

**Appropriateness Questionnaire – assessment before you invest in non-readily realisable securities**

To assess appropriateness, we must ask you about your knowledge and experience, to determine whether this is sufficient to understand the risks attached to non-readily realisable investments. Clubfinance will rely on the information you supply, and use this with any other information held about you as a Clubfinance customer. **If we are unable to make the assessment, we will be unable to arrange your application.** For joint applications, holders should each complete a questionnaire. This assessment is an FCA requirement, and usually only has to be done once. After investing, you are responsible for ensuring that a particular investment remains appropriate for you. You should still complete the usual Clubfinance Client Declaration with any application.

However, if you want or need advice, you should seek a personal recommendation from a suitably authorised and regulated adviser.

**Direct offer financial promotions for non-readily realisable securities**

To view or receive information about a particular investment, you must complete (as applicable to you) **one** out of the three statements included at the end of this document. **This is an FCA requirement and has to be done annually.**

**WHAT ARE THE CHARACTERISTICS OF NON-READILY REALISABLE SECURITIES?**

- They are generally the equity or debt securities of small and medium enterprises.
- They are illiquid securities which means it can be difficult or even impossible to claim back money invested or have it converted back into cash, i.e. there is no, or only a limited, secondary market to sell your investment.
- They are difficult to value and hard to price.
- Investors in them generally have no recourse to the Financial Services Compensation Scheme ('FSCS').
- They are high risk and can be complex.
- They provide **no** guarantee investors will receive a return.
- The Financial Conduct Authority ('FCA') defines them as securities that are **not** 'readily realisable securities', 'packaged products' or 'non-mainstream pooled investments'.

**RISKS**

It is not possible to cover every risk in this document, but here are some important risk areas to consider.

**Start-up business failures & the risk of capital loss**

Most start-up businesses fail, so investors in them need to understand that it is likely they will lose 100% of any money invested, and they have little or no protection if the business or project fails. Therefore, **do not invest any money you are not prepared to lose.** The risk of capital loss, even if the business does not fail, is exacerbated if the price paid for a security is based on an over-valuation of the business, or if the security is a long-term debt security that will not return capital for periods such as 20-25 years. Investors should not invest in a start-up business unless they know how to value it, and/or have carried out their own due diligence on the investment professional who will make the investment on their behalf (e.g. an authorised and regulated investment manager).

**No dividends and equity dilution**

Dividends are usually rare or non-existent. Even if the company remains a going concern, investors in unlisted shares in a start-up or young company face the risk of never receiving a return on their investment if those controlling the company decide not to issue dividends. In addition, if the business is sold or becomes listed, investors may find their share in these profits (if any) is reduced if the value of shares is diluted by subsequent issues of new shares (which may include the grant of options to employees or directors for example). Investors need to understand that they will have almost no control over these decisions. In addition, new or existing shares may have more favourable rights (e.g. to dividends and/or sale proceeds) compared to those you invest in.

**No secondary market - illiquidity**

After purchasing unlisted equity or debt in a company, even if it remains a going-concern, investors will usually find there is no, or only a limited, secondary market for their investments. Investors need to understand that they will probably have to wait until an event occurs, such as the sale of the company, a management buy-out or a flotation, before getting a return on an equity investment (if any). Also, in the event of their death, ownership of these investments will probably need to be transferred to the investor's beneficiaries, which may incur costs (e.g. administration and/or valuation charges).

**Returns**

Achieving a positive return when investing in unlisted securities is difficult and statistically unlikely. It can also take considerable time for a start-up business to generate a return, so investors must be prepared to wait until well into the future for a potential return.

**Due diligence**

It is difficult for an investor to assess the value of an investment and the likelihood of investment returns without access to reliable due diligence information. Investors need to be properly informed to ensure they can understand and assess what is involved. The due diligence could be carried out by: the investor; a third party (such as an authorised and regulated investment manager); or both.

So that they can make decisions on an informed basis, investors need to be satisfied that they have enough reliable information to enable them to understand:

- the nature of the investment or service offered;
- the nature of the parties involved;
- the risks applying including the risk of fraud; and
- the charges that will be payable.

**Investor behaviour**

Detrimental biases that can be relevant to non-readily realisable securities include (but are not limited to) the following.

- Overconfidence - where investors decide to invest in a single recipient of funds they may be overconfident, i.e. they may overestimate their ability to assess risk. This could lead to a lack of diversification and financial loss.
- Anchoring - this occurs when investors base their evaluation and purchase decision exclusively on one fact (e.g. a projected headline rate of return), not taking other factors (such as risks, fees, or tax) into account.
- Herding - investors may use sub-optimal rules of thumb to make investment decisions, e.g. interpreting the level of investor interest in a proposition to infer something about the quality of the overall investment.

**Other risks, including investment-specific risks**

- It is not possible to cover all risks in this or any document – unforeseen risks can result in losses.
- Where an investment potentially qualifies for a particular tax treatment or relief (e.g. Enterprise Investment Scheme ('EIS'), Seed Enterprise Investment Scheme ('SEIS'), or Business Property Relief ('BPR')), the tax treatment depends on the investor's individual circumstances and may be subject to change in future.
- The risks that apply depend on the particular investment – investors should make sure they read and understand all the information and documentation specific to that investment.
- Investors should make sure they refer to Clubfinance's additional risk warnings for EIS and SEIS investments, Business Property Inheritance Tax Products, and also any others provided in relation to a particular investment.

**APPROPRIATENESS QUESTIONNAIRE** - *if you have previously completed this questionnaire and Clubfinance has successfully assessed appropriateness please go straight to the 'Declaration' on page 3 and sign one of the three statements (if applicable to you) on page 4.*

<b>Investing Experience</b> (An investment may fall into more than one category and should be included in all applicable categories.)	<b>Approximate number of investments made in the last 5 years</b>	<b>Approximate average amount per investment (last 5 years)</b>	<b>Approximate number of investments made more than 5 years ago</b>
Shares on London Stock Exchange (e.g. FTSE 100) <u>excluding</u> Venture Capital Trusts (VCTs)		£	
Venture Capital Trusts (VCTs)		£	
Shares quoted on AIM, ISDX (formerly PLUS/OFEX) or other markets		£	
Unlisted shares (e.g. crowdfunding investments)		£	
Unlisted debt securities (e.g. crowdfunding investments)		£	
Loan-based crowdfunding (peer-to-peer, or peer-to-business lending) or other loan to an unlisted business		£	
Enterprise Investment Scheme investments		£	
Seed Enterprise Investment Scheme investments		£	
Unregulated Collective Investment Schemes & Non-mainstream Pooled Investments		£	
Structured Products		£	
Derivatives (e.g. futures or options), CFDs, forex, spread betting		£	
Warrants, or Covered Warrants		£	
Business Property Relief or other IHT investments		£	
Bank/Building Society products permitting <u>no</u> withdrawals for a period of years		£	
Other relevant investments not included above: e.g. 'alternatives', other unregulated or unlisted investments, Qualified Investor Schemes, EZTs, EZPUTs and other unauthorised unit trusts, BPRA, direct property investment (e.g. buy-to-let), forestry, funds with withdrawal restrictions (please specify)			

**Current and previous employment**

Current profession or employment  
(or former profession if retired)

Former profession or employment(s)  
that may be relevant


**NON-READILY REALISABLE SECURITIES  
RISK WARNINGS & APPROPRIATENESS QUESTIONNAIRE,**

**Level of education** (please advise your highest qualification, & any other relevant qualifications/training at any level)

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**Any other relevant information** (including other knowledge or experience that may be relevant, e.g. director or principal of an unlisted business or entity)

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**Understanding risks – do you understand the following in relation to non-readily realisable securities?**

These investments can be volatile and that you could lose some or all of your original investment.	<b>YES / NO</b>
Early-stage companies have a very high failure rate, meaning that investors in them often lose their entire investment, and that you should not invest unless you are able and willing to bear a 100% loss.	<b>YES / NO</b>
For equity investments, the value of your investment can be diluted by new equity issues.	<b>YES / NO</b>
These investments are high risk, and have fewer regulatory protections and controls compared to regulated collective investment schemes for example.	<b>YES / NO</b>
Tax legislation is complex and subject to change at any time, and if a particular investment potentially qualifies for a particular tax treatment, it could lose or fail to qualify for it, which could result in loss of or not receiving tax relief.	<b>YES / NO</b>
It may be difficult to obtain reliable information about these investments, and there may be difficulty in selling at a reasonable price, or at all.	<b>YES / NO</b>
These are generally long-term illiquid investments with a limited or no secondary market, and you may <b>not</b> be able to exit the investment for a considerable period of time.	<b>YES / NO</b>
The charges on these investments can be very high.	<b>YES / NO</b>
It is important to consider the risks associated with lack of diversification, including both your spread of non-readily realisable securities, and in terms of portfolio concentration (non-readily realisable securities as a proportion of your whole portfolio).	<b>YES / NO</b>
These securities are usually not covered by the Financial Services Compensation Scheme.	<b>YES / NO</b>
The importance of understanding the risks and other information set out in the investment documentation, and also the terminology used.	<b>YES / NO</b>
The risks outlined in Clubfinance’s Additional Risk warnings for EIS, Additional Risk Warnings for Business Property Inheritance Tax products, and also any others provided in relation to a particular investment. (See separate documents – contact us if you do not have access to these)	<b>YES / NO</b>
There could be unforeseen circumstances resulting in the loss of part or all of your investment.	<b>YES / NO</b>

**DECLARATION** Please complete your name & address details, and then sign and date against one of the statements over the page (if applicable to you)

I understand that Clubfinance will rely on the information I have provided, and that I am responsible for keeping Clubfinance informed about any change that could affect this assessment.

<b>TITLE</b>		<b>FIRST NAME</b>	
<b>MIDDLE NAME(S)</b>		<b>LAST NAME</b>	
<b>ADDRESS</b>			
		<b>POSTCODE</b>	
<b>E-MAIL</b>		<b>DATE OF BIRTH</b>	

**OPTION 1 - RESTRICTED INVESTOR STATEMENT**

I make this statement so that I can receive promotional communications relating to non-readily realisable securities as a restricted investor. I declare that I qualify as a restricted investor because:

- (a) in the twelve months preceding the date below, I have not invested more than 10% of my net assets in non-readily realisable securities; and
- (b) I undertake that in the twelve months following the date below, I will not invest more than 10% of my net assets in non-readily realisable securities.

Net assets for these purposes do not include:

- (a) the property which is my primary residence or any money raised through a loan secured on that property;
- (b) any rights of mine under a qualifying contract of insurance; or
- (c) any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependants are), or may be entitled.

**I accept that the investments to which the promotions will relate may expose me to a significant risk of losing all of the money or other property invested.** I am aware that it is open to me to seek advice from an authorised person who specialises in advising on non-readily realisable securities.

<b>SIGNED</b>	<b>DATE</b>
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**OPTION 2 - HIGH NET WORTH INVESTOR STATEMENT**

I make this statement so that I can receive promotional communications which are exempt from the restriction on promotion of non-readily realisable securities. The exemption relates to certified high net worth investors and I declare that I qualify as such because at least one of the following applies to me:

- I had, throughout the financial year immediately preceding the date below, an annual **income** to the value of **£100,000 or more;**
- I held, throughout the financial year immediately preceding the date below, **net assets** to the value of **£250,000 or more.** Net assets for these purposes do **not** include:
  - (a) the property which is my primary residence or any money raised through a loan secured on that property;
  - (b) any rights of mine under a qualifying contract of insurance; or
  - (c) any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependants are), or may be, entitled.

**I accept that the investments to which the promotions will relate may expose me to a significant risk of losing all of the money or other property invested.** I am aware that it is open to me to seek advice from an authorised person who specialises in advising on non-readily realisable securities.

<b>SIGNED</b>	<b>DATE</b>
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**OPTION 3 - SELF-CERTIFIED SOPHISTICATED INVESTOR STATEMENT**

I declare that I am a self-certified sophisticated investor for the purposes of the restriction on promotion of non-readily realisable securities. I understand that this means:

- (i) I can receive promotional communications made by a person who is authorised by the Financial Conduct Authority which relate to investment activity in non-readily realisable securities;
- (ii) the investments to which the promotions will relate may expose me to a significant risk of losing all of the property invested.

I am a self-certified sophisticated investor because at least one of the following applies:

- (a) I am a member of a network or syndicate of business angels and have been so for at least the last six months prior to the date below;
- (b) I have made more than one investment in an unlisted company in the two years prior to the date below;
- (c) I am working, or have worked in the two years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises;
- (d) I am currently, or have been in the two years prior to the date below, a director of a company with an annual turnover of at least £1 million.

**I accept that the investments to which the promotions will relate may expose me to a significant risk of losing all of the money or other property invested.** I am aware that it is open to me to seek advice from someone who specialises in advising on non-readily realisable securities.

<b>SIGNED</b>	<b>DATE</b>
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