FOLK 2 FOLK

Processes & Procedures for Investors

These Processes and Procedures were last updated on 31st July 2024. Version No. 1

The use of any definitions will be in accordance with those in the Terms and Conditions.

It is important that you read this Processes & Procedures Document and the Terms and Conditions carefully before starting to use the Platform and print a copy for future reference. If there is anything you do not understand, please contact us: enquiries@folk2folk.com / 01566 773296.

Note: a glossary definition of terms used within this document can be found in FOLK2FOLK's Terms and Conditions.

CONTENTS **PAGE**

1. ABOUT FOLK2FOLK 3
2. FOLK2FOLK TERMS AND CONDITIONS 3
3. FOLK2FOLK PARTIES AND JOINING THE PLATFORM 4
Parties to a FOLK2FOLK Introduction 4
Becoming an Investor 4
4. THE ROLE OF FOLK2FOLK 6
5. PANEL FIRMS OF SOLICITORS AND THEIR ROLE 7
6. INVESTOR PORTAL USERNAME AND PASSWORD 8
7. TYPES OF LOANS THAT FOLK2FOLK INTRODUCE TO INVESTORS 8
8. THE INVESTING PROCESS 9
9. THE SECURITY DOCUMENT 10
10. INVESTOR CLIENT MONEY 10
Bank Interest 10
Transfer of funds by Investors in anticipation of funding a Loan Advance 10
IFISA Loan Investments 10
FOLK2FOLK Subscription Amount 11
Prepayment, Repayment and Cancellation Rights 11
Interest and ownership 12
General 13
Investor's Fees 13
11. INTEREST PAYMENTS 13
Missed payments 14
12. DISTRIBUTION OF CAPITAL UPON PARTIAL PREPAYMENT 14
13. GENERAL IMPAIRMENT OF THE LOANS AND ENFORCEMENT 15
14. INVESTOR TERMINATION 16
Investor agreements 16
15. PLATFORM GENERAL TERMS OF USE 16
16. REGULATORY CHECKS 17

1. ABOUT FOLK2FOLK

FOLK2FOLK is a Platform operated by FOLK2FOLK Limited, a UK-wide Peer to Peer lending and investment platform. The term 'Platform' refers to the website operated at www.folk2folk.com, and any Investor portal, app, programme or branch.

FOLK2FOLK was founded in Launceston, Cornwall, in 2013. Head office remains in Launceston with a smaller office in Cheltenham.

Area of specialism

FOLK2FOLK specialises in facilitating funding for small businesses across all sectors within the rural and regional parts of the UK rather than large conurbations; and providing property-secured investment opportunities to UK investors who earn a monthly income from their investment.

Many of the loans have wider benefits for the local community and economy including sustaining and creating jobs, utilising local supply chains, drawing visitors to an area, or creating housing. FOLK2FOLK trademarked the term FOLKONOMICS™ to describe this.

Legal entities:

FOLK2FOLK Limited is a company incorporated in England and Wales, whose registered number is 08178576 and whose registered office is at Number One Business Centre, Western Road, Launceston, Cornwall PL15 7FJ. FOLK2FOLK is a trading name of FOLK2FOLK Limited.

FOLK2FOLK Limited is registered with the Information Commissioner (Registration Number Z346737X).

FOLK2FOLK Limited is authorised and regulated by the Financial Conduct Authority (FRN 720867), and registered, which can be checked on the Financial Service Register, https://register.fca.org.uk/.

Folk Nominee Limited, the holding company set up on behalf of FOLK2FOLK investors which appears on the title deeds of security properties held against approved loans, is a company incorporated in England and Wales, whose registered number is 9939972 and whose registered office is at Number One Business Centre, Launceston, Cornwall PL15 7FJ.

2. FOLK2FOLK TERMS AND CONDITIONS

These procedures together with FOLK2FOLK's Privacy Policy set out how:

a) a Participant may make use of the Platform as a registered user;
b) FOLK2FOLK operates and regulates the use of the Platform and other services provided by FOLK2FOLK; and
c) the Security Trustee operates.

It is important that you read FOLK2FOLK's Terms and Conditions carefully before starting to use the Platform. If there is anything you do not understand, please contact us: enquiries@folk2folk.com / 01566 773296. By using the Platform and the services provided by FOLK2FOLK, each Participant agrees that it accepts the Terms and Conditions, this Processes & Procedures Document, and the Privacy Policy each as amended from time to time) and that such Participant agrees to abide by them.

Where a Participant is acting on behalf of another person or entity, such Participant further confirms that it has the authority to act as agent and therefore to bind such person or entity on whose behalf it is acting and that the principal agrees to the Terms and Conditions, the Processes & Procedures Document and the Privacy Policy (each as amended from time to time). FOLK2FOLK shall be entitled to assume an agent's authority to act in such capacity.

If a Participant does not agree to the Terms and Conditions, this Processes & Procedures Document and the Privacy Policy, it must not proceed with any dealings with FOLK2FOLK and accordingly must refrain from using the Platform.

3. FOLK2FOLK PARTIES AND JOINING THE PLATFORM

Parties to a FOLK2FOLK Introduction

In any "transaction" arranged and administered by FOLK2FOLK the following parties may be involved:

a) the Borrower or an Authorised Agent on its behalf;
b) one or more Investors, albeit that any communications from the Borrower to the Investor(s) will be received from the Agent;
c) the Security Trustee as holder of the Security Documents and any Guarantee from a Borrower, on behalf of the Investor, albeit that most communications from the Security Trustee will be received from the Agent;
d) the Agent;
e) a Panel Firm of Solicitors;
f) a person granting a Guarantee;
g) a Valuer; and
h) a Third-Party Provider.

There is a separate Processes & Procedures Document which outlines the processes specific to being a Borrower; please review that document if you wish to understand processes related to borrowing.

Becoming an Investor

Eligibility

To be an Investor with FOLK2FOLK, the following eligibility criteria (which is subject to change at the discretion of FOLK2FOLK) must be met to the satisfaction of FOLK2FOLK in relation to each investor:

a) Must be an individual, sole trader, partnership, a Limited Liability Partnership (LLP), limited company, personal or company pension fund, charity, trust, or public body;
   - if a company:
     - Be incorporated and registered and have a permanent place of business in England and Wales, Scotland or Northern Ireland and be registered with Companies House (or equivalent).
     - If not incorporated, registered and trading from the UK, the Investor must not be from a high-risk jurisdiction, as defined from time to time by HM Government, and will be subject to enhanced due diligence;
   - if an individual –

- be permanently resident in the UK (excluding the Channel Islands and the Isle of Man)
- Be over 18 years old:

- if a public body:
  - be registered or formed with the relevant authority in the UK (excluding the Channel Islands and Isle of Man);

b) Must be resident at all times for tax purposes in the UK;
c) Must have a valid UK bank account
d) Must register its details which must include an e-mail address and apply to become an Investor via the Investor portal by successfully completing the regulatory onboarding process.
e) Must warrant to FOLK2FOLK that it is not lending in the course of business or carrying out any type of regulated consumer credit activity, if the Investor is not authorised by the FCA to enter into regulated credit agreements (as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (as amended) ("the RAO")) . This is required for FOLK2FOLK to permit the Investor to provide investment to sole traders and small partnerships with three or fewer partners.
f) Must warrant that it shall not use the Platform to lend to individuals, sole traders and partnerships with three or fewer partners or otherwise use FOLK2FOLK to carry out a consumer credit business, if the Investor is authorised by the FCA to enter into regulated consumer credit agreements (as defined in the RAO), it
   - Note: FOLK2FOLK will not make any separate enquiries to find out if the Investor is authorised by the FCA to enter into regulated consumer credit agreements. It is the Investor's responsibility to provide this information to FOLK2FOLK and update FOLK2FOLK if its status changes.
g) Must invest the Minimum Amount of £20,000 other than in relation to a company, charity, trust, or public body where such Minimum Amount shall be £250,000.
h) Must warrant to FOLK2FOLK that all information provided by it during the registration and investing process is and remains true and accurate in all respects. The Investor shall promptly update FOLK2FOLK if any of the information provided to FOLK2FOLK becomes untrue, inaccurate or misleading as this may affect its ability to maintain a relationship with FOLK2FOLK.
i) Must provide relevant identification documentations as requested by FOLK2FOLK. Once the Investor is registered with FOLK2FOLK and has applied to invest through FOLK2FOLK, FOLK2FOLK will carry out identity and fraud checks and bank verification checks on the Investor. FOLK2FOLK will do this using credit reference agencies or any other checking services as may be necessary, otherwise FOLK2FOLK may require the Investor to send FOLK2FOLK copies of passports or other identification documents and anything else that FOLK2FOLK may need. FOLK2FOLK uses its own internal guidelines and policies when assessing applications but has complete discretion as to whether to allow a person to be an Investor using FOLK2FOLK. If a prospective Investor does not provide requested identification documents, it will not be able to become an Investor using FOLK2FOLK. FOLK2FOLK may also suspend or place limitations on trading on the Investor's account at any time if FOLK2FOLK believe it is appropriate to comply with its legal obligations. For more details about how FOLK2FOLK use such information, please refer to the Privacy Policy.

Joint investing

An Investor may constitute one or more individuals investing jointly ("Joint Investor") through the Platform. An individual's liability as a Joint Investor shall be joint and several. FOLK2FOLK

shall be entitled to rely on an instruction received from any one individual who is a Joint Investor as an instruction from all individuals of that Joint Investor and shall have no obligation to investigate to what extent such instructions are agreed by all individuals constituting such Joint Investor.

Each Investor is subject to the terms set out in the Terms and Conditions which are available on the Platform.

4. THE ROLE OF FOLK2FOLK

FOLK2FOLK performs an introductory function on behalf of Borrowers and performs an administrative role in matching Borrowers and Investors and in facilitating payments, collection of sums due and onward distribution of funds. FOLK2FOLK will not perform any management functions on the Investor's behalf and accordingly nothing FOLK2FOLK does and nothing on the Platform is intended to operate or be construed as advice or recommendation by FOLK2FOLK to enter a particular Loan investment or as advice or recommendation by FOLK2FOLK as to the suitability of a Loan investment for the Borrower's or Investor's requirements.

FOLK2FOLK will assess each Loan application. This is based on information gathered including that contained in the Borrower's application and the results of an online check made with a credit reference agency, and other due diligence checks, and third-party valuations. This assessment is for FOLK2FOLK's purpose only and must not be relied upon by the Investor. It is for the Investor to undertake their own due diligence in deciding whether to place money into a particular Loan investment.

FOLK2FOLK accepts no responsibility and disclaims all liability for any information about the Borrower, provided by the Borrower or through checks made by third parties and made available to prospective Investors through the FOLK2FOLK process.

FOLK2FOLK is authorised and regulated by the Financial Conduct Authority (FRN 720867) to operate an electronic system in relation to investing but is not authorised to give advice. FOLK2FOLK is also authorised for credit broking, debt collection and debt administration.

FOLK2FOLK does not directly invest its own money other than in very exceptional circumstances at its discretion. FOLK2FOLK acts as the Agent of the Investor(s) and Security Trustee and by signing up to use FOLK2FOLK each Investor confirms that FOLK2FOLK has the authority to act as its agent to do all such things as are required to be done in connection with investing on the Platform pursuant to the Finance Documents.

If there is platform failure or FOLK2FOLK or the Security Trustee (a) become insolvent, (b) are unable to provide loan administration services or security trustee functions or (c) cease trading or threaten to cease trading, it will transfer such services or functions to FOLK2FOLK's Standby Servicer. FOLK2FOLK reserves the right to use the Standby Servicer prior to these events occurring where it believes such action is in the best interests of Participants.

If the Standby Servicer does commence Wind Down Services, there may be interruption to or degradation in the services you receive. For example, the Investor may have to hold Loan investments to their full term because of unavailability of the Secondary Market and there may be limits on the availability and functionality of the Platform generally. The Standby Servicer will continue to operate FOLK2FOLK's Investor client accounts or put in place equivalent arrangements such that Investor funds are held separately from the Standby Servicer's own funds.

The Standby Servicer may charge a fee for supply of the Wind Down Services.

FOLK2FOLK may change the Standby Servicer or the Standby Service arrangements at any time without notice.

Details of FOLK2FOLK's current Standby Servicer can be located at Risk of Failure at FOLK2FOLK.

The Standby Servicer may or may not be approved by HM Revenue & Customs as an ISA Manager so if you are an IFISA Investor this means that if Wind Down Services commence then you may lose any tax benefits of an IFISA account and your investing shall be treated as non-IFISA investing and tax may be payable.

In all Finance Documents, FOLK2FOLK will quote the Investor's address or the Security Trustee's address (as appropriate) as being "c/o FOLK2FOLK Limited" and state FOLK2FOLK's postal address. The Investor agrees that all notices and communications given to it by the Borrower may be sent to FOLK2FOLK on its behalf. FOLK2FOLK will distribute what it considers to be important communications to the Investor promptly upon receipt.

FOLK2FOLK is approved by HMRC as an ISA manager. If you choose to hold your Loan investments in an ISA wrapper, FOLK2FOLK will administer the ISA.

FOLK2FOLK reserves the right to decline to act on any instruction from the Investor if any of the terms in the Terms and Conditions have been breached by that Investor.

5. PANEL FIRMS OF SOLICITORS AND THEIR ROLE

The Panel Firm of Solicitors will take instructions from, and report to, the Security Trustee and the Agent in accordance with the Terms and Conditions.

Specifically, the Panel Firm of Solicitors will, amongst other things:-

a) investigate the title of Property to be used as security for a Loan to verify that the Borrower has a good and marketable title;
b) make relevant enquires of the Borrower and carry out property due diligence searches in respect of the Property;
c) prepare the Security Document and any other necessary Finance Documents based on standard form documents created by FOLK2FOLK; and
d) following completion of a Loan, attend to the registration of the Security Document at the Land Registry or in the Land Register of Scotland, and Companies House if appropriate.

For the avoidance of doubt, the Panel Firm of Solicitors will not advise the Investor on matters such as financial planning and the suitability of a Loan for their investing requirements. If during a transaction the Investor needs advice on investments, they must take independent advice before proceeding.

It is also important for Participants to understand that:

a) investing transactions are subject to regulatory requirements, including but not limited to those of the Financial Conduct Authority. The Panel Firm of Solicitors will not advise FOLK2FOLK or the Participants whether any regulatory requirements have been met;
b) each Security Document is in standard form prescribed by FOLK2FOLK. The Panel Firm of Solicitors will not advise the Participants as to its suitability for a particular transaction;
c) neither FOLK2FOLK, nor the Panel Firm of Solicitors, will advise on whether a transaction is suitable to the Participant's circumstances. If in doubt a Participant should seek advice from an independent financial adviser;
d) the Panel Firm of Solicitors will not advise on the FOLK2FOLK group company structure or the use of the Security Trustee in the investing framework provided by FOLK2FOLK;

e) the Panel Firm of Solicitors will not advise on compliance with any regulatory framework; and
f) the Panel Firm of Solicitors will not give advice as to how the investing operates as between the Investors in an Investor Pool

6. INVESTOR PORTAL USERNAME AND PASSWORD

On registering with FOLK2FOLK, the Investor will be provided with a username with which they should set a password on the portal. Each time an Investor accesses their FOLK2FOLK account they will need to enter its username and password. A username and password are personal to an Investor's FOLK2FOLK account and are not transferable.

Each Investor is responsible for all information and activity on the Platform including by anyone using their username and password. If an Investor authorises anyone else to use its FOLK2FOLK account, they will be responsible for their activity on the Platform. Any breach of security, loss, theft or unauthorised use of a username or password must be notified to FOLK2FOLK immediately.

Each Participant agrees not to adapt or circumvent the systems in place in connection with the Platform, nor access the Platform other than through normal use of it and in particular by using any credentials assigned to them and by following the instructions that FOLK2FOLK have provided for that time of connection.

FOLK2FOLK reserves the right not to act on an Investor's instructions where FOLK2FOLK suspects that the person logged into such Investor's FOLK2FOLK account is not the Investor (or an authorised representative thereof) or FOLK2FOLK suspects illegal or fraudulent activity or unauthorised use.

7. TYPES OF LOANS THAT FOLK2FOLK INTRODUCE TO INVESTORS

There are different types of Loan investments introduced by FOLK2FOLK, some of which are no longer available as new loan investments. New Loan investments which are available for Investors are:

a) a loan for any business purpose which is not a Development & Construction Loan and where the term of which is selected by the Borrower upon application with a minimum term of six months and with a maximum term of five years (the "Commercial Loan");
b) a loan for property developments and construction projects and the term of which is selected by the Borrower upon application with a minimum term of six months and with a maximum term of 5 years (the "Development & Construction Loan");

Within these types of Loan investments, FOLK2FOLK will only facilitate the Loan investments which are:

a) interest only, payable monthly by direct debit or such other method of payment as FOLK2FOLK determines from time to time;
b) secured by a first (unless otherwise agreed) legal charge over freehold property or long leasehold property situated in England, Wales or Northern Ireland, or standard security granted over heritable or long-leasehold property situated in Scotland; and
c) wholly or predominantly for the purposes of a business carried on or intended to be carried on (by the Borrower).

FOLK2FOLK do not allow any unsecured investing. FOLK2FOLK may in its sole discretion allow a second legal charge or postponed standard security to be taken. For Loan investments secured in this way, Investors may act as first Investor, second Investor or both. FOLK2FOLK will not obtain the consent of any other Investor in the Investor Pool prior to any such offer being made, but commits to ensuring the Loan to security value percentage remains within what was agreed..

8. THE INVESTING PROCESS

If the Investor chooses to invest in a particular Loan investment it will receive confirmation from FOLK2FOLK.

The fact that a Borrower has satisfied the FOLK2FOLK approval criteria is persuasive rather than legally binding and as such the Investor should make its own assessment of the Borrower and a Loan investment based upon its actual knowledge of the Borrower, including the information made available about the Borrower by FOLK2FOLK, its own financial situation and professional advice received from its own advisers (if applicable). The decision to invest is the Investor's and the Investor's alone.

Subject to all other requirements of the Loan being met, the Loan Agreement Completion Date can only be reached if funds in aggregate equal to the Loan Advance have been committed by the Investor(s) in connection with that Loan. For Loans which have reached the Loan Agreement Completion Date, the Investor will have deposited sufficient funds with FOLK2FOLK to be held in escrow. FOLK2FOLK reserves the right to withdraw any Offer Letter made to a Borrower prior to the Loan Agreement Completion Date or for any other reason in FOLK2FOLK's absolute discretion. For example, where the amount of the Loan Advance cannot be fulfilled without Investors committing to larger sums than they have otherwise offered.

FOLK2FOLK reserves the right to withdraw Loan Requests, at any time and for any reason. FOLK2FOLK may also impose or change the Minimum Amount and maximum amounts that an Investor can place. Such changes will be advised by FOLK2FOLK on the Platform.

Once the due diligence has been finalised to the satisfaction of FOLK2FOLK and the Finance Documents (and, if applicable, the Guarantee) have been generated and sent to the Borrower, on the Loan Agreement Completion Date, the Offer Letter will convert into the Loan Agreement and accordingly the Terms and Conditions will be incorporated and the Loan Agreement (being a series of bilateral Loan Contracts) will be binding as between the Borrower and each Investor.

Neither any Investor, the Security Trustee nor FOLK2FOLK is bound to monitor the application of any amount borrowed pursuant to the Finance Documents.

Following the Loan Agreement Completion Date, where there is more than one Investor whose Loan investment is governed by a Loan Agreement, any instructions to FOLK2FOLK shall require, of those who vote, the majority Investors (by value) in relation to the aggregate of such Loan investments to consent to any such instruction given to FOLK2FOLK.

In the event of death of an Investor who is an individual, the beneficiaries or the executors must notify FOLK2FOLK. FOLK2FOLK will, free of charge, register the relevant executor of the estate as the Investor, following receipt of appropriate documentary evidence and the instruction of the deceased's executors and this will be considered a Connected Substitution. For the avoidance of doubt, no further due diligence of information about the Loan will be offered to the beneficiaries.

9. THE SECURITY DOCUMENT

Following Borrower Acceptance, a Panel Firm of Solicitors will be instructed to review the title to the Property, to prepare a report on title and prepare the Security Document for review by FOLK2FOLK.

The availability of the funds to the Borrower remains conditional upon the title report and Security Document being approved by FOLK2FOLK and the satisfaction of the Conditions Precedent to Drawing.

10. INVESTOR CLIENT MONEY

Client money is money received from an Investor, which includes money held pending investment into a Loan, as well as the proceeds from a Loan that has redeemed but not yet been sent to the Investor and loan interest payments made by the Borrower(s) that are due to the Investor.

Client monies are held by us on trust and are segregated from our own funds in a separate safeguarded account and deposited with a bank authorised by the FCA, in accordance with the FCA's client money rules and guidance. Client money is held in general bank accounts which means an Investor's money is held in the same bank accounts as that of other Investors. The bank(s) that FOLK2FOLK use are independent of FOLK2FOLK and we do not accept any liability for any default or delay in the distribution of money should they fail.

FOLK2FOLK reserves the right to return money to the source from which it originated. FOLK2FOLK has elected to treat all Investor money as client money. Client money may also be held by a Panel Firm of Solicitors in their client account. FOLK2FOLK does not accept any responsibility for any acts or omissions of any third party.

Bank Interest

Bank interest will **not** be paid to Investors on money held in the client accounts of either FOLK2FOLK or a Panel Firm of Solicitors.

Transfer of funds by Investors in anticipation of funding a Loan Advance

An Investor must transfer funds to their portal account prior to selecting one or more Loan investments via the FOLK2FOLK platform. The amount deposited with FOLK2FOLK must be an amount no less than that Investor's proposed participation in the relevant Loan investment and no less than the Minimum Amount. An Investor cannot invest ina particular Loan investment unless there are sufficient monies deposited on their portal account. New funds added to the Platform will not be available for investing into a Loan investment for at least 24 hours, plus time over any weekends or public holidays, whilst funds clear through the system.

IFISA Loan Investments

An IFISA is an Innovative Finance Individual Savings Account as defined by HMRC in the Individual Savings Account Regulations 1998 (as amended). Only an FOLK2FOLK Investor can apply to open a FOLK2FOLK IFISA. Once approved as a FOLK2FOLK investor, to become an IFISA Investor, the Investor must complete the IFISA application form and upon acceptance of the application (being at the discretion of FOLK2FOLK), FOLK2FOLK will open an Investor account for the IFISA Investor (the "IFISA Account"). Once the account is open FOLK2FOLK will communicate with the IFISA Investor, and the IFISA Investor shall then send FOLK2FOLK the amount to be invested which shall be an amount equal to the New Subscription Allowance for the tax year the IFISA is opened or such

other amount as a consequence of an ISA transfer, and no less than FOLK2FOLK's minimum investment amount.

FOLK2FOLK will hold these monies in a client money account alongside other IFISA Account monies and no interest will accrue on these monies. Each IFISA Investor shall have one IFISA Account and the amount invested in the IFISA Account may be added to each tax year.

In the event an IFISA Investor is no longer a resident of the United Kingdom the IFISA Investor must immediately inform FOLK2FOLK in writing.

FOLK2FOLK Subscription Amount

The "FOLK2FOLK Subscription Amount" shall be the total of the amounts invested in the FOLK2FOLK IFISA together with any amount FOLK2FOLK permits to be transferred to the FOLK2FOLK IFISA from an ISA held with another ISA manager.

IFISAs are subject to strict rules setting the amounts that can be subscribed each tax year. These allowances are set by HMRC regulations. Each year FOLK2FOLK will set a New Subscription Allowance, being the amount that can be subscribed to a FOLK2FOLK IFISA that tax year. This amount will be no more than the yearly allowance that is set by the HMRC regulations. The New Subscription Allowance for the FOLK2FOLK IFISA shall be a single lump sum as determined by FOLK2FOLK from time to time and published on the Platform (FOLK2FOLK IF1SA).

The FOLK2FOLK Subscription Amount can be invested in any Loan originated by us or made available on our platform.

Prepayment, Repayment and Cancellation Rights

IFISA Investors benefit from cancellation rights and can request that the account be cancelled within 14 calendar days of receipt of the subscription. In the event the IFISA Investor confirms in writing to FOLK2FOLK on or before 5pm on the fourteenth day after the date of receipt of the subscription of its request to withdraw from the IFISA, FOLK2FOLK will close the IFISA and return (as soon as reasonably practicable) to the IFISA Investor the amount received and in the event of such cancellation the cancelled Subscription Allowance will not count as a subscription to an ISA.

Any cancellation rights will immediately be disapplied on committing funds to a Loan investment whether or not 14 days have passed from receipt of the subscription.

Notices of an intention to cancel must be marked for the attention of the ISA Manager and sent to FOLK2FOLK's registered office.

Partial transfer of monies that have not been invested or that have been invested into a Loan can be withdrawn or transferred out to a new ISA provider, subject to the Terms and Conditions.

If the FOLK2FOLK Subscription Amount is not the subject of a Loan Agreement and/or have not been committed to a Loan investment, the IFISA Investor may close the IFISA. If the FOLK2FOLK Subscription Amount have been drawn down in a Loan investment, withdrawal from the IFISA is subject to the terms of the Secondary Market.

An IFISA Investor may contact FOLK2FOLK at any time to request a transfer of part or all the IFISA to another ISA manager. In the event of a request for a transfer being made, the transfer, if invested in a Loan, will be subject to the terms of the Secondary Market and the fees set out in the Fee Schedule on the FOLK2FOLK website.

On payment of the relevant fees, and subject to the termination provisions set out in the Terms and Conditions, and disposal via the Secondary Market, if applicable, FOLK2FOLK will transfer cash to the new ISA manager within 30 days.

An IFISA Investor may contact FOLK2FOLK at any time to request a withdrawal of part or all of the IFISA. In the event of a request for a withdrawal being made the withdrawal, if funds are committed to or invested in a Loan, will be subject to the terms of the Secondary Market and the fees set out in the Fee Schedule on the FOLK2FOLK Website.

On payment of the relevant fees, and subject to the termination provisions set out in the Terms and Conditions, any funds withdrawn from an IFISA can only be reinvested in an ISA in the same tax year to the extent that a person has availability above the aggregate amount already subscribed for in such tax year in line with current HMRC regulations.

HMRC rules strictly regulate scenarios in which an Investor may sell a peer-to-peer Loan investment held outside of an ISA wrapper and then repurchase that Loan investment inside an IFISA. Such Loan investments must be made available for purchase (using cash held by an ISA manager) on the open market by any Investor at the same price. FOLK2FOLK also prohibits such transfers and substitutions that would breach HMRC guidance. Nothing in the Terms and Conditions constitutes financial advice. If an Investor wishes to undertake such a transfer and substitution, it shall obtain advice from a FCA regulated financial advisor and provide evidence to the satisfaction of FOLK2FOLK (in its absolute discretion) regarding the proposed scheme's adherence to HMRC's rules and guidance in force from time to time. FOLK2FOLK reserves the right to refuse such a transfer and substitution.

Upon repayment in full of a Loan investment into which FOLK2FOLK Subscription Amounts have been invested, such redemption amount shall be registered to the IFISA Account of the IFISA Investor and deposited in FOLK2FOLK's client monies account where it shall be held to be reinvested in a further Loan investment or transferred out or withdrawn as permitted by these conditions.

IFISA Investors will only be able to assign or transfer their Loan investment otherwise in accordance with the Terms and Conditions. If IFISA funds are transferred to a non-ISA account or to a provider who is not a registered ISA provider, then these monies will no longer be ISA funds. If the repayment proceeds from a Loan investment are retained in the FOLK2FOLK IFISA account then these funds will retain their ISA status.

In the event of bankruptcy of an IFISA Investor, FOLK2FOLK will close the IFISA with effect from the date on which the receivers or trustee's appointment takes effect and hold the loan investments and any monies until instructions are provided by the receiver or trustee or equivalent. For the avoidance of doubt, if the monies are invested in a Loan the Loan investment would continue and will be transferred in accordance with the instructions of the receivers or trustees.

In the event of death of an IFISA Investor, IFISA Loan investments will continue until we have received Grant of Probate and an instruction from the personal representative. If there is a failure to instruct following Grant of Probate, FOLK2FOLK will close the IFISA and hold the Loan investments outside the IFISA until instructions are provided by the personal representative.

Interest and ownership

All interest on the Loan investments held in the IFISA will be paid out to the IFISA Investor (in accordance with the Terms and Conditions and the Finance Documents) rather than being reinvested into the IFISA. These interest monies are not added to the FOLK2FOLK Subscription Amount and therefore will not attain the tax benefits. By way of illustration, an annual subscription

of £20,000 in a loan investment will earn interest over the year and this interest will be paid out to the IFISA Investor's bank account and will be tax free. At the end of the year the amount in the IFISA Account will remain at £20,000 and the IFISA Investor will not have accrued interest within the IFISA Account.

IFISA investments will be and must remain in the beneficial ownership of the Investor and must not be used as security for a Loan.

The documents proving title to the IFISA investments will be held by FOLK2FOLK or as FOLK2FOLK may direct.

FOLK2FOLK Subscription Amounts held by FOLK2FOLK in their client money account shall not accrue bank or loan interest. For the avoidance of doubt the IFISA Investor shall not benefit from any interest accrual on any FOLK2FOLK Subscription Amounts held in the FOLK2FOLK client account for any period of time.

General

For the avoidance of doubt the FOLK2FOLK IFISA is not a "flexible ISA". The Investor cannot replace, in whole or in part, cash they have withdrawn, without the replacement counting towards their annual subscription limit. Where a withdrawal is made, any subsequent subscriptions in the same tax year will count towards the subscription limit for that tax year.

FOLK2FOLK can delegate any of its functions or responsibilities under this arrangement. FOLK2FOLK will ensure that any person to whom it delegates its functions or responsibilities is competent to carry out those functions and responsibilities.

FOLK2FOLK will notify the IFISA Investor if, by reason of any failure to satisfy the provisions of the ISA regulations, a FOLK2FOLK IFISA has, or will, become void. FOLK2FOLK may give notice to the IFISA Investor that it has closed the account with immediate effect if directed to do so by HMRC or a regulator. In this event the IFISA will be void.

Investor's Fees

Any Investor fees which may be applied will be detailed on the Fee Schedule which is published on our website from time to time and these are non-negotiable.

11. INTEREST PAYMENTS

No interest will accrue on a Loan investment or any monies held by FOLK2FOLK or its Panel Firm of Solicitors, until the funds have been drawn down.

The Interest Payment Dates for the Borrower shall be four (4) days before the Interest Due Date on which an Investor is to receive the payment to ensure that funds are received in sufficient time for FOLK2FOLK to distribute to that Investor.

It is the Investor's responsibility to account for any income tax and other personal taxes that may be payable to the appropriate authorities. However, should FOLK2FOLK be required to make a deduction of income tax, an Investor will be notified in advance.

FOLK2FOLK will provide an annual statement of interest earned for UK tax purposes to an Investor.

Where an Investor is an individual, in the event of such Investor's death, the monthly interest payments from the Borrower will continue as before. FOLK2FOLK is entitled to deal with the Loan

investment of a deceased Investor in the usual course of FOLK2FOLK's business until such time as executors are granted probate (or an equivalent process is completed in the deceased Investor's relevant jurisdiction) in respect of the deceased. Until such time as probate (or equivalent) is granted, FOLK2FOLK shall hold any accrued interest on behalf of such Investor.

Missed payments

FOLK2FOLK (itself or through an agent acting on its behalf) will contact the Borrower and ask it to explain why payments have not been made and to understand from the Borrower how payments will be made. FOLK2FOLK shall have up to 14 days to investigate any missed payment.

FOLK2FOLK is only required to advise an Investor of an Impairment following the expiry of this investigation period. FOLK2FOLK may (in its absolute discretion) refer the missed payment to a Panel Firm of Solicitors, who will attempt to collect the money on an Investor's behalf and each Investor authorises FOLK2FOLK to use a Panel Firm of Solicitors on their behalf.

FOLK2FOLK will always keep the Investors up to date with the progress of any efforts to collect missed payments or collect on a defaulted debt.

Where the Borrower is an individual, in the event of the Borrower's death, any outstanding Loans will form part of the Borrower's estate for probate purposes (or equivalent in the Borrower's relevant jurisdiction) and notwithstanding the death of the Borrower all outstanding loan amounts shall remain due and payable. On the death of the Borrower, the Investor will in turn be immediately advised and effectively become a creditor of the Borrower's estate, receiving repayment of its Loan investment, together with accrued interest as and when the Borrower's executors have been granted probate (or an equivalent process has been completed in the Borrower's relevant jurisdiction) and the estate is able to repay the outstanding loan investment amount. The Participants acknowledge that it may be necessary to enforce the relevant Finance Documents for the Investors to recover the outstanding loan investment amount. However, the executors (when appointed), may try to continue to service the Loans by continuing to make payment of any interest due to avoid the enforcement of the Finance Documents.

12. DISTRIBUTION OF CAPITAL UPON PARTIAL PREPAYMENT

The Borrower Terms and Conditions contemplate a partial prepayment of capital prior to the Final Repayment Date, albeit subject to the absolute discretion of FOLK2FOLK.

Investors should note that the Investor Terms and Conditions also stipulate that, if such a request is accepted, FOLK2FOLK may, in its sole discretion, decide not to apply such amounts pari passu between Investors to proportionately reduce the individual investment of each member of the Investor Pool and may apply such amounts to reduce and/or repay specific individual Investors only, in the event of partial repayment.

This means that you may not receive your return of capital until the Final Repayment Date, notwithstanding the Borrower making an earlier partial prepayment.

This approach will also be followed when a Borrower is in default, until such time as there is payment arrears of more than 3 months or an enforcement of security has occurred, at which point the distribution of capital will revert to such amounts being distributed pari passu between Loan investments to proportionately reduce Loan investments of each member of the Investor Pool, and in accordance with any pre-existing priority arrangements.

During a period of default and prior to any enforcement action, if there is a prepayment by the Borrower, then FOLK2FOLK will consider the specific circumstances of the Loan to determine whether distribution of capital should change and be in accordance with pari passu distribution.

The matters which will be considered in arriving at a decision, which will be at the absolute discretion of FOLK2FOLK, will include:

a) the circumstances of the payment default of up to 3 months in arrears
b) Whether the sector has suffered adverse macro related economic impacts
c) whether an IVA or insolvency of the Borrower and enforcement of security is a realistic prospect
d) whether a partial security release is being sought by the Borrower upon prepayment
e) the location and current appeal for the security assets
f) if the Loan has passed its Final Repayment Date, and is otherwise not in Default, whether the distribution of capital otherwise in accordance with pari passu is likely to be adverse to any one Investor.

13. GENERAL IMPAIRMENT OF THE LOANS AND ENFORCEMENT

If at any time FOLK2FOLK suspects (acting reasonably) that a Potential Event of Default has occurred or is likely to occur, FOLK2FOLK may in its absolute discretion obtain legal advice in respect of this.

The Panel Firm of Solicitors will do all that is reasonably necessary to protect the interests of each Investor (including in relation to the security granted by the Borrower), obtaining any missed payments and, if necessary and as instructed by the Security Trustee, take any necessary action in connection with the relevant Security Document and / or Guarantee. The Panel Firm of Solicitors will take the interests of the Investors as a whole into consideration when acting and will not take instructions from an individual Investor, but rather from the Agent having due regard to any Investor voting that has taken place.

Following enforcement of a Security Document, all sums received by the Security Trustee or any Receiver shall, subject to the payment of any claim having priority to such Security Document, be paid or applied in the following order of priority:

(a) firstly, towards all costs, charges and expenses incurred by the Security Trustee as agent for the Investors or by any Receiver (including their legal expenses), together with interest at the Interest Rate from the date those amounts became due until the date they are irrevocably paid in full;

(b) secondly, towards any unpaid fees, commission or remuneration of the Security Trustee or any Receiver;

(c) thirdly, towards payment of the secured liabilities owed to the Investors; and

(d) fourthly, the payment of the surplus (if any), to the Borrower or any other person entitled to it.

All sums received by the Security Trustee or any Receiver to be used towards payment of the secured liabilities shall be applied in order of their priority commencing with the first loan agreement entered into by the Borrower and arranged by FOLK2FOLK and continuing to apply such monies until the secured liabilities under each subsequent loan agreement entered into by the Borrower and arranged by FOLK2FOLK (if any) have been discharged.

Investors should note when investing in Peer-to-Peer Loan investments that it is defined by our regulator, the Financial Conduct Authority, to be a High-Risk activity. As

a result, there could be circumstances where Investors may not recover all the monies contractually due to them.

14. INVESTOR TERMINATION

If an Investor no longer wants to be a user of FOLK2FOLK and provided that such Investor has no obligations or rights outstanding in respect of a Loan investment, then the Investor can advise FOLK2FOLK accordingly in writing.

FOLK2FOLK may in its absolute discretion (i) terminate funding discussions with the Investor, (ii) restrict the Investor's use of the Platform and (iii) effect a transfer wat any time and for any reason, including but not limited to if:

a) an Investor breaches the terms of any Finance Document;
b) FOLK2FOLK suspect that an Investor has:
   i. committed a fraud, been involved in money laundering or other criminal activities (including but not limited to using the Platform to send, use or reuse any material that is illegal, offensive, abusive, indecent, defamatory, obscene or menacing; or in breach of copyright, trademark, confidence, privacy or any other right; or is otherwise injurious to third parties; or objectionable; or which consists of or contains software viruses, political campaigning, commercial solicitation, chain letters, mass mailings or any "spam");
   ii. used the Platform or any information accessible on or obtained from it for the purpose of canvassing or soliciting any person or enticing any person away from FOLK2FOLK;
   iii. in any way caused, or is likely to cause, the Platform or access to it to be interrupted or damaged in any way; or
   iv. used the Platform to cause annoyance, inconvenience, needless anxiety or in an attempt to increase the cost burden of providing the Platform; or
   v. ceased to be resident for tax purposes in the UK.

Investor agreements

Each Investor agrees that FOLK2FOLK is making no warranty or representation as to the ability of the Borrower to pay nor its credit risk profile and FOLK2FOLK is in no way liable for the debts of the Borrower.

Each Investor acknowledges that the information on the Platform does not constitute advice (whether financial or otherwise), a recommendation or an endorsement of loan requests or of the Borrower.

Each Investor acknowledges that FOLK2FOLK does not guarantee that there will be sufficient Investors to fully fund the Loan advance.

Each Investor acknowledges that its capital is at risk and is not protected under the Financial Services Compensation Scheme.

15. PLATFORM GENERAL TERMS OF USE

The information provided on the Platform is directed solely at and is for use solely by persons and organisations that meet the criteria set out in the FOLK2FOLK Terms and Conditions. The Platform is not intended for distribution to, or use by, any person or entity in any jurisdiction where such distribution or use would be contrary to applicable law or regulation.

FOLK2FOLK is not responsible for content downloaded or posted by Participants on the Platform.

FOLK2FOLK will endeavour to allow uninterrupted access to the Platform, but access to the Platform may be suspended, restricted or terminated at any time.

The content and material available on the Platform is for informational purposes only and should not be regarded as an offer, solicitation, advice or recommendation to buy or sell investments, securities or any other financial services or banking product. If a Participant is unsure about whether a product is suitable, it should contact an independent financial adviser.

FOLK2FOLK accepts no responsibility or liability for a Participant's use of content on the Platform and such use is entirely at a Participant's own risk. While FOLK2FOLK takes reasonable precautions to prevent the existence of computer viruses or other malicious programs on the Platform, it accepts no liability for them if they do exist. It is a Participant's responsibility to use, update and maintain appropriate antivirus software on its own computer.

Information transmitted via the Platform will pass over public telecommunications networks. FOLK2FOLK accepts no liability if communications sent via the Platform are intercepted by third parties or incorrectly delivered or not delivered.

The Platform may contain links to other websites. FOLK2FOLK accepts no responsibility or liability for any material supplied by or contained on any third-party websites which is linked from or to the Platform, or any use of personal data by such third party.

16. REGULATORY CHECKS

From time-to-time FOLK2FOLK may undertake or instruct another to undertake Know Your Customer checks, Bank verification checks and such other checks required for business purposes and compliance with current regulation from time to time against Participants:

a) as part of the application process; and
b) any in-life monitoring or review processes;

and each Participant acknowledges and consents to this.

Such a search request from FOLK2FOLK may:

a) place an enquiry or organisational search on the personal credit files that have been searched;
b) link together the previous and subsequent names advised by a Participant of anyone that is a party to a Loan, Loan investment or Loan Application.