

## RISK STATEMENT

Capitalised terms used in this Risk Statement shall bear the same meaning as in the Deed Poll of the Issuer and the Terms and Conditions (the "**Conditions**") attached to the Deed Poll as Schedule 1, each of the Deed Poll and the Conditions as may be amended, modified or supplemented from time to time. Before deciding whether to purchase a Cap Certificate or Floor Certificate (collectively referred to as "Certificates" and as defined in the Conditions) you need to be aware of the following:

### 1 GENERAL RISK WARNING

- 1.1 **Capital risk:** Certificates are not deposit based or capital protected and your capital investment is not repayable. Certificates are not comparable to a bank savings account and there may be no or minimal payments made on the Certificates. There will be no repayment of the Issue Price you have paid and there is no guarantee that you will receive any returns.
- 1.2 **Liquidity risks:** Certificates are illiquid and are not covered by the Financial Services Compensation Scheme. Investments in non-readily realisable securities such as the Certificates are non-transferable and also "non-mainstream pooled investments" (as defined in the FCA Handbook) and are illiquid, meaning they cannot be traded, which may make them a higher risk investment than a tradeable investment.
- 1.3 **No recourse:** Holders of Certificates will have no contractual or other relationship with the Underlying Counterparty with which Cap-It Issuer Limited (the "Issuer") may contract to acquire a Cap or Floor Investment nor any right to collect from the Underlying Counterparty on the Certificate or the corresponding Cap or Floor Investment.
- 1.4 **No advice:** Neither the Issuer nor Cap-It Financial Limited (the "**Arranger**") offers investment or tax advice to purchasers of Certificates. Content and information on this website ([www.capit.co.uk](http://www.capit.co.uk) or the "**Website**") about potential investments is designed for general use, and so cannot be considered personal to your circumstances or your financial position. Before purchasing a Certificate you should seek expert independent financial and tax advice.
- 1.5 **Contracts (Rights of Third Parties) Act 1999:** No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999.

### 2 CERTIFICATES

- 2.1 **Capital at risk:** Certificates are intended to be purchased by UK investors seeking to hedge against rising or falling interest rates and are not comparable to a deposit, a bond or any other mainstream investment. The value of Certificates, and any income from or relating to them, can fall as well as rise so you could receive less than you invest or even nothing at all. Past performance is no guarantee of future performance. Certificates are not deposit based or capital protected, and your capital once invested is not redeemable. They are also illiquid, high risk, and are not covered by the Financial Services Compensation Scheme.

- 2.2 **Returns depend on the level of interest rates:** The realised rate of return on a Certificate will depend on a number of factors which include the movement of SONIA or the Bank of England Base Rate to which the Cap Rate or Floor Rate is linked during the term of the Certificate. If the linked interest rate in the Cap Certificate (i.e. the “**Benchmark Rate**”) remains **at or below** the Cap Rate for the lifetime of the Cap Certificate, the return on the Cap Certificate will be zero. If the Benchmark Rate remains **at or above** the Floor Rate for the lifetime of the Floor Certificate, the return on the Floor Certificate will be zero.
- 2.3 **Returns may be subject to tax:** There may be tax implications for certain categories of investor. Prospective purchasers of Certificates are strongly recommended to obtain independent tax advice.
- 2.4 **Payments are limited to amounts received:** Each Certificate issued by the Issuer is designed to reflect the key terms of a specific Cap or Floor Investment sold to the Issuer by a counterparty. If you hold a Certificate, the Issuer will make payments on the basis described in the terms and conditions of the Certificate; those payments will correspond to the amounts that the Issuer receives in respect of the Cap or Floor Investment it has purchased in connection with the relevant Certificate, net of its fee arrangement (described in section 7 below).
- 2.5 **No repayment of the Issue Price:** The Issue Price paid by the purchaser of each Certificate will be applied solely by the Issuer to finance the Issuer's purchase of a Cap or Floor Investment from an Underlying Counterparty and payment of its fees. Accordingly, there will be no repayment of the Issue Price on the Maturity Date of a Certificate.
- 2.6 **Early Redemption:** If you need access to the money you have invested before the scheduled maturity date of a Certificate, the Issuer may, at its sole discretion, agree to repurchase your Certificate at a price that it will determine (and that may be zero). Please note there is no secondary market for the Certificates and that the Certificates are non-transferable.
- 2.7 **Non-transferable:** Certificates are non-transferable save by operation of law and no application has been or will be made to any investment or stock exchange for the Certificates to be listed or dealt in or on.

### **3 CERTIFICATE HOLDERS**

- 3.1 **Eligible investors only:** The purchase of Certificates is restricted to eligible investors in the UK only. Purchasers of Certificates are required to meet all suitability standards imposed on them by applicable law.
- 3.2 **Ability to bear risk:** Purchasers of Certificates must be able to bear the economic risk of their purchase of a Certificate and afford a complete loss of the Issue Price paid for the Certificate.
- 3.3 **No direct interest:** No proprietary or other direct interest in the Issuer's rights under or in respect of any Cap or Floor Investment exists for the benefit of any Certificate Holder. No Certificate Holder will have any entitlement or standing to enforce the Cap or Floor Investment or direct recourse to the Underlying Counterparty.

## 4 UNDERLYING COUNTERPARTIES

- 4.1 **Default Risk:** The financial servicing and performance of the terms of the Certificates depend upon the performance by the relevant Underlying Counterparty, with which the Issuer may contract to acquire a Cap or Floor Investment, of its obligations under the Cap or Floor Investment. There is a risk that the Underlying Counterparty to a Cap or Floor Investment could default resulting in a loss of protection against rises or falls in interest rates and any related return. Should the Underlying Counterparty default or otherwise fail to pay on the Cap or Floor Investment to which the Certificate relates, then the returns on the Certificate will be adversely affected accordingly.
- 4.2 **No Warranty:** Neither the Issuer nor the Arranger makes any representation or warranty in respect of the performance and observance by any Underlying Counterparty of its obligations under the relevant Cap or Floor Investment or the recoverability of any Proceeds from any Underlying Counterparty in relation to such Cap or Floor Investment. The Issuer shall not at any time have any responsibility for, or obligation or liability in respect of, the condition, financial or otherwise, creditworthiness, affairs, status or nature of any Underlying Counterparty. Neither the Issuer nor the Arranger shall at any time be liable for any representation or warranty or any act, default or omission of any Underlying Counterparty under or in respect of any Cap or Floor Investment.
- 4.3 **No Recourse:** Holders of Certificates will have no contractual or other relationship with the Underlying Counterparty with which the Issuer may contract to acquire a Cap or Floor Investment nor any right to collect from the Underlying Counterparty on the Certificate or the corresponding Cap or Floor Investment.

## 5 NO ADVISORY RELATIONSHIP

- 5.1 **No investment advice:** The Arranger operates the Website so that it may provide Certificates which reflect the key economic terms of the underlying Cap or Floor Investments. Neither the Issuer nor the Arranger is acting or has acted as an agent, fiduciary or advisor to any person deciding to purchase a Certificate.
- 5.2 **No tax advice:** Tax treatment depends on your individual circumstances and may be subject to change. If in any doubt, please seek specialist tax advice. The Website does not constitute investment, legal, tax or other advice nor is it to be relied upon in making an investment decision.
- 5.3 **No other advice:** Neither the Issuer nor the Arranger provides any investment, legal, accounting, regulatory or tax advice with respect to the Certificates. If in any doubt, please consult your own investment, legal, accounting, regulatory and tax advisors.

## 6 TAXATION

- 6.1 **Distributions subject to applicable laws:** Distributions on the Certificates will be made subject in all cases to any applicable fiscal or other laws and regulations in any place of payment to withhold or deduct for or on account of tax.
- 6.2 **Certificate Holder responsibility:** It is the responsibility of each Certificate Holder to account for any income or corporation tax that may be payable by it. If you are in any doubt about your tax position you should seek independent tax advice.

## 7 FEE ARRANGEMENTS

- 7.1 **Issuer Mark-up:** The Issuer charges you a fee by adding an amount to the original cost of the underlying Cap or Floor Investment, which is used to pay its third-party service providers (including the Arranger). The Issuer Mark-up is 10% of the cost of the underlying Cap or Floor Investment, subject to a Minimum Issuer Mark-up.
- 7.2 **Issuer Spread:** The Issuer will earn a spread when the cap rate of a Cap Certificate is exceeded. Likewise, the Issuer will earn a spread when the Benchmark Rate falls below the floor rate of a Floor Certificate. The spread will be used to pay its third-party service providers (including the Arranger, the Calculation Agent and the Registrar). The Issuer Spread is not paid directly by purchasers of the Cap and Floor Certificates, but results from the underlying Cap Investment having lower cap rate than the associated Cap Certificate and the underlying Floor Investment having a higher floor rate than the associated Floor Certificate.

## 8 WEBSITE

- 8.1 **United Kingdom only:** This Website is not directed at or intended for publication or distribution to any person (natural or legal) in any jurisdiction other than the United Kingdom. Purchase of Certificates is only available to qualifying persons or legal entities that are entitled to purchase such Certificates under prevailing UK law and regulation and on the basis that they are not subject to any jurisdictional restrictions prohibiting access to the information on the Website.
- 8.2 **Website information:** Information posted on the Website, including about interest rates and associated indicative prices for Certificates, is taken from or calculated by reference to publicly available information and from sources considered to be reliable but no warranty is given that such information is accurate or complete and it should not be relied upon as such. Neither the Issuer nor the Arranger is responsible for the accuracy of this information or for any loss or damage of any kind which arises, directly or indirectly, and is caused by the use of any part of the information provided.
- 8.3 **External links:** Throughout this Website you will find links to external websites. Although we make every effort to ensure these links are accurate, up to date and relevant, we cannot take responsibility for pages maintained by external providers.
- 8.4 **Logging in:** By registering as a Member of the Website or logging on to the Website to view the investment opportunities listed, you confirm that you are legally entitled to view these investment opportunities and you agree to all applicable terms and conditions on the Website as contained in the Website Terms of Use, which can be found [here](#).