3)</sup>	£42,436	Nil
Dealing fee <sup>(4)</sup>	£0	£1,061
Amount left to beneficiaries	£63,654	£105,029

(1) Assumes equal annual return compounded over two years and is net of charges and tax.

(2) Assumes investment is held for two years.

(3) Assumes all other IHT relief has been fully used.

(4) Assumes Withdrawal fee only applies to Portfolio example.

The above example is set out for illustrative purposes only and no forecast or projection is implied or should be inferred. The illustration does not necessarily include the effect of all costs and fees which may be incurred. Amounts within the example are dependent on individual circumstances and may be subject to change in legislation.

### **Obtaining Business Relief**

An investment made in the Shares of Trading Companies should qualify for Business Relief provided that each Trading Company continues to carry on a trade of providing loans and is not making or holding investments. There is no limit on the amount of investment qualifying for this exemption.

To obtain Business Relief the executors of the estate will need to complete a copy of probate return form IHT412 and return this to HMRC. The relief is assessed by HMRC and cannot be guaranteed. The estate may need to provide additional information if requested.

### **Taxation of dividends**

Any dividend paid to a Client may be subject to income tax and the amount of tax will be dependent on the Client's tax band and the Client's dividend allowance for the tax year.

### **Taxation on Withdrawals**

A realisation in value from a Client's investment may be facilitated by the Trading Company by way of either a sale of the applicable Shares (Matched Bargain) or a Buy Back. Any return for a Client from investments will be subject to either Income or Capital Gains Tax and will be dependent on the form of the transaction. If a realisation is achieved by way of transfer of shares, any gain will be subject to Capital Gains Tax. If a Buy Back is undertaken, Income Tax charges may apply to any returns. The form of the transaction will depend on the Trading Company's distributable reserves and the liquidity available at the time of the request, and the Company cannot guarantee that payments will attract capital treatment in all cases. Where payments are subject to Income Tax, Dealing Fees are not deductible from the profits for tax purposes.

### **Stamp duty**

In instances of a Matched Bargain, stamp duty will be payable on the transfer. The current stamp duty rate is 0.5% of the consideration amount, rounded up to the nearest £5. The stamp duty cost at the current rate will be met by the Investment Advisor out of the 1% Dealing Fee. The Client will be liable for any additional stamp duty cost in excess of the prevailing rate of 0.5%.

# Risk Factors

This section details the material risk factors that the Investment Manager believes could adversely impact the investments it makes on behalf of its Clients in the Shares of Trading Companies. If any of the following circumstances or events arise, the financial position of and returns from the Trading Companies and the Service could be materially and adversely affected. In such circumstances, Clients could lose all or part of their investments. Additional risks and uncertainties not presently known, or that are deemed to be immaterial, may also have an adverse effect on the Trading Companies and the Service and the risks described below do not represent an exhaustive list of risks factors.

Although the investment strategies underlying each Client's Portfolio will have a Target Return, this is not guaranteed. The value of Shares can fall and your capital is at risk and you may lose the total value of your investment.

## Performance risk

### Deal-flow

The Investment Advisor may not source either directly or indirectly a sufficient number of Credit opportunities that meet the Velocity Credit Ventures' credit criteria. Were that to be the case, then it may be that not all of the monies are deployed by a Trading Company in a timely manner. Any delay in making deployments by a Trade Company may have a negative impact on the returns generated to Shareholders in that Trading Company and the Trading Company qualifying for Business Relief.

### Team

Access to suitable Credits and the management of those credits is dependent on the Directors and employees of the Investment Advisor. Any change in the Directors or employees of the Investment Advisor may have a negative impact on the deal-flow and materially affect the financial performance of each Trading Company. In particular, the operation of the Service is dependent on the

services of Velocity Credit Advisors Limited (including *inter alia* Rupert J. Strachwitz) to act as Investment Advisor. Any loss of these services may have an adverse impact on the Trading Companies and therefore a negative impact on the returns generated to Shareholders.

### Credit Risk

The performance of each Credit provided by a Trading Company is dependent on the credit worthiness and continuing financial performance of a number of parties including the Borrower and/or the Obligor. A deterioration of the credit worthiness of a Borrower and/or an Obligor may result in a risk of losses sustained or profits forgone such that a Borrower may not be able to meet their repayment obligations as they fall due. In such a scenario a Trading Company may not be able to recover the amount due to it or outstanding on a credit and this may have a negative impact on the returns generated to Shareholders in a Trading Company.

The performance of any credit insurance purchased by the Trading Companies (or

purchased by a Borrower or by an Obligor) will be dependent on the continuing financial performance of the insurance provider. In the event of a claim being made by the Trading Companies, any deterioration of the credit worthiness of the insurance provider may result in a claim not being paid and this may have a negative impact on the returns generated to Shareholders in the Trading Company.

### **Set-off Risk**

In respect of certain transactions, payment of the receivables due may be subject to the quality of goods or the timing of the delivery of goods and the ultimate Obligor of the receivables can set-off payment due on the receivables by raising a credit note against such goods.

### **Legal Validity Risk**

In relation to certain transactions, repayment of the Credit may depend on the payment of a receivable. If the counterparty to a trade is not liable to meet its obligations or if the obligations of the counterparty do not exist or if a receivable is pledged to another party, there would be a negative impact on the repayment of a Credit and therefore a negative impact on the returns generated for Clients.

### **Operational Risk**

The performance of each Credit may depend on the continuing operation of internal processes, people and systems in the Investment Manager or in the Investment Advisor or in the Borrower or in other third parties. Any inadequacy or failure of such internal process, people or systems may have a negative impact on the repayment of a Credit and therefore have a negative impact on the returns generated for Shareholders in a Trading Company.

### **Foreign Exchange Risk**

The repayment of Credits and the value of the security or collateral provided for a Credit may be subject to fluctuations in the value of Sterling against other currencies or the fluctuation in the value of other currencies.

Although it is the policy of each Trading Company to protect itself therefrom, such fluctuations or movements in any currency may negatively impact the ability of the ultimate Obligor or the Borrower to repay the Credit.

### **Fraud and Errors**

Each Credit will be subject to the risk of fraud, errors and omissions by third parties over which each Trading Company may not have control and which may impact the ability of a Trading Company to receive or recover principal and interest. Such fraud, errors and omissions may include double selling (where the seller of the receivables sells the same collateral more than once), ultimate Obligors transferring monies to different bank accounts, Borrowers transferring monies to different bank accounts, Borrowers not demanding ultimate Obligors to make payment, allocation of payments to different bank accounts.

### **Cybersecurity Risk**

The Service or any of the service providers, including the Investment Manager, Investment Advisor, may be subject to risks resulting from cybersecurity incidents or technological malfunctions. Such incidents or malfunctions may have a negative impact on the repayment of one or more Credits, interfere with the Investment Advisor's ability to calculate NAV, disrupt the ability of investors to subscribe to the Service or make withdrawals and other processes all of which may have a negative impact on the returns generated for Shareholders in a Trading Company. The Investment Manager and the Investment Advisor rely on third party providers for many day-to-day operations and will be subject to the risk that the protections and policies implemented by such providers will be ineffective to protect the Investment Manager or the Investment Advisor from such incidents or malfunctions.

### **Commercial risk**

#### **Credit Data**

The Investment Advisor may rely on various sources of information to evaluate and manage

credit risk. In some cases, it can be difficult to obtain reliable financial information. It may not be possible for the Investment Advisor to identify inaccurate or non-reliable information relevant for a transaction and this may result in inappropriate investment decisions which may materially affect the financial performance of a Trading Company.

### **Third Party Performance**

In some circumstances the repayment of a Credit may depend on the performance of a third party. Any failure of such third party to perform as expected may have a negative impact on revenue generated to the Borrower or revenue generated to the Obligor and which therefore may have a negative impact on the ability of the Borrower to repay a Credit.

### **Product Performance**

The repayment of loans may be dependent upon the economic and commercial performance of the Borrower's or Obligor's products. Should the revenue generated from the Borrower's or Obligor's product or products be less or significantly less than previously envisaged, this may negatively impact the ability of the Borrower to repay the Credit.

### **Economic & Political**

The value of the Credits may be affected by a range of external factors including but not limited to economic and political conditions, interest rates, fluctuations in foreign exchange rates.

As a result of the United Kingdom's decision to leave the European Union and as a result of the COVID-19 World Health Organisation declared pandemic, there may be a period of uncertainty and a potential economic downturn or recession. Any uncertainty and downturn or recession in the economy of the United Kingdom or in the economy of a country trading with the United Kingdom may have an adverse impact upon the prospects of the Trading Companies and therefore negatively impact the investment made by Clients.

### **Early Repayments**

Credits may be repaid early and the redeployment of capital is therefore subject to interest rate risk and redeployment risk as replacement Credits may be subject to lower interest rates or shorter terms.

### **Nature of Portfolio**

The returns which are generated from the Credits by each Trading Company depend on a range of factors including interest charged and term of credit which may vary between transactions and as such any return generated from the Credits will depend on the number of Credits and interest earned from all the Credits transacted by each Trading Company.

### **Legal, Regulatory & Taxation risk**

There may be changes in the future to the legal and regulatory and taxation framework which may negatively impact the strategy and returns of each Trading Company.

Such changes in the legal and regulatory and taxation framework may negatively impact the ability of each Trading Company to provide Credit and the ability of potential Borrowers of each Trading Company to borrow or to trade. Such changes in the legal and regulatory framework may negatively impact the ability of each Trading Company to enforce claims under a Credit.

Taxation rates, benefits and allowances can vary from person to person and from business to business and which may impact returns received by Clients.

Taxation legislation both in the United Kingdom and in other jurisdictions is subject to change and such changes may negatively impact each Trading Company and the Credits it has provided to Borrowers or the taxation position of Shareholders.

### **Availability of Tax Relief**

If a Trading Company ceases to carry on the trading activities outlined in this document and is not then carrying on other permitted business activities, or if it carries on an activity other than a permitted business activity, this could result in its failing to comply with the

regulations laid down by IHTA 1984 and could prejudice the continuing availability of Business Relief.

### **Business Relief Risk**

In order to qualify for Business Relief, a Trading Company must conduct its business so as to ensure, so far as possible, that that it is always regarded by HMRC as constituting the trade of money-lending so that Clients may obtain business property relief in respect of their investment, and to this end, whilst not determinative of the issue, all loans must be made on commercial terms comparable to the terms offered by other money-lenders, including banks.

As the precise distinction between the activities of a money-lender and investment business are unclear and as interpretations of the law by HMRC can vary according to the particular facts of each case there can be no guarantee that HMRC should always regard the money-lending business of a moneylender as qualifying or continuing to qualify for Business Relief.

No assurance can be given that even if HMRC were to treat the activities of a Trading Company as constituting a trading business that HMRC will grant Business Relief on the full amount of each Client's investment in a Trading Company. For example, if HMRC were to regard cash held by a Trading Company as being in excess of its needs for working capital and liquidity requirements, Business Relief otherwise available may be restricted proportionately to so much of a Client's interest in the business as is not regarded as in excess of such needs. No assurance can be given that Business Relief will continue to be available in the future. The All-Party Parliamentary Group has proposed an overhaul of the existing UK Inheritance Tax regime. These recommendations may be adopted into United Kingdom taxation legislation in the future.

### **Liquidity risk**

The receivables due in each Credit may take longer to realise than originally envisaged. Furthermore interest, fees or expenses due to each Trading Company may not be paid to the

respective Trading Company when due. In such circumstances the liquidity in the Trading Company may be negatively impacted. Subscribing for Shares in each Trading Company, which will be unquoted, involves a degree of risk. It may be difficult to obtain information on the current value of the Shares and as there is no formal market for the Shares it may be difficult for Clients to realise their investment. Clients should note that although the nominal value of each Share is £1.00 there is no certainty that Clients will get back the full amount that they invest and may consequently lose some or all of the monies invested.

### **Reserve Risk**

If there are any unexpected negative developments in respect of any impaired credit, a Trading Company may incur higher than expected losses and which may negatively impact the returns to Clients.

### **Compliance Risk**

The Investment Manager and the Investment Advisor and each Trading Company may be subject to certain compliance regulations and requirements which will include but not be limited to regulations governing money laundering, terrorist financing, sanctions, embargos and corruption. Should the Investment Manager or the Investment Advisor or a Trading Company fail to adhere to the relevant compliance regulations there may be a risk that the Trading Company be restricted or prevented from further trading and which may negatively impact the returns to Clients.

### **Reputational Risk**

The continuing trading and performance of each Trading Company is in part dependent on the continuing confidence of stakeholders in the Trading Company and in the Investment Manager and in the Investment Advisor. Should stakeholders lose confidence in a Trading Company or in the Investment Manager or in the Investment Advisor there may be a risk that the Trading Company is restricted or prevented from further trading

and which may negatively impact the returns to Clients.

### **Financial Services Compensation Scheme (“FSCS”)**

Deposit protection applies when money belonging to Clients is held in the client account. This occurs initially when Clients money is transferred to the Investment Manager to make an investment and when interest repayments and repayments of capital are being held on behalf of Clients. While the money is in a client account (which is likely to be a short period) it is protected by the FSCS deposit protection which is currently £85,000 per person per eligible claim. This client account is operated by WCS Nominees Limited, the custodian appointed by the Investment Manager.

Clients may also be entitled to investment protection in cases where loss is incurred by factors such as investments in Velocity Credit Ventures Portfolio Management Service being mis-sold or misrepresented. The FSCS investment protection is currently up to £85,000 per person per eligible claim.

The shares issued by Trading Companies are not protected by the FSCS. Accordingly, neither the FSCS nor anyone else will pay an investor compensation upon the failure of a Trading Company. If a Trading Company goes out of business or becomes insolvent, a Client may lose all or part of his investment in that company. Individuals approaching retirement and considering options under the new pension freedoms should realise that an investment in the shares of a Trading Company is a much higher-risk alternative to buying an annuity. Individuals in retirement, who may have significant sums in savings and may be concerned about low interest rates and are tempted to invest may be taking an inappropriate level of risk with their money.

### **Changes in Law, Regulations or Administrative Practice**

The information in the Information Memorandum is based on English law, regulatory and administrative practice in effect as at the date of its first publication and has due regard to the expected tax treatment of all relevant entities under UK tax law and the published practice of HMRC in force or applied

in the UK as at that date. No assurance can be given as to the impact of any possible change to English law, regulatory or administrative practice in the UK, or to UK tax law, or the interpretation or administration thereof or to the published practice of HMRC as applied in the UK after that date.

### **Forward-looking statements**

This Information Memorandum includes statements that are (or may be deemed to be) “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology including the terms “believes”, “continues”, “expects”, “intends”, “may”, “will”, “would” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. Such forward looking statements, including the intended actions and performance objectives, involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Past performance and the experience of the Investment Manager or the Investment Advisor is no guide to future performance and hopes, assumed performance, aims, targets, plans, financial illustrative returns or intentions contained in this document are no more than that and should not be construed as forecasts. Subject to any requirement under applicable laws and regulations, the Investment Manager undertakes to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Clients should not place undue reliance on “forward- looking statements”, which speak only as of the date of this Information Memorandum.

### **Other Risks**

Some or all of the protections afforded by the UK regulatory system will not apply to an investment in each Trading Company. The UK Financial Services Compensation Scheme will

not apply to Shareholders in each Trading Company.

A Subscription to the Service should be viewed as a longer-term investment and may not be suitable for all recipients of this document. A prospective Client should consider carefully whether an investment in a Trading Company is suitable for them in the light of their personal circumstances and the financial resources available to them.

Clients will have a limited period to cancel an application to Subscribe to the Service, as described in the Application Form.

Neither the Investment Manager nor the Investment Advisor nor the Custodian (including their respective directors, shareholders, partners, officers, employees, agents or advisors) will be liable to any Client in the event of an insolvency of any bank with which such funds held by the Investment Manager or the Service have been deposited nor in the event of any restriction on the ability of the Investment Manager or Service to withdraw funds from such bank for reasons which are beyond the reasonable control of the Investment Manager or the Service.

# Glossary of Terms

The following terms apply throughout this document unless the context requires otherwise:

Act or FSMA	Financial Services and Markets Act 2000 and subsequent amendments.
Advisor Agreement	The agreement between each Trading Company and the Investment Advisor in relation to the services to be provided by the Investment Advisor to a Trading Company.
Annual Administration Fee	A fee payable to the Investment Advisor by a Trading Company.
Application Form	An application form to appoint the Investment Manager to provide the Service to a Client which is completed by the prospective Client in the form which is provided in this Information Memorandum.
Available Cash	The cash held by a Trading Company less provisions made on a prudent basis for working capital, and for capital committed to (but undrawn) on Credits and a reserve (whether cash or other short term investments) of approximately 10% of its current assets from which to fund the buy-back of a Client's Shares if a withdrawal is requested and a sale of the Shares cannot be matched with a purchase by a third party.
Board	The board of Directors and any committee of the board of Directors constituted for the purpose of taking any action or decision contemplated by the articles of association of a Trading Company.
Borrower or Borrowers	A corporate which is the beneficiary of a credit or credit facility from one or more subsidiaries of the Trading Companies.
Business Relief	Business Relief as defined in s104 IHTA 1984.
Buy Back	A purchase by a Trading Company of Shares in accordance with a Trading Company's articles of association.
Client	A person who is accepted by the Investment Manager as a Client and for whom the Investment Manager will provide the Service pursuant to the terms of that Client's own Investment Management Agreement and Mandate.
COBS	The Conduct of Business Sourcebook forming part of the FCA's Handbook of Rules and Guidance.
Collection Accounts	Accounts controlled by or on behalf of Velocity Credit Ventures into which into which specific debts due to a Borrower are to be paid.

Credit Insurance	An insurance policy providing cover against insolvency of an Obligor or Borrower, which provides protection against payment default on a Credit, interest, or scheduled payments, and which also includes terms and conditions which apply before a claim can be made against the insurance policy.
Credit(s)	A debt instrument provided by a Trading Company and which provides finance to a Borrower.
Custodian	Woodside Corporate Services Limited authorised and regulated by the Financial Conduct Authority ( FCA Number: 467652).
Dealing Fee	A fee payable by a Trading Company on a Net Subscription amount and a fee payable by a Client on a Withdrawal.
Director(s)	Person or persons who are appointed as a director of a company.
Employee	A person who is paid to performs services for a company or for another person, whether by way of employee contract or consulting contract or otherwise.
Establishment Fee	A fee payable to the Investment Advisor by a Trading Company.
FCA	Financial Conduct Authority.
FSCS or Financial Services Compensation Scheme	Financial Services Compensation Scheme a scheme set-up by parliament and funded by the financial services industry to protect customers of financial services firms that have failed further details of which can be read here: <a href="https://www.fscs.org.uk/about-us/">https://www.fscs.org.uk/about-us/</a>
FSMA	Financial Services and Markets Act 2000 as amended.
Gross Subscription	The amount a Client invests in his or her Portfolio prior to the deduction of any adviser charges.
HMRC	HM Customs & Revenue, a non-ministerial department of the UK Government.
IHT	Inheritance Tax, a tax levied on property and money acquired by gift or inheritance.
IHTA	Inheritance Tax Act 1984.
Information Memorandum	This document issued in relation to the Velocity Credit Ventures Portfolio Service.
Investment Management Agreement	The agreement to be entered into by each Client and the Investment Manager the terms of which are set out in the Appendix 2 of this Information Memorandum.
Investment Manager	Sapphire Capital Partners LLP.
Investment Advisor	Velocity Credit Advisors Limited.
ITA	The Income Tax Act 2007.

Mandate	The investment strategy of a Client described in his or her Application Form which is certified as being suitable for that Client by his or her independent financial adviser or accepted as being suitable by the Investment Manager having regard to the information set out in the Application Form regarding the Client's knowledge and experience in the investment field relevant to the types of investments to be made pursuant to the Service; his or her financial situation including his or her ability to bear losses; and his or her investment objectives including his or her risk tolerance all as described in his or her Application Form.
Matched Bargain	The process of a sale of a Client's Shares to an incoming Client for the purpose of facilitating a Withdrawal.
NAV	The calculated value of the equity of a Trading Company also known as Net Asset Value.
Net Subscription	Subscriptions, less any adviser fees,
Nominee	WCS Nominees Limited.
Non-Mainstream Pooled Investment	Any of the following investments: a unit in an unregulated collective investment scheme; a unit in a qualified Client scheme; a security issued by a special purpose vehicle, other than an excluded security; a traded life policy investment; rights to or interests in investments in any of the foregoing which are further defined by COBS.
Obligor	A person or a company who owes or undertakes an obligation to another by contract or other legal procedure.
OECD	Organisation for Economic Cooperation and Development and its member countries.
Portfolio	The portfolio of cash and assets the legal title to and custody of which are held by the Nominee and the Custodian respectively and which comprise a Client's Subscription; the investments which are made on a Client's behalf by the Investment Manager and all cash and other assets derived therefrom. The Nominee is the registered legal holder of investments on behalf of each Client.
Shareholder	A holder of Shares.
Shares	GBP 0.01 Ordinary Shares of a Trading Company carrying the rights and being subject to the obligations attaching thereto as are set out in its articles of association.
Short-Term Investments	Investments made by a Trading Company and which are realisable within 90 days. For the avoidance of doubt, Short-term Investments include (but are not limited to) Credits with a maximum term of 90 days.
State Entity	A sovereign nation and its government which shall include departments of government and public authorities and public bodies.

Subscription	The amount deposited by a Client with the Custodian and to be held in that Client's Portfolio pursuant to the Application Form.
Target Return	The dividend which is attached to each Share.
Trading Company	A company whose subsidiaries make short-term loans to support UK small and medium sized enterprises and in which the Investment Manager may subscribe for Shares on behalf of a Client in its performance of the Service.
UK	United Kingdom of Great Britain and Northern Ireland.
Velocity Credit Ventures	The Trading Companies in which Clients hold Shares
Velocity Credit Ventures Portfolio Service or "the Service".	The individual portfolio management service offered by the Investment Manager pursuant to which the Investment Manager will create and manage portfolios in accordance with mandates given by its clients on a discretionary client - by-client basis where such portfolios will include one or more investments in shares issued by companies whose subsidiaries make short-term loans to support UK small and medium sized enterprises.
Withdrawal	A withdrawal of cash and/or other assets from a Client's Portfolio.

# Appendix 1: Ownership & Interests

The following sets out the respective interests of the individuals and companies referenced in the Section "Conflicts" on page 17.

<b>Relevant company</b>	<b>Respective interest</b>
Sapphire Capital Partners LLP	Boyd Carson has a direct ownership 50% of the partnership.
Velocity Credit Advisors Limited	Rajeev Saxena has a direct ownership in 32.5% of the ordinary shares. Rupert J. Strachwitz has an indirect ownership in 20.6% of the ordinary shares. Tom Lindup has a direct ownership in 6.7% of the ordinary shares. Nick Burnell has a direct and indirect ownership in up to 5.0% of the ordinary shares.
Velocity Capital Advisors Limited	Rajeev Saxena has a direct ownership in 26.9% of the ordinary shares. Tom Lindup has a direct and indirect ownership in 4.76% of the ordinary shares.
Juice Ventures Limited	Rajeev Saxena has a direct ownership in 50% of the ordinary shares. Tom Lindup has a direct ownership in 12.5% of the ordinary shares.

# Appendix 2:

## Investment Management Agreement

Capitalised terms used in this agreement (the “Agreement”) not otherwise defined herein shall bear the meanings set out in the glossary on page 31 to 34 of the Information Memorandum approved by Sapphire Capital Partners LLP in relation to Velocity Credit Ventures Portfolio Management Service or the glossary in the FCA Handbook as applicable.

### **Individual Investment Management Services**

1. The Velocity Credit Ventures Portfolio Management Service (the “Service”) is a discretionary investment management service provided by Sapphire Capital Partners LLP, FCA registration number 565716, whose principal place of business is at 28 Deramore Park, Malone, Belfast BT9 5JU (the “Investment Manager”). The Trading Companies in which the Investment Manager invests your Net Subscription will be advised by Velocity Credit Advisors Limited (the “Investment Advisor”) pursuant to the terms of an Investment Advisor Agreement. The Investment Advisor is an Appointed Representative (FCA Number: 920486) of the Investment Manager.
2. This Agreement constitutes the contract between the Client (referred to herein as “you”, “your”), the Investment Manager and the Investment Advisor by which you appoint the Investment Manager to constitute and manage your Portfolio and the Investment Advisor undertakes to provide advice and services to Trading Companies in accordance with the Information Memorandum. By entering into this Agreement, you grant the Investment Manager authority to buy, manage and sell investments on your behalf which, in its absolute discretion, it thinks may be suitable for you within the parameters of your chosen Mandate. The Investment Manager will also have absolute discretion to undertake such other reasonable acts and transactions in relation to your Portfolio as it thinks may be appropriate. This Agreement will take effect on the date the Investment Manager accepts your duly completed and signed Application Form. In accordance with the Markets in Financial Instruments Directive (“MiFID”), the Investment Manager proposes to treat you as a retail client. The Investment Manager will communicate with you in English.
3. You confirm that your Application Form contains all the information which the Investment Manager needs so that, when it takes decisions about how to manage your Portfolio within the parameters of your chosen Mandate, it can be reasonably sure that these decisions will be suitable for you. The Investment Manager will rely on this information unless it is manifestly out of date, inaccurate or incomplete. You shall be responsible for ensuring that information provided to the Investment Manager is kept up-to-date.
4. On the basis of this information and your chosen Mandate, the Investment Manager will seek to make investments on your behalf in the Shares of Trading Companies or in such other financial instruments pursuant to such other strategies as may in the future be offered by the Investment Manager and agreed with you from time to time.
5. The Investment Advisor shall provide to the Investment Manager such information as it may reasonably require from time to time in relation to the business and affairs of the Trading Companies which the Investment Advisor may acquire by reason of being appointed as an adviser to the Trading Companies to enable the Investment Manager to make informed decisions in relation to Trading Companies; in particular to enable the Investment Manager to monitor compliance by Trading Companies with their business strategy and mitigation of any conflicts of interest concerning the Investment Advisor and its associates.

6. No monies shall be borrowed for the account of your Portfolio. No investments in warrants, in units in collective investment schemes or in derivatives of any sort shall be made in your Portfolio.
7. It is your responsibility and that of your financial adviser to keep your financial circumstances, objectives and risk profile under review, and to assess whether your chosen Mandate is and remains suitable for you. The Investment Manager and the Investment Advisor are not liable for any losses you suffer or incur as a result of investments which are made on your behalf and the Investment Manager and the Investment Advisor do not make any representation that any investment made in accordance with your chosen Mandate is suitable or appropriate for your specific needs and requirements.
8. The Investment Manager has discretion to exercise or decline to exercise any conversion, subscription, voting or other rights relating to investments held in your Portfolio, and to give suitable instructions in relation thereto without consulting with you beforehand. By entering into this Agreement, you hereby authorise the Investment Manager to act on your behalf and exercise all rights attaching to the investments held in your Portfolio as it shall deem fit in its absolute discretion.
9. The Investment Manager will act in good faith and with due diligence in managing your Portfolio in accordance with this Agreement. The Investment Manager accepts responsibility for loss to you if that loss is due to negligence or wilful default by the Investment Manager or any of its affiliates. Neither the Investment Manager nor the Investment Advisor will be responsible for any other losses or if losses arise from any information provided by you being untrue, inaccurate or incomplete. Any sale of Shares by the Investment Manager on your behalf, including sales made to facilitate a regular or ad hoc withdrawal that you have requested, may trigger tax consequences about which you should speak to your financial adviser or other suitably qualified person. A sale of shares from a Business Relief qualifying

company will mean that you will no longer be entitled to Business Relief in relation to those shares. Neither the Investment Manager nor the Investment Advisor is responsible for the taxation consequences of any transaction. Save for the initial availability of Business Relief, the Investment Manager is not required to take into account your tax position in the management of your Portfolio.

## Reporting And Valuations

10. The Investment Manager will provide you with information on investments held within your Portfolio from time to time. Any information on investments or markets such as market trends, investment analysis or commentary on the performance of selected investments or companies is for information purposes only and should not be viewed as a personal recommendation or advice of any kind.
11. The Investment Advisor will calculate the valuation of each Trading Company on a quarterly basis in the form of a Net Asset Value ("NAV") per Share. The valuation will be on a basis consistent with the valuation principles issued by the International Private Equity and Venture Capital Association. These principles may vary from time to time but normally will be based on *inter alia* discounted cashflows. Valuation statements issued by the Investment Manager or the Investment Advisor in relation to your Portfolio shall be final and binding. All investments will be valued at close of business at month end, or the next business day should this fall on a weekend or bank holiday.
12. You will receive a quarterly report measuring the underlying Credits of each Trading Company in which an investment is made on your behalf. All such reports will be provided within 90 days of the period end. The performance of the investments held within your Portfolio will not be measured against any stock market or other index. Periodic statements will also show any interest credited to your Portfolio, fees charged or accrued, and transactions made within the period. Any requests for

further information on the Trading Companies must be made to the Investment Manager in writing.

## **Withdrawals**

13. You can request the Withdrawal of some or all of your capital from your Portfolio after the first anniversary of your initial Subscription, subject to at least £25,000 remaining invested in your Portfolio, unless you are requesting to withdraw all of your capital. The Investment Manager will aim to satisfy such requests within 90 days. Withdrawals are facilitated by the sale of your shares. This can trigger capital gains or income tax liabilities.
14. Any request for withdrawal of money or investments from your Portfolio must be made in writing to the Investment Manager stating the amount you wish to withdraw ("Withdrawal Notice"). Your Withdrawal Notice, once served, is irrevocable save with the agreement of the Investment Manager; a Withdrawal Notice to withdraw all of the cash value of your Portfolio prior to the making of any investments is the equivalent of notice by you to terminate this Agreement. Subject to the availability of Available Cash, which the Investment Advisor shall use its reasonable endeavours to procure, the Investment Manager will realise the cash sum required and pay the net sale proceeds into your nominated bank account upon receipt of such proceeds by the Investment Manager. If the Investment Manager is required to request a share buy-back to generate realisable funds to meet a Withdrawal request, or if there are a substantial number of Withdrawal requests, there may be a considerable delay in paying out on the Withdrawal request. The Investment Manager may deduct from funds payable to you (or at your direction) any fees, charges or sums due or payable to the Investment Advisor or any other parties entitled to fees pursuant to this Agreement and the Investment Advisor may require the Investment Manager to deduct any fees it is due from funds payable to you.

15. In exceptional circumstances such as a change in law or practice or market dislocation the Investment Manager may choose to satisfy withdrawal requests (including on termination) wholly or partly by the transfer of investments to you in specie.

## **Fees And Expenses**

16. Pursuant to each Investment Advisor Agreement the following fees and expenses will be paid as follows:
  - 16.1. the Investment Advisor shall be entitled to an Establishment Fee from each Trading Company in accordance with paragraph 19 below; and
  - 16.2. the Investment Advisor shall be paid Annual Administration Fees from each Trading Company in accordance with the provisions of paragraph 20 below.
17. The Investment Advisor shall also be entitled to additional remuneration from each Trading Company to cover the implementation of new policies of the Board, the provision of additional services and to finance the payment of the fees of the Investment Manager and the expenses referred to in paragraphs 22 to 26 below.
18. The Investment Advisor shall be entitled to a Dealing Fee from each Trading Company or in the case of a Withdrawal, from You the Client, in accordance with paragraph 21 below.

### **Establishment Fee**

19. The costs of establishing the Service and the costs associated with the setting up the credit and risk management processes are charged to the Trading Companies. The Establishment Fee is 4% of the Net Subscription amount and includes a fee payable to the Investment Manager and Investment Advisor.

### **Annual Administration Fees**

20. The Annual Administration Fee of 2% per annum of the Net Subscription amount is charged to the Trading Companies by the Investment Advisor and is to cover the costs

associated with the acquisition of Borrowers, the evaluation of Credits and the ongoing management of your Portfolio and payment to the Investment Manager.

### Dealing Fee

21. To cover the costs of processing a Subscription or a Withdrawal the Investment Advisor will charge a Dealing Fee equal to 1% on the value of the transaction. In the case of a Subscription the Dealing Fee is paid by the Trading Company. In the case of a Withdrawal, the Dealing Fee is paid by the Client on the sale or transfer of Shares and will be met through a deduction from the net disposal proceeds payable to you. Any stamp duty liable to be paid on the disposal of any Shares will be paid by the Investment Advisor from the Dealing Fee. The Client will be liable for any additional stamp duty cost in excess of the prevailing rate of 0.5%.

### Other Fees & Costs

22. In the event that during the continuance of the appointment there shall be any changes in the capital structure of a Trading Company, including without limitation an issue of shares, such adjustments shall be made to the amount of the fees payable as may be agreed between the Investment Advisor and the Trading Company or, in default of such agreement, as determined by the Auditors acting as experts and not as arbitrators and whose decision shall be final and binding.

23. The Investment Advisor shall arrange for the payment of the fees of the Investment Manager at the rates and in accordance with the provisions for payment described in the Information Memorandum or otherwise as may be agreed subject to the Trading Company putting the Investment Advisor in funds beforehand in order to pay such fees.

24. Unless otherwise agreed by the Investment Advisor and a Trading Company, all reasonable costs and expenses (including any value added tax charged to and/or reverse charge value added tax payable by the Investment Advisor in respect of such

costs or expenses for which it is not entitled to claim credit or set off) reasonably incurred by the Investment Advisor in the performance of their duties hereunder shall be borne by the Trading Companies.

25. Each Trading Company shall pay directly or, if such expenses are incurred by the Investment Advisor on behalf of the Trading Company, the Trading Company shall reimburse to the Investment Advisor all other expenses reasonably incurred by the Investment Advisor on behalf of the Trading Company in the ordinary course of business and all other expenses incurred by the Investment Advisor on behalf of the Trading Company without approval of the Trading Company.

26. Value added tax shall in addition be payable, as may be applicable, in respect of all fees on receipt of an appropriate tax invoice.

### Switching

27. You may request by writing to the Investment Manager at any time that your Portfolio be altered to match the goals of a different Mandate. Such a transfer will incur a £50 administration charge payable by you to the Investment Manager. You will also be charged stamp duty at the applicable rate. The Investment Manager's ability to affect an alteration of your Portfolio will depend on the availability of Shares in Business Relief qualifying companies. If there are a substantial number of similar requests there may be considerable delay in effecting a transfer.

28. Stamp duty charged at the prevailing rate (currently 0.5% of the value of the transaction) will be met out of the Dealing Fee on the sale of all or part of the shares held in your Portfolio as part of any Withdrawal. This is the case even though it will be the buyer of the shares who is required under tax law to arrange for the relevant stock transfer forms to be stamped by HMRC and to pay the requisite stamp duty. However, the Client will be liable for any additional stamp duty cost in excess of the prevailing rate of 0.5%.

## Facilitation Payments

29. The Investment Manager may, on your behalf, make, or procure the making of, initial and ongoing facilitation payments in respect of charges you have agreed with your Adviser or, as the case may be, initial and trail commission as detailed in the Memorandum. You confirm that any ongoing agreed charges payable to your financial adviser reflect the ongoing services you will receive in relation to your investment in the Service. You have the right to cancel the facilitation of ongoing charges at any time by notice in writing to the Investment Manager. You may also request that facilitation of ongoing charges be paid to a financial adviser who is advising you in relation to the Service in place of the previous financial adviser. Any such request must be made by at least 30 days' notice in writing to the Investment Manager.
30. No facilitation of ongoing charges or payment of trail commission will be made unless these are exceeded by the value of your Portfolio. The Investment Manager (having consulted the Investment Advisor) may need to realise investments in your Portfolio so that there is sufficient cash to make facilitation payments or pay trail commission. The Investment Manager (having consulted the Investment Advisor) may decline to make or procure the making of, facilitation payments or trail commission, or alter the structure of such facilitation payments or trail commission for legal, tax or regulatory reasons. All facilitation payments and trail commission will be paid annually in arrears.
31. All costs and expenses are stated exclusive of VAT, if applicable.

## Delegation, Assignment And Cash Management

32. The Investment Advisor may at its discretion, elect to terminate the Investment Manager's appointment (or any substitute) as your discretionary investment manager under this Agreement and, either, upon such

termination or upon termination of this Agreement by the Investment Manager pursuant to paragraph 54, select a new person to act as your discretionary investment manager (the "New Manager") on terms the same as, or substantially similar to, those under this Agreement in substitution for, and to the exclusion of, the Investment Manager (or any substitute), provided that such New Manager is sufficiently authorised under the Financial Services and Markets Act 2000 to discharge its duties as your discretionary investment manager. You, as a Client, hereby appoint the Investment Advisor as your attorney to enter into on your behalf an investment management agreement on the same or substantially similar terms to this Agreement under which you appoint the New Manager as your discretionary investment manager and for the avoidance of doubt, with the mandate to manage your Portfolio and any uninvested funds invested in the Trading Companies. Upon termination of the Investment Manager's appointment, the Investment Manager shall arrange for the Nominee to transfer all certificates, documents of title and other records and papers relating to investments to the new nominee promptly and shall do all such other things that may be necessary or desirable in order to give effect to the transfer including the execution of all instruments of transfer of the investments into the name of the new nominee as the Investment Advisor may direct.

33. The Investment Manager (having consulted with the Investment Advisor) may at its discretion, delegate the provision of administration, nominee and safe custody services to such professional entity or entities as it sees fit. The Investment Manager may change such entity and amend the terms of the relationship with such entity from time to time. The Investment Manager will act in good faith and with due diligence in the selection, use and monitoring of third party agents and delegates. Save as provided in this paragraph 33 neither the Investment Manager nor the Investment Advisor are responsible or liable for the acts, omissions and errors of any agent or delegate. Where

any functions have been delegated to an associate of the Investment Advisor or the Investment Manager, the Investment Manager or the Investment Advisor, as the case may be, will accept responsibility for all acts and omissions of such Associate as if they were its own. The Investment Advisor and/or the Investment Manager may, subject to applicable laws and regulations ("Applicable Rules") and unless you notify the Investment Manager in writing, accept instructions and deal with any agent or other adviser notified to the Investment Manager in writing rather than dealing with you directly and the Investment Manager and the Investment Advisor may share with such person, details of your investments with the Investment Manager.

34. The Investment Advisor may assign the benefit of this Agreement to any appropriately authorised and regulated person, such assignment being effective upon written notice to you.
35. The Custodian will hold all investments in your Portfolio in safe custody on the following basis: title documents (if any) to investments in respect of which such documents are issued will be physically held by the Custodian; and any registrable investment acquired for your Portfolio will normally be registered in the name of body corporate wholly owned by the Custodian whose business consist solely of acting as a nominee holder of investments or other property
36. Although your Portfolio will not be pooled into any underlying vehicle nor form a collective investment scheme, investments held by the Nominee for the account of your Portfolio may in effect be pooled with other holdings held by the Nominee. As such, your investment will not be readily identifiable by a separate share certificate, or other physical documents of title or equivalent electronic record. The Nominee will, however, keep a register that records your share of the pooled assets. Should the Nominee default, you will share in any shortfall in proportion to your original share of any investments in the Nominee's pool. In addition, where the Nominee holds the same investments for you and another

Client in any Trading Companies your investments may in effect be used to settle that other Client's transaction, which will not affect the Nominee of the Investment Manager's record of your entitlements.

37. The Custodian will treat cash received from you as client money (as understood under FCA regulations). The Custodian will deposit cash received from you in connection with your Portfolio with an Approved Bank in the United Kingdom and they will instruct the Approved Bank to hold such cash on your behalf in a trust account separate to any account used to hold money belonging to the Investment Manager in its own right. No responsibility is accepted for any acts or omissions of the Approved Bank. Should the Approved Bank become insolvent, the Investment Manager will claim on behalf of the Investment Manager's clients against the Approved Bank, however, if the Approved Bank cannot repay all of its creditors, any shortfall may have to be shared proportionately between them.
38. No interest will be paid on client money balances.
39. The Investment Manager and/or the Custodian may pay away to a registered charity of its choice a Client's client money balance provided the Investment Manager:
  - 39.1. Has held it for at least six years following the last movement on the client's account (disregarding any payment or receipt of interest, charges or similar items);
  - 39.2. Can demonstrate that it has taken reasonable steps to trace the Client concerned and to return the balance; and
  - 39.3. Undertakes to pay the Client a sum equal to the balance paid away in the event of the Client seeking to claim the balance in future.
40. The Custodian, on Investment Manager's direction, may either liquidate an unclaimed safe custody asset it holds for a client and pay away the proceeds, or pay away an unclaimed safe custody asset it holds for a client, in either case to a

registered charity of its choice provided the Investment Manager:

- 40.1. Has held that safe custody asset for at least 12 years and in the 12 years preceding the divestment of that safe custody asset the Investment Manager has not received instructions relating to any safe custody assets from or on behalf of the client concerned;
- 40.2. Can demonstrate that it has taken reasonable steps to trace the client concerned and return that safe custody asset; and
- 40.3. Unconditionally undertakes to pay to the client concerned a sum equal to the value of the safe custody asset at the time it was liquidated or paid away in the event of the client seeking to claim the safe custody asset in the future.

## **Conflicts Of Interest**

41. The Investment Manager has implemented a conflicts of interest policy that identifies those circumstances that constitute, or may give rise to, conflicts of interest that pose a material risk of damage to its customers. This policy also addresses the effective organisational and administrative arrangements that it maintains and operates to manage those conflicts. A copy of such policy is available on request.
42. The Investment Manager may aggregate your transactions with those of other customers and employees of the Investment Manager and its Associates in accordance with the Applicable Rules. It is likely that the effect of such an allocation will not work to your disadvantage however, occasionally, this may not be the case. The Investment Manager will allocate aggregated transactions promptly on a fair basis in accordance with the requirements of the Applicable Rules (if applicable).
43. In accordance with the Applicable Rules, the Investment Manager has implemented an order execution policy which sets out the reasonable steps that it will take in order to obtain the best possible result for

its customers. The Investment Manager will execute trades outside a regulated exchange or multi-lateral trading facility. In signing an Application Form, you provide consent and authorise the Investment Manager to execute such trades on your behalf. The Investment Manager will act in good faith and with due diligence in its choice and use of counterparties. All transactions will be effected in accordance with the rules and regulations of the relevant market, exchange or trading facility (if relevant), and the Investment Manager may take all such steps as may be required or permitted by such rules and regulations and/or by appropriate market practice.

44. Circumstances may arise where there is a conflict of interest between the Investment Advisor and/ or an Associate of the Investment Advisor and a Trading Company, or between a Trading Company and another client of the Investment Advisor. In particular, conflicts of interest and duties may arise because: (i) any of the members, directors or employees of the Investment Advisor or those of an associate, is a director of, holds or deals in securities of, or is otherwise interested in any company to which a loan is made by a Trading Company; (ii) the Investment Advisor contracts on behalf of a Trading Company with an Associate acting as principal; (iii) other customers or clients of the Investment Advisor or companies in which other persons advised by the Investment Advisor have invested compete with the companies in which a Trading Company has invested or to which a Trading Company has provided a loan; (iv) the Investment Advisor acts as agent for a Trading Company in relation to transactions in which it or an associate is also acting as agent for the account of other customers or associates; (v) the Investment Advisor and/or any associate deals in loans as principal with a Trading Company; (vi) a transaction is in the securities of a company for which the Investment Advisor or an associate has underwritten, managed or arranged an issue within the period of 12 months before the date of the transaction; (vii) the Investment Advisor or an associate

may receive remuneration or other benefits by reason of acting in corporate finance or similar transactions involving companies to which Loans are advanced by a Trading Company; or (viii) the transaction is in securities in respect of which the Investment Advisor or an Associate, or a director or an employee of the Investment Advisor or an Associate, is contemporaneously trading or has traded on its own account or has either a long or short position.

45. The Investment Advisor shall disclose to the directors for the time being of the relevant Trading Company the nature of any material interest which the Investment Advisor or any of its Associates, or any other client of the Investment Advisor or any of its Associates may have in any proposed transaction to which a Trading Company is, or is to be, a party, and shall not cause a Trading Company to become a party to any such contract or transaction except with the prior approval of the independent directors of a Trading Company and save, as regards transaction fees etc. as provided in paragraphs 48 and 49 and, as regards the allocation of loan opportunities, save as provided in paragraphs 50 to 52 inclusive.

46. In the course of providing a Trading Company with its services, the Investment Advisor or any of its Associates may effect or arrange for a Trading Company, transactions through or with any person, firm or company that it may select but the Investment Advisor or any of its Associates may not effect or arrange for a Trading Company, without specific authority from those directors of the Board who are independent of the Investment Advisor, any transaction in which: (i) the Investment Advisor or any of its Associates is dealing as principal; or (ii) the Investment Advisor or any of its Associates is dealing as agent on behalf of a Trading Company and also as an agent for the counter party; or (iii) the relevant loans are loans which the Investment Advisor or any of its Associates has, on its own account, made a commitment to advance within a period of twelve months before the date of the transaction.

47. The Investment Advisor may not effect or arrange transactions (i) through or with any of its Associates; or (ii) in which the Investment Advisor or any of its Associates has a material interest or the circumstances are such that a conflict of interest or duty arises (other than in respect of fees within the limits prescribed by paragraph 40); or (iii) in which the Investment Advisor is dealing collectively as agent for a Trading Company and for another customer or customers or for an Associate; unless the Investment Advisor reasonably considers that the terms of a transaction are at least as good as those generally available elsewhere and that the transaction is appropriate in relation to a Trading Company; and having made full disclosure to a Trading Company, has received its written consent prior to undertaking the transaction. If the Investment Advisor discloses any material interest then those directors of a Trading Company who are independent of the Investment Advisor shall (in their discretion) be entitled to appoint one or more third parties to advise in respect of the proposed transaction to which the material interest relates (but only for the duration of that material interest). Any failure by the independent directors of a Trading Company to seek advice from a third party shall not prejudice the Investment Advisor or an Associate in their execution of a transaction in which the Investment Advisor or an Associate has a material interest and to which the independent directors of a Trading Company have provided their written consent notwithstanding that such failure may mean that their consent, in the absence of advice from third parties, is ill judged. If the Investment Advisor has disclosed a material interest and a Trading Company has, after such disclosure, given its prior consent to the undertaking of the transaction, neither the Investment Advisor nor any of its Associates shall be liable to account to a Trading Company for any profit which it may derive from that interest save as may otherwise be provided in this agreement or save as may otherwise be agreed by the directors of a Trading Company

48. Pursuant to the Investment Advisor Agreement, you as the Client understand that the Investment Advisor shall without the approval of the Board of each Trading Company be entitled to receive and retain entirely for their own use and benefit all transaction fees, all directors' fees and all monitoring fees received from Borrowers in connection with the management of the loan portfolio of the Trading Company provided that: (i) in the case of transaction fees the aggregate amount thereof, excluding value added tax, does not exceed either (A) an amount equal to 3% of the amount loaned to the relevant Borrower; or, (B) (where the Investment Advisor has otherwise obtained the specific consent of the independent director(s) of the Trading Company, which shall not be unreasonably withheld), an amount that does not exceed the market rate for the transaction in question as evidenced by third party lenders lending on the same terms as the Trading Company; and (ii) in the case of monitoring and non-Investment directors' fees, the aggregate amount thereof in relation to a Borrower, excluding value added tax, either does not exceed the sum of £25,000 per annum or such other sum as may be agreed with the independent director(s) of the Trading Company such agreement not to be unreasonably withheld.
49. Pursuant to the Investment Advisor Agreement, you as the Client understand that the Investment Advisor shall be entitled to receive and retain entirely for its own use and benefit all other consultancy fees, corporate finance fees, commissions, and introductory fees which are received by the Investment Advisor in connection with the management of the loan portfolio, or in connection with any company to which a Trading Company may have made a loan with the consent of the independent director(s) of the Trading Company, such consent not to be unreasonably withheld. The Investment Advisor shall be responsible for all costs incurred on abortive credit proposals and shall indemnify the Company accordingly.
50. If the Investment Advisor or any of its Associates has any material interest in relation to a proposed transaction other than in respect of fees within the limits prescribed above then before or at the same time as submitting any proposed transaction to its approval procedures, the Investment Advisor will submit to the Board a written investment submission ("the Submission") which provides full details of all material information relating to the proposed investment ("Proposed Loan"), the proposed borrower ("Proposed Borrower") and the nature and extent of the material interest in question. The Investment Advisor shall provide to a Trading Company as soon as reasonably practicable such further information concerning directly or indirectly the matters referred to in the Submission as the directors of a Trading Company may reasonably require. The Investment Advisor shall not issue to the Proposed Borrower any offer letter unless such letter is conditional on the approval of the independent directors of a Trading Company or complete any Proposed Loan unless expressly authorised to do so by the independent directors of a Trading Company. The Investment Advisor shall not issue to the Proposed Borrower any offer letter or complete any Proposed Loan if the independent director(s) of a Trading Company request the Investment Advisor not to issue any offer letter and not to complete the Proposed Loan at all or until certain conditions have been satisfied. The independent director(s) of a Trading Company will inform the Investment Advisor of its decision in respect of such a Proposed Loan as soon as practicable after the date when the relevant Submission (or such further submission as may be required to address any conditions specified by the directors of a Trading Company pursuant to this paragraph 50) is received by the directors of a Trading Company.
51. Subject to paragraph 52 if, during the term of its appointment the Investment Advisor or its Associates provide advice or services similar to the services to be provided under this agreement to a company which carries on a business which is similar to the business of a Trading Company ("an

Associated Moneylender”) then the Investment Advisor and its Associates will allocate to a Trading Company a right of participation in any and all loans to be made by such Associated Moneylender (in respect of which the Investment Advisor and its Associates is advising or managing) which shall be in proportion to the net cash raised for a Trading Company and the net cash raised for the Associated Moneylender.

52. Paragraph 51 shall not apply to a proposed loan:

52.1. to a company in which the Associated Moneylender has an existing loan of any type; or in respect of which the directors of a Trading Company agree to a different basis of allocation; or

52.2. which is less than £250,000 in total; or

52.3. which falls outside the strategic portfolio composition of a Trading Company; or

52.4. where the potential borrower requests a different basis of allocation; or

52.5. where the Proposed Loan is to be made from the own capital of the Investment Advisor or of an Associate and pursuant to an arrangement in which the Investment Advisor or an Associate is also providing corporate finance, underwriting or distribution services to the Proposed Borrower.

## Exclusion Of Liability

53. Save as provided in the Applicable Rules, if there is a total or partial failure, interruption or delay in the performance of the Investment Manager or the Investment Advisor's obligations resulting from acts, events or circumstances not reasonably within their control (including but not limited to: acts or regulations or any governmental, regulatory 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, national or international pandemic) the Investment Manager and the Investment Advisor shall not be liable to you or in breach of this Agreement. The Investment Manager and the Investment Advisor shall not be liable for any loss or damage of any direct or indirect nature caused by changes in revenue law or practice as determined by HM Revenue & Customs from time to time. Neither the Investment Advisor nor the Investment Manager limits any liability it may have to you under the terms of the Applicable Rules. No responsibility is accepted for loss of an indirect or consequential nature such as loss of goodwill, profit, tax saving or opportunity. Nothing in this Agreement shall exclude or limit the Investment Manager and the Investment Advisor liability for fraud, negligence or fraudulent misrepresentation by the Investment Manager or the Investment Advisor (as applicable) or their Associates or for death or personal injury.

## Termination

54. You may terminate this Agreement at any time by notice in writing to the Investment Manager. The Investment Manager may terminate this Agreement by giving you 30 days' written notice. Where required to do so by applicable law or regulation or where it becomes impossible, impractical or unreasonable for the Investment Manager to continue to manage your Portfolio the Investment Manager may terminate this Agreement immediately by notice in writing. Termination will not affect accrued rights, or any contractual provision intended to survive termination, in particular in relation to the liquidation and/or distribution of your Portfolio. Other than where such termination is a result of the Investment Advisor exercising its rights under paragraph 32, following termination, the Investment Manager will liquidate the investments in your Portfolio in an orderly fashion. The net proceeds of sale will be remitted to you after all deductions permitted by this Agreement.

55. In respect of any Client being a US Person (or who the Investment Manager reasonably believes to be a US Person) the Investment Manager may terminate this Agreement at any time without cause or any period of notice.
56. The Investment Manager reserves the right to settle outstanding transactions for your Portfolio at the effective date of termination. Where the Investment Manager is required to liquidate your Portfolio, this may take place over an extended period of time as there may be limited liquidity for your Portfolio's investments. Subject to this, termination will take effect on the date stated in the written notice of termination provided that date is no earlier than the date of receipt of the termination notice by the Investment Manager or any later date agreed with you; and shall be without prejudice to the completion of transactions already initiated, which shall be completed in an orderly manner.
57. On termination, you will be liable to pay (meaning that the Investment Manager may debit from your Portfolio and/or any cash payable to you or, if there are insufficient funds, invoice you):
- 57.1. All fees and other charges accrued and remaining outstanding at the date of termination pursuant to the terms of this Agreement;
  - 57.2. Any additional expenses necessarily incurred by the FCA, the Investment Manager and the Investment Advisor in terminating this Agreement and winding up your Portfolio; and
  - 57.3. The Investment Advisor charges (if any) in connection with liquidating your investments or transferring your investments into your name.
58. On termination, the Investment Manager (acting on the instructions of the Investment Advisor) may retain and/ or realise such investments as may be required to settle transactions already initiated and to pay your outstanding liabilities.
59. Please note that if Shares in a Business Relief qualifying company are sold, you will lose any potential entitlement to Business Relief unless the sale proceeds are re-invested into another Business Relief qualifying company and HM Revenue & Customs accepts that the new Subscriptions have replaced the old Subscriptions within the meaning of section 107 Inheritance Tax Act 1984.
60. The Investment Manager (with support from the Investment Advisor) will provide you with a closing valuation of your Portfolio prepared in the manner described above once all outstanding transactions have been accounted for and from which point the Investment Manager's responsibility for your Portfolio will cease entirely.

## **Data Management**

61. The Investment Manager and the Investment Advisor are registered under the General Data Protection Regulation 2017 (or its equivalent enactment under English law) and as such may keep records in which your name and certain personal information may be shared with their Affiliates and/or any approved bank in connection with your Portfolio or for administrative reasons. The Investment Manager and the Investment Advisor may also share some or all of your information with regulatory bodies if they are required to do so in accordance with Applicable Rules and with other governmental, judicial, law enforcement bodies if required to do so. You consent to the Investment Manager keeping you informed by email, mail or telephone of other services and products which they may from time to time consider of interest to you. You have the right to receive a copy of the information that the Investment Manager or the Investment Advisor holds about you to the extent that it constitutes personal information. For more details, please contact the Investment Manager or the Investment Advisor by email, phone or in writing.

62. You agree that the Investment Advisor and/or the Investment Manager can make real time financial promotions (for example a telephone call promoting investments) to you.
63. You and the Investment Advisor and the Investment Manager shall at all times keep confidential all information acquired in consequence of the services, except for information which (i) is in the public knowledge (ii) is given to professional advisers where reasonably necessary for the performance of their professional services or (iii) which is authorised to be disclosed by the relevant party, and use all reasonable endeavours to prevent any breach of this paragraph 63. The Investment Advisor and/or the Investment Manager may pass on any information supplied by you or on your behalf as it considers necessary to comply with any legal or regulatory obligation to which they or any of their Affiliates are subject. The Investment Manager and/or the Investment Advisor may also use your details in the future to assist other companies for verification purposes. In compliance with rules relating to the prevention of money laundering, the Investment Manager may seek to confirm your identity by using reference agencies to carry out an identity search which will involve searching sources of information about you. This will not affect your credit rating. A record of your details will be retained. If your identity cannot be verified, the Investment Manager and/or the Investment Advisor may ask you to provide, among other things, a recent, original bank statement from the account on which your funds are drawn and a utility bill, or a copy of your passport certified by a bank, solicitor or accountant or a Client Verification Certificate from your financial adviser. Where payments to a beneficiary are requested, the Investment Manager will need to verify their identify.
64. If you have a complaint, you can contact the Investment Manager via phone, email or in writing. The Investment Manager will investigate the circumstances and report back to you. A copy of the Investment Manager's complaints handling procedure is available on request. The Investment Manager which has issued and approved the Memorandum, is covered by the Financial Ombudsman Service, full details of which can be found at [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk).
65. This Agreement constitutes the entire agreement between you, the Investment Manager and the Investment Advisor in respect of your Portfolio and the Velocity Credit Ventures Portfolio Service and supersedes any other or previous terms and conditions. Save as provided in paragraph 72 any amendment to this Agreement shall be effective only if made in writing and agreed by all parties.
66. It is not intended that any term contained in this Agreement shall be enforceable, whether by virtue of the Contracts (Rights of Third Parties) Act 1999, common law or otherwise, by any person who is not a party to this Agreement save that any Associate shall have the benefit of any provision of this Agreement expressed to be for the benefit of Associates (as applicable).

## **Complaints and Miscellaneous**

67. If any part of the wording of this Agreement shall become or is declared to be illegal, invalid or unenforceable for any reason, such part or wording shall be deleted and shall be divisible from the rest of the Agreement, which will continue in force.
68. The failure of the Investment Manager or the Investment Advisor or their Associates to exercise or delay in exercising a right or remedy provided by this Agreement or by law does not constitute a waiver of the right or remedy or a waiver of other rights or remedies.
69. Any notice under or relating to this Agreement shall be in writing. The Investment Manager or the Investment Advisor may send any communication to you at the address which you provide to the Investment Manager in the Application Form (or to any provided postal address or email address). You must communicate with the Investment Manager or the Investment Advisor at either of their

registered offices for the time being. Notice sent by first class post to such address is deemed to have arrived on the second Business Day after posting. Notice sent by fax or email or hand-delivered is deemed to be delivered immediately (or on the next Business Day if sent after 5pm on a Business Day or on a non-Business Day). The telephone number of Velocity Credit Advisors Limited is 020 7139 4450. Telephone calls may be recorded or monitored for the parties' mutual protection. The Investment Advisor and the Investment Manager will only be required to communicate in English during the course of their relationship with you.

70. This Agreement shall be governed by and construed in all respects in accordance with English law and you hereby submit to the exclusive jurisdiction of the English courts in relation to any disputes arising out of or in connection with this Agreement.

71. This Agreement is personal to you and you may not assign it. By signing the Application Form you agree and/or confirm that:

71.1. You have received, read and understood the Memorandum and this Investment Management Agreement;

71.2. Your investment will be managed and operated in accordance with and on the terms and conditions of this Investment Management Agreement;

71.3. You have not relied on any statement, representation or warranty made or given by the Investment Advisor and the Investment Manager, other than those expressly set out in this Agreement;

71.4. You have sought all appropriate professional advice as you consider necessary in respect of your decision to appoint the Investment Manager to act as your discretionary investment manager in accordance with the Velocity Credit Ventures Portfolio Management Service;

71.5. All information that you have provided to the Investment Manager (including the information provided in your Application Form) is true, accurate and complete in all material respects and you have not omitted any information which may be material to the services to be provided to you and any changes to information you have provided shall be notified to the Investment Manager in writing as soon as reasonably practicable; and

71.6. When dealing with your personal representatives, the Investment Manager and the Investment Advisor shall be entitled to act on the instructions and directions of any one of such persons.

72. The Investment Advisor may amend the terms of this Agreement or it or the Investment Manager's arrangements with you by sending you written notice. Such changes shall take effect on the date specified in the notice being not less than 10 Business Days from the date of such notice unless the changes are for legal or regulatory reasons when such changes shall take effect on the date specified in the notice.

73. The Investment Manager is authorised and regulated by the Financial Conduct Authority for the provision of investment management and advisory services. The Investment Manager will always comply with the Applicable Rules in relation to the Velocity Credit Ventures Portfolio Service. The Investment Manager is covered by the Financial Services Compensation Scheme. Two other types of FSCS protection are also relevant to Clients: deposits and investments. Deposit protection applies when money belonging to Clients is held in the client account. This occurs initially when investor money is transferred to the Investment Manager to make an investment and when interest repayments and repayments of capital are being held on behalf of Clients. While the money is in a client account (which is likely to be a short period) it is protected by the FSCS deposit protection which is currently £85,000 per

person per eligible claim. This client account is operated by WCS Nominees Limited, the custodian appointed by the Investment Manager. Investors may also be entitled to investment protection in cases where loss is incurred by factors such as investments in Velocity Credit Ventures Portfolio Management Service being mis-sold or misrepresented. The FSCS investment protection is currently up to £85,000 per person per eligible claim. The shares issued by the Trading Companies are not protected by the FSCS. Accordingly, neither the FSCS nor anyone else will pay an investor compensation upon the failure of a Trading Company. If a Trading Company goes out of business or becomes insolvent, you may lose all or part of your investment. Individuals approaching retirement and considering options under the new pension freedoms should realise that an investment in the shares of a Trading Company is a much higher- risk alternative to buying an annuity. Individuals in retirement, who may have significant sums in savings and may be concerned about low-interest rates and are tempted to invest, may be taking an inappropriate level of risk with their money. Further information is available from the Financial Services Compensation Scheme, 10th Floor, Beaufort House, 15 St Botolph Street, London, EC3A 7QU.

74. All of the Investment Manager's obligations under this Agreement are subject to the Investment Manager first being satisfied with any compliance procedures required of the Investment Manager in accordance with The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and any other Applicable Rules. The compliance procedures include requiring proof of your identity and of your address, or that of any person who will have legal control over your Portfolio. You authorise the Investment Manager to undertake any electronic searches necessary for the purposes of verifying your identity and address, and of any such person, and to check the details you or they supply against your or their particulars on any database (public or otherwise).

# Appendix 3: Application Form