



· PROSPECT
GROUP FUNDING

PRIVATE PLACING MEMORANDUM

ISSUED BY

PROSPECT GROUP FUNDING (IOM) LTD

**(a company limited by shares incorporated in the Isle of Man under the Companies Act 2006
with registered number 017999V)**

**PRIVATE PLACING
OF UP TO £50,000,000 IN NOMINAL VALUE
SECURED LOAN NOTES**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about its contents or what action to take you should consult immediately your financial advisor. The contents of this Private Placing Memorandum are not to be construed as legal, business or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice. Prospective Noteholders should rely only on the information in this Private Placing Memorandum. No person has been authorised to give any information or make any representations other than those contained in this Private Placing Memorandum and if given, or made, such information or representations must not be relied on as having been authorised by the Issuer. Investment in loan notes issued by Prospect Group Funding (IOM) Ltd (the “**Issuer**”), an unquoted company, is speculative and involves a high degree of risk. A prospective investor should be aware of the risks of investing in loan notes issued by such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser.

This document has not been and is not required to be approved by any person and has not been and is not required to be registered with any regulatory authority in the Isle of Man. Persons acquiring Loan Notes are not protected by any statutory compensation arrangements in the event of the Issuer's failure.

Recipients are required to keep the contents of this Private Placing Memorandum confidential. It may not be copied, in whole or in part, or distributed or otherwise made available by any recipient directly or indirectly without the express written consent of the Issuer or its professional advisers. In particular, the distribution of this document in certain jurisdictions may be restricted by law and therefore persons in possession of this document should inform themselves about and observe any such restrictions.

The whole text of this Private Placing Memorandum should be read in conjunction with the attached Application Form, Loan Note Instrument and the Security Interest Agreements, which are available upon request. An investment in Loan Notes issued by the Issuer in reliance on this document is speculative and may expose you to a significant risk of losing all of the monies you invest. The attention of Noteholders is drawn, in particular, to the section entitled “Risk Factors” set out in Part V of this document.

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The Issuer is not and is not required to be licensed by the FSA under the Isle of Man Financial Services Act 2008 or any other regulatory law.

The FSA takes no responsibility for the financial soundness of the Issuer or for the correctness of any statements made or opinions expressed with regard to it. Subject as set out below, the Issuer and its directors whose names appear on page 5 of this Private Placing Memorandum accept responsibility for the information contained in this Private Placing Memorandum and to the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case) the information contained in this Private Placing Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Directors have taken reasonable care to ensure that the facts stated in this document are true and accurate in all material respects, and that there are no other facts the omission of which would make misleading any statement in the document, whether of fact or of opinion. All the Directors accept responsibility accordingly.

The contents of this promotion has not been approved by an authorised person within the meaning of the UK Financial Services and Markets Act 2000. Reliance on this promotion 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.

Neither the delivery of this Private Placing Memorandum nor the offering, sale or delivery of the Loan Notes shall, in any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof or the date upon which this Private Placing Memorandum has been most recently amended or supplemented.

The distribution of this Private Placing Memorandum and the offering, sale and delivery of the Loan Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Private Placing Memorandum comes are required by the Issuer to inform themselves about and to observe any such restrictions. In particular, the Loan Notes have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or any state securities laws in the United States or under the applicable securities laws of Australia, Canada, Japan, South Africa, Singapore or Hong Kong. Subject to certain exceptions, Loan Notes may not be offered, sold or delivered within Australia, Canada, Japan, South Africa, Singapore or Hong Kong.

This document may not be used for the purposes of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

This document does not constitute a recommendation by the Issuer that any recipient of this document should subscribe for, or purchase, any Loan Notes. Each recipient shall be taken to have made its own investigation and appraisal of the financial condition of the Issuer.

Neither the Issuer nor the Directors make any representation as to the likely tax treatment of any amount paid or payable under or in respect of the Loan Notes, whether in respect of principal or interest. Persons subscribing for Loan Notes should satisfy themselves as to the likely tax treatment of such payments and consider taking professional advice in respect of the same.

As of the date of this Private Placing Memorandum, the Issuer is not and is not required to be licensed in terms of Isle of Man Financial Services Act 2008, accordingly no Noteholder would qualify for compensation pursuant to Section 25 of that Act. This would not affect any other legal right available to a Noteholder in relation to the Loan Notes.

CONTENTS

DIRECTORS AND ADVISERS TO THE ISSUER	5
SUMMARY	6
PART I Definitions	7
PART II Placing Statistics	9
PART III The Issuer and Reasons for the Placing	10
PART IV Terms of the Placing	17
PART V Risk Factors	20
PART VI General Information	23
PART VII Procedure for Application	25

DIRECTORS AND ADVISERS TO THE ISSUER

Directors

Matthew Lawrence
Wendy Bourne
Martin Tidby
John Sturgeon

all of:

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Liberty Wharf
La Route de la Liberation
St Helier
Jersey JE2 3NY

Registered Office

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Victoria Road, Douglas,
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Isle of Man Legal Advisers

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Fort Anne, Douglas,
Isle of Man, IM1 5PD

Bankers to the Issuer

Nedbank Private Wealth Limited
St Mary's Court,
20 Hill Street, Douglas,
Isle of Man IM1 1EU

Loan Note Trustee

GlenQ Trustees Limited
1st Floor
22-24 Seale Street
St Helier
Jersey JE2 3QG

SUMMARY

The following summary should be read as an introduction to this Private Placing Memorandum. Any investment decision should be made only after due and careful consideration of all the information contained in this document and, where necessary, having received appropriate financial advice.

THE ISSUER

The Issuer was incorporated, in the Isle of Man on 18 May 2020 under the Law as a company limited by shares and is registered with company number 017999V.

THE PLACING

Pursuant to a resolution of the Board dated 24 June 2020, the Issuer has approved the placing of Loan Notes in a principal amount of up to £50,000,000 pursuant to the terms and conditions of the Placing described more fully in Part IV.

SUMMARY OF THE TERMS AND CONDITIONS OF THE LOAN NOTES

The Loan Notes will be constituted by the Loan Note Instrument and will be subject to the terms and conditions contained therein and a copy of which accompanies this Private Placement Memorandum. The Security Interest Agreements will secure the obligations of the Issuer pursuant to the Loan Note Instrument and are available for inspection upon request.

USE OF PROCEEDS

The Placing is intended to raise up to £50,000,000, in cash. The net proceeds of the Placing will be used to make one or more advances to Prospect Capital and possibly other companies within the Prospect Capital Group and these advances will be used to finance fixed term secured loans to customers of the Prospect Capital Group, more particularly described in Part III.

PART I

DEFINITIONS

The following definitions shall have the following meanings throughout this document unless the context otherwise requires.

Applicant means a person who submits an Application Form to the Issuer and advances Subscription Monies to the Issuer for the purpose of subscribing for Loan Notes.

Application Form means the application form attached to this Private Placing Memorandum.

Articles means the articles of association of the Issuer.

Board means the Board of Directors of the Issuer.

Business Day means any day except a Saturday, Sunday or public holiday in the Isle of Man.

Certificate means the certificate issued by the Issuer recording the issue of Loan Notes.

Coupon means the interest payable on the Loan Notes as described in more detail in Part IV of this Private Placing Memorandum.

Customer means any customer of the Prospect Capital Group.

Customer Loans means loans made or to be made by Prospect Capital to Customers which will be funded from the Loan Facility.

Directors means the directors of the Issuer.

FSA means the Isle of Man Financial Services Authority.

Individual Self-Certification Form means the Individual Self-Certification Form for FATCA and CRS attached to this Private Placing Memorandum.

Issue Period means the period of issue of a Loan Note having a tenor of 12, 36 or 60 months as identified in the relevant Certificate.

Issuer means Prospect Group Funding (IOM) Ltd, a company limited by shares incorporated in the Isle of Man under the Companies Act 2006 with registered number 017999V.

Law means the Isle of Man Companies Act 2006 (as amended).

Loan Facility means loan facilities whereby the Issuer will lend some or all of the net Placing Proceeds to Prospect Capital and which will be utilised by Prospect Capital to make Customer Loans.

Loan Notes means the secured loan notes issued by the Issuer under the Loan Note Instrument.

Loan Note Instrument means the instrument creating the Loan Notes, a copy of which accompanies this Private Placing Memorandum.

Memorandum means the memorandum of association of the Issuer.

Noteholder means each person who becomes a registered holder of one or more Loan Notes.

Placing means the placing of all, or some, of the Loan Notes pursuant to this Private Placing Memorandum and the Application Form.

Placing Price means the price detailed in Part II of this Private Placing Memorandum.

Placing Proceeds means the aggregate of the Subscription Monies (excluding any Subscription Monies returned or due to be returned to Applicants).

Prospect Capital means Prospect Capital Limited (a wholly owned subsidiary of Prospect Holdings), a company limited by shares registered in Jersey (with company number 122126) whose registered office is at One Liberty Place, Liberty Wharf, La Route de la Liberation, St Helier, Jersey JE2 3NY.

Prospect Capital Group means Prospect Holdings and its subsidiaries.

Prospect Holdings means Prospect Holdings Limited, a company limited by shares registered in Jersey (with company number 131026) whose registered office is at One Liberty Place, Liberty Wharf, La Route de la Liberation, St Helier, Jersey JE2 3NY.

Register means the register of Loan Notes and Noteholders required to be maintained by the Issuer under the Loan Note Instrument.

Security Interest Agreements means each of:

- (i) a Jersey law security interest agreement provided by Prospect Capital (as chargor) in favour of the Security Trustee creating a security interest over, inter alia, (a) the bank account into which advances under the Loan Facility are paid and receipts generated by the Customer Loans made by it are paid; and (b) all powers, rights and interest of Prospect Capital in or pursuant to any agreement or mandate between Prospect Capital and the bank operating the account referred to in (a) of this definition; and
- (ii) an Isle of Man law debenture granted by the Issuer (as chargor) in favour of the Security Trustee creating fixed and floating charges over, inter alia, (a) the advances made by the Company to Prospect Capital under the provisions of the Loan Facility; (b) the Subscription Account and rights relating to its bank account;
- (iii) an Isle of Man law debenture granted by Prospect Capital (as Chargor) in favor of the Security Trustee creating fixed and floating charges over various assets; and
- (iv) a deed of charge and assignment by way of security provided by Prospect Capital in favour of the Security Trustee,

Subscription Account means the account identified in the Application Form into which Subscription Monies are to be paid.

Subscription Date means the date identified as such in a certificate representing a Loan Note.

Subscription Monies means, in relation to each Applicant, the sum paid to subscribe for Loan Notes.

Security Trustee means GlenQ Trustees Limited, or such other independent trustee as may be appointed from time to time.

UK means the United Kingdom.

PART II

PLACING STATISTICS

Minimum Subscription	Loan Notes to the value of £85,000 sterling, and in multiples of £1,000 thereafter.
Number of Loan Notes which may be outstanding	Up to 50,000,000 at any one time.
Gross proceeds of the Placing at the Placing Price (assuming Placing of all the Loan Notes)	£50,000,000

PART III

THE ISSUER AND REASONS FOR THE PLACING

1. INTRODUCTION

The Issuer will issue the Loan Notes in order to raise up to £50,000,000 which, after payment of the expenses of the Placing, will be used to make loans to Prospect Capital under the Loan Facility it has entered into with the Issuer, for the purpose of enabling Prospect Capital to fund a diversified portfolio of Customer Loans. The issuer may also make advances to other members of the Prospect Capital Group in order to make loans to Customers. If the Issuer lends money to these additional members of the Prospect Group each such additional member will be required to provide security to the Security Trustee for the benefit of Noteholders which is similar in scope to that provided by Prospect Capital.

A Loan Note will be redeemable by the Noteholder on the last day of each Issue Period selected by the Noteholder on subscribing for the Loan Note if the Noteholder provides the required notice specified in the Certificate representing that Loan Note. Fixed rate interest shall accrue on each Loan Note monthly, quarterly or annually, dependent on the period specified in the Certificate for the relevant Loan Note. The Coupon payable in respect of the relevant interest period and Issue Period selected by a Noteholder shall, until further notice, be as set out in the table below:

Issue Period	Monthly Interest Period	Quarterly Interest Period	Annual Interest Period
12 Months	3.75% per annum	4.00% per annum	4.25% per annum
36 months	5.75% per annum	6.00% per annum	6.50% per annum
60 months	6.75% per annum	7.00% per annum	7.25% per annum

The Issuer may change the Coupon for Loan Notes from time to time. This will not apply to Loan Notes already in issue for the first Issue Period provided that the Issuer may, on providing notice no later than one month before the date on which notice of repayment must be served in accordance with the terms of the relevant Loan Note, change the rate for any subsequent Issue Period.

Prospect Capital will fund the operational expenses of the Issuer together with the Coupon on the Loan Notes. Prospect Capital will use monies advanced under the Loan Facility to provide Customer Loans. Any funds loaned by the Issuer to Prospect Capital and not utilised from time to time in the making of Customer Loans will be held by Prospect Capital in a separately designated bank account.

Prospect Capital will provide a security interest in favour of the Trustee over the Customer Loans originated utilising the Placing Proceeds advanced under the Loan Facility, receivables payable under those Customer Loans and any bank account into which monies derived from the Placing Proceeds and receipts generated by the Customer Loans are to be paid. The Issuer will provide security over the Subscription Account into which cash Subscription Monies are paid and over the advances made by it to Prospect Capital under the Loan Facility. The Security Trustee will act as trustee of that security for the benefit of the Noteholders.

2. THE ISSUER

The Issuer is a company limited by shares newly incorporated in the Isle of Man, its principal business is to issue the Loan Notes and provide funds to Prospect Capital.

The Issuer is not, and does not intend to become, indebted to any third party other than by virtue of the issue by it of the Loan Notes.

3. BUSINESS OVERVIEW OF THE PROSPECT CAPITAL GROUP

3.1 The Business

The Issuer is a company whose sole business will be raising funds pursuant to the issue of Loan Notes and the making of advances under a Loan Facility.

3.2 Background

The Prospect Capital Group has been providing secured property-backed loans in the specialist finance and bridging market in the Channel Islands and the UK since 2016.-

The Prospect Capital Group:

- (a) benefits from an active database of customers utilising its services; and
- (b) has invested significant resources in developing a unique route to market through its digital marketing program, supported by its own direct sales and marketing activities which in turn are complimented by a strong network of supporting brokers based throughout the UK.

The Prospect Capital Group may seek alternative funding for the loans it advances to Customers. These loans typically comprise of amounts of circa £200,000 to £1,500,000 over an average term of 6 to 24 months. Assuming that all the Loan Notes are subscribed pursuant to the Placing, it is anticipated that up to 150 individual Customer Loans may be financed.

The Prospect Capital Group has not historically experienced any bad debts and does not foresee this situation arising. It is believed that this is due to the fact that all its lending is secured against property assets. Therefore, in the event of a Customer loan defaulting, which can and does occasionally happen, Prospect Capital is able to make a full recovery of the loan capital by exercising its security and selling the property asset against which the loan is secured.

4. ANALYSIS OF LOANS WRITTEN IN 2019

4.1 Methodology

Customer Loans will be made under the terms of an existing comprehensive underwriting procedure which has evolved over a number of years and which has been instrumental in Prospect Capital's high quality of underwriting and sound credit decisions.

Valuations are at the core of Prospect Capital's business. Its panel of valuers generally consists of major national names who have years of experience in their respective fields. The valuer instructed for individual loans will depend on a number of criteria including the location, sector and type of property. Whilst a professional valuation is mandatory at Prospect Capital for a range of reasons, Prospect Capital has for some while been developing its own in-house valuation verification system ("VVS") using a combination of open source information together with its own in-house developed tools and methodology. This enables Prospect Capital to create its own valuations within a matter of hours. Whilst by no means a substitute to a formal professional valuation VVS does serve as an invaluable in-house underwriting tool.

Prospect Capital's VVS is helpful in assessing loan applications in advance of receiving the professional valuation; the results to date are pleasing and already provide Prospect Capital with a distinctive competitive advantage in the market.

Prospect Capital also use credit reference and risk screen organisations that allow screening of Customer data and in particular a Customer's credit and risk profile, which are utilised in the underwriting process.

4.2 Loan Portfolio

Prospect Capital Group's managed loan portfolio totals circa £60m. This portfolio has not historically experienced any bad debts and Prospect Capital does not foresee this situation arising. The Issuer believes this is due to the fact that all lending by Prospect Capital is secured against property assets. Therefore, in the event of a Customer loan defaulting, which can and does occasionally happen, Prospect Capital is able to make a full recovery of the loan capital by exercising its security and selling the property asset the loan is secured against.

Prospect Capital is not currently aware of any factors that would indicate any likely change in its historically zero level of bad debt.

Loans are closely monitored through a formal quarterly loan monitoring program that involves direct dialogue with the borrower to ensure that his plans to repay the relevant loan in a timely manner are suitably progressed. As a loan gets closer to redemption, reviews become more frequent depending on the feedback obtained.

Prospect Capital ascribes the absence of historical bad debts to four principal factors:

- (a) detailed and robust underwriting procedures that focus on security and minimising the risk of default.
- (b) sophisticated risk management and intelligence based upon professional valuations, and its own valuation verification system, supported by a panel of top tier legal advisers.
- (c) a loan monitoring system that follows closely the progress of individual borrowers to ensure that their plans to redeem their loans are being realised in a timely manner; and
- (d) a well structured security package tailored to each borrower profile and loan.

Good quality underwriting with sound credit decisions coupled with strong corporate governance, risk management and in-house legal expertise all helps to ensure the long term security of loan portfolios.

4.3 Reasons for the Placing

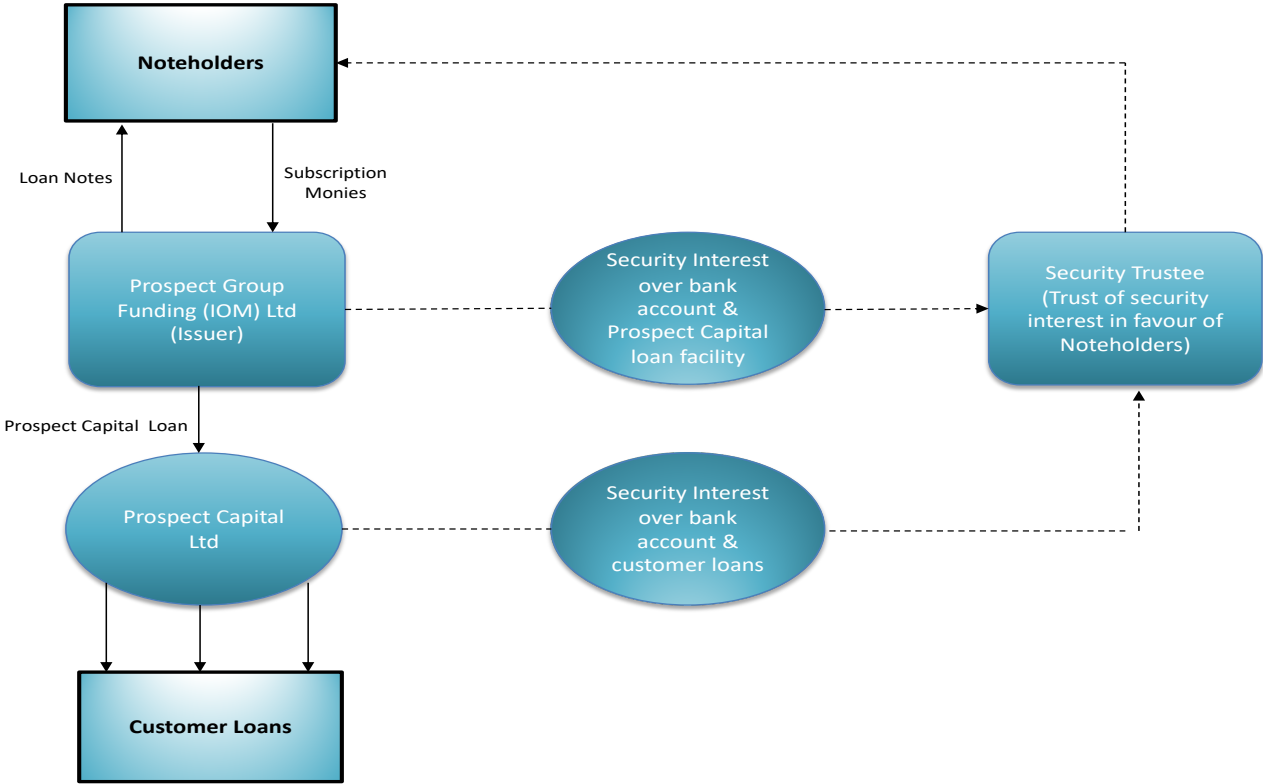
Proceeds from the Placing will allow the Issuer to make advances under the Loan Facility to Prospect Capital and, potentially, loans to other members of the Prospect Capital Group. Prospect Capital and any other members of the Prospect Capital Group to which the Issuer lends will in turn use such moneys to make Customer Loans. The Issuer will thereby receive interest and capital payments from Prospect Capital and any other Prospect Capital Group borrower allowing it to pay the Coupon and to fund repayments of the Loan Notes.

As set out in the diagram below, the Issuer will:

- Issue Loan Notes up to the value of £50,000,000 with a minimum investment of £85,000.

- lend under the Loan Facility with Prospect Capital to enable Customer Loans to be made of the profile described above.
- Interest will be payable on the Loan Notes monthly, quarterly or annually, as selected by the relevant Noteholder. The rate of interest on the Loan Notes will vary depending upon the payment period selected, as described in Part IV, Terms of Placing, below.
- Security will be provided by the Issuer and Prospect Capital for the benefit of Noteholders in the form of the Security Interest Agreements.
- Verification of the loans subject to the Security Interest Agreements will be carried out by the Security Trustee on behalf of the Issuer and Prospect Capital on a quarterly basis.

4.4 Loan Note Structure



4.5 Security

Advances under the Loan Facility will be made by the Issuer to Prospect Capital following receipt of the net Placing Proceeds. These funds will be used exclusively by Prospect Capital to make Customer Loans as described above and these loans will be monitored by the Security Trustee.

Security Interest Agreements have been entered into creating security over, amongst other assets, the loans from the Issuer to Prospect Capital, loans by Prospect Capital to Customers and the segregated bank accounts of the Issuer and Prospect Capital. Security subject to the Security Interest

Agreements has been granted in favour of the Security Trustee for the benefit of the Noteholders.

Under the terms of the Security Interest Agreements there are a number of default triggers. If a default occurs the Security Trustee may take possession of secured assets, including the Customer Loans and the Issuer's designated bank account and these assets will be held by the Security Trustee for the exclusive benefit of the Noteholders. The events of default under the Security Interest Agreements will include:

- 1) Prospect Capital or the Issuer becoming insolvent or ceasing to trade; and
- 2) the Issuer failing to pay the Coupon when due (except as a result of error or the failure of any payment system used to make those payments).

4.6 Investment Return

Returns on the Loan Notes will be based upon the sum of the face value of the Loan Notes, whether the Loan Facility is fully utilised or not.

Customer Loans are expected to earn interest for Prospect Capital at a rate of 12%. This will provide for:

- Coupon payments at an average of 5.0% of the principal amount of issued Loan Notes;
- a provision for bad debts of approximately 1.0%;
- operating costs of the Issuer equal to 0.50% of Customer Loans made;
- a provision for the holding cost of unutilised funds amounting to 1.0%; and
- margin for Prospect Capital equal to 4.5% of Customer Loans made.

4.7 Repayment of Loan Notes

A Noteholder may require repayment of a Loan Note at the end of the Issue Period selected by that Noteholder at the time of making an application for Loan Notes; the Issue Period will be specified in the Certificate representing the relevant Loan Note. Notice must be given to the Issuer requiring redemption:

- (i) in the case of Loan Notes with an Issue Period of 12 months, one month prior to the end of the Issue Period; and
- (ii) in the case of Loan Notes with an Issue Period of 36 or 60 months, six months prior to the end of the Issue Period.

If repayment is not requested the relevant Loan Notes will continue in issue, unless redeemed by the Issuer, until the end of the next Issue Period which will be equal in length to the prior Issue Period and thereafter unless or until repayment is requested for the end of the then current Issue Period on provision of the requisite notice.

The Issuer will have the right to repay a Loan Note in full (including any outstanding Coupon) at any time.

5. THE DIRECTORS

The Directors of the Issuer, each of whom is connected to the Prospect Capital Group, are as follows:

(a) **Matthew Lawrence DipM FCIM**

Matthew Lawrence is aged 59 and was appointed Director of the Issuer on incorporation. He was born in Nuneaton in 1961 and lives in Jersey where he became a resident in 2010. Mr. Lawrence is an elected Fellow of the Chartered Institute of Marketing and holds their post graduate diploma.

Background:

1982 – 1997: Co-founder and director of an electronics business that evolved into a mail order company that eventually merged with a Hong Kong trading company. Mr. Lawrence lived in Hong Kong for several years, leaving in early 1997 having sold his interest to a group of Chinese investors and his business partner.

1998: Founder of Asia Pacific Group, a private equity company based in Gibraltar. Asia Pacific Group invested in the property, finance and tech sectors through both private and listed companies.

2016: Co – founded the Prospect Capital Group having agreed a multi million pound investment to provide initial funding for its lending business. Since 2016 he has been responsible for spearheading the growth and development of the Prospect Capital Group where he has personally invested several million pounds.

(b) **Wendy Bourne**

Wendy Bourne is aged 53 and was appointed Director of the Issuer on incorporation. She was born in Glasgow in 1967 and has lived in Gibraltar since 1988.

Background:

Since 1998 Mrs. Bourne worked for Asia Pacific Group as a Director and in recent years as Chief Financial Officer.

She is also a director for some of Asia Pacific Group's underlying companies and has been an active member of various investment boards and advisory committees.

Mrs. Bourne is particularly skilled at financial modeling and developing management reporting systems that span not just the financial but all the disciplines of a company. From 2009 to 2015 she has also been responsible for the risk oversight of a stock exchange listed fund that traded futures contractors on the major global exchanges including ICE, Globex and Nymex.

Mrs. Bourne has been involved with the Prospect Capital Group since inception and has been seconded from Asia Pacific Group as a director with primary responsibility for the Prospect Capital Group's Finance and Administration.

(c) **Martin Tidby BA (Hons) FCA**

Martin Tidby is aged 49 and was appointed a Director of the Issuer on 3 December 2020. He was born in Southampton in 1971 and still lives there. He is a Chartered Accountant with 23 years' post qualification experience, including 12 years in the Construction Industry, 9 years in Commercial

Finance and 2 years in Corporate Finance

Background

1993 – 1997: Joined Weeks Green as an Audit & Accounts Junior where he was responsible for accounts preparation, client audits and tax computations.

1997 – 1999: Moved to Grant Thornton as a Corporate Finance Senior where he was responsible for M & A advisory work and Financial modelling.

1999 – 2002: Group Financial Controller at Warings Construction Group.

2002 – 2007: Joined Bluestone plc as Regional Finance Controller and later as Regional Finance Director of Bluestone. He was responsible for supporting the Regional Managing Director and Regional Commercial Director in managing 10 business units across 7 office locations. This included Cash management, Management accounts, forecasting, budgets, business planning and financial reporting

2007 – 2016: Finance director of Five Arrows Business Finance plc, an Asset Based Finance provider to the UK SME market and a subsidiary of Five Arrows Leasing Group, itself a subsidiary of N.M. Rothschild. His responsibilities included managing and developing the Finance Team in addition to Underwriting authority for new lending and refinance transactions.

In 2016 Mr Tidby joined Amiri Construction Limited as operations director and more recently as Managing Director. The privately owned Construction company based in Fareham, Hampshire, is a Principal Contractor employing 42 staff and operating across the Commercial, Industrial, Education, Residential and Leisure sectors.

(d) John Sturgeon TEP, BS, MS, JD Attorney and Councillor at Law/Rechtsbeistand

John Sturgeon is aged 70 and was appointed Director of the Issuer on 3 December 2020. He was born in the USA in 1950 and has lived in Isle of Man since 1996. He is a dual citizen of Great Britain and America. He speaks German and Spanish and has a basic knowledge of Russian and French. As well as holding a degree in Engineering and International Business and Finance, he is a US Attorney at Law and passed the Maryland Bar in 1986. He is also qualified to practice law in Germany as a Foreign Legal Practitioner.

Background:

After graduating from the United States Military Academy of West Point with a degree in B. S. Engineering, Mr Sturgeon spent 3 years in the US Army. He returned to university in 1978 and graduated from the University of Baltimore in 1982 with a M.S. in International Business and Finance. In 1985 he graduated from the University of Akron, Ohio with a J. D. Law degree.

In 1986 he opened a private law practice and in 1987 became the General Legal Counsel at CF Bank, Kaiserslautern in Germany until 1991 when as well as working at his private law practice, which is associated with the law firm Bau, Voss & Coll, in Heidelberg Germany, Mr Sturgeon was also

appointed as an Adjunct Professor in business and law at the University of Maryland and Schiller University in Heidelberg, Germany.

6. GROUP STRUCTURE

The Issuer is a company, limited by shares, incorporated in the Isle of Man on 18 May 2020.

The entire issued share capital of the Issuer, comprising 1 ordinary share of £1.00, is owned by Prospect Holdings, which is also the holding company of Prospect Capital.

7. Prospect Capital Group

The Prospect Capital Group has built a reputation for ethical, responsible property-backed lending in the specialist finance and bridging market. The group's growth and strong performance is a testament to the quality of its people and is indicative of their ability to generate strong deal origination coupled with high quality underwriting and sound credit decisions.

The high level of service the Prospect Capital Group offers its clients with a commitment to deliver on the terms set out to the borrower in a timely manner has proven to be a winning formula. This tangible competitive edge has resulted in Prospect Capital attracting quality business from which long term relationships have been forged that will benefit all its stakeholders.

The Prospect Capital Group currently has offices in Jersey and Gibraltar with plans to open in London in the near future. In addition, Prospect Capital has a strong network of supporting brokers based throughout the UK. It expects to continue to grow and evolve through long term relationships in every aspect of its business, relationships built on its core values of trust, integrity and transparency.

The Prospect Capital Group prides itself in its straightforward and transparent approach through a senior management team that brings together more than 70 years of experience. This team successfully combines an entrepreneurial approach with strong corporate governance, risk management and legal expertise, all within an environment that is focused on security of capital.

PART IV

TERMS OF THE PLACING

THE PLACING

The Issuer proposes to raise up to £50,000,000 (before expenses) by the issue of up to £50,000,000, in nominal value, of Loan Notes at the Placing Price. The issue of the Loan Notes was authorised by a resolution of the Board dated 24 June 2020. The Loan Note Instrument constituting the Loan Notes is governed by Isle of Man law.

Applications for Loan Notes must be for a minimum of £85,000 and above that in multiples of £1,000.

The Issuer may close and re-open the Placing from time to time in its absolute discretion. Moneys received from Applicants during a period when the Placing is closed shall be returned to Applicants without interest unless otherwise agreed.

Moneys received from Applicants under the Placing will be held in a segregated account by the Issuer. If an application is accepted Loan Notes will be issued to an Applicant subject to receipt of satisfactory documentation required to identify the beneficial owner of the Subscription Monies.

If applications for Loan Notes exceed £50,000,000 by value or the Directors consider that the amount of such applications exceed the requirements of Prospect Capital or that of the Prospect Capital Group, applications will be scaled back and excess funds will be returned to Noteholders at their risk without interest. Subject to the satisfaction of the requirements of the Loan Note Instrument, the Issuer shall enter the name of each Applicant and the number of Loan Notes subscribed for by that Applicant into the Register on the Subscription Date and deliver a copy of the Register (updated to record any new subscriptions) to the Trustee.

All Loan Notes will be in physical form and will be delivered to the relevant Noteholder. Pending the dispatch of the Certificates, transfers will be recorded in the Register.

THE LOAN NOTES

A summary of the rights and conditions attached to the Loan Notes is set out below; the Loan Note Instrument attached, which all Applicants must read.

1. Interest Rate

The Loan Notes shall bear interest at rates determined by whether an Applicant selects annual, quarterly or monthly interest on applying for the Loan Notes. The rate of interest is set out in paragraph 2 below and will be determined by the selection made by an Applicant as to frequency of interest payment and repayment period selected (as set out in paragraph 2 below).

The Issuer may vary the rate of interest on the principal amount of Loan Notes in respect of periods following the initial Issue Period provided that the Issuer provides notices of the revised rate of interest for the subsequent Issue Period no later than one month before the relevant repayment date.

Issue Period	Monthly Interest Period	Quarterly Interest Period	Annual Interest Period
12 Months	3.75% per annum	4.00% per annum	4.25% per annum

36 months	5.75% per annum	6.00% per annum	6.50% per annum
60 months	6.75% per annum	7.00% per annum	7.25% per annum

2. Interest Payment

Interest shall accrue daily on the Loan Notes and will be due on:

- (i) 31 December in each year if interest is payable annually;
- (ii) the last day of the quarter in which a Loan Note is issued if interest is payable quarterly; and
- (iii) the last day of the month in which a Loan Note is issued if interest is payable monthly, and shall be paid not later than the fifth Business Day next following the date on which it falls due. Interest shall be calculated on the assumption that each calendar month consists of 30 days and on the basis of (i) the number of days expired in a calendar month up to a maximum of 30; and (ii) a 360 day year.

3. Capital Repayment

Each Loan Note will be repaid at the request of the Noteholder or at the option of the Issuer as described in Paragraph 2 of Schedule 2 of the Loan Note Instrument in full by payment of the principal amount of that Loan Note together with any interest accrued on it and then unpaid.

If any day on which repayment is otherwise due is not a Business Day, the payment shall become payable on the next succeeding Business Day.

Provided that a completed redemption notice relating to Loan Notes is received by the Issuer by no later than:

- (i) one month prior to the relevant date on which repayment of a relevant Noteholder's Loan Notes are due in the case of Loan Notes with an Issue Period of 12 months; or
- (ii) six months prior to the relevant date on which repayment of a relevant Noteholder's Loan Notes are done in the case of Loan Notes with either an Issue Period of 36- or 60-months,

the Issuer shall redeem the principal amount of Notes the subject of the relevant Certificate.

If a completed redemption notice relating to Loan Notes is not received by the Issuer within the relevant time limited set out above, the relevant Loan Notes shall not be redeemed on the repayment date; such Loan Notes shall continue in existence for a further period or periods equal to the initial Issue Period of the relevant Loan Notes, as set out in the relevant Certificate, until such term as a completed redemption notice relating to the Loan Notes is received by the Issuer.

Any redemption of the Loan Notes shall be made to a Noteholder, together with accrued and unpaid interest (less any tax required by law to be deducted or withheld from such payment) accrued on the relevant Loan Notes up to (and including) the date of repayment by the Issuer.

4. **Transferability**

The Loan Notes will be transferable in amounts determined by the Directors.

5. **Loan Note Holders**

Noteholders may give consent under the conditions attaching to, or elect to vary the terms of, the Loan Notes by way of special resolution, being a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of the Loan Note Instrument and carried by a majority consisting of not less than 75% of the persons voting at such meetings on a show of hands or, if a poll is demanded, by a majority consisting of not less than 75% of the votes given on such poll. Resolutions may be passed at duly convened meetings of the holders of the Loan Notes by a show of hands or on a poll in the numbers set out in the Loan Note Instrument.

6. **Tax**

Noteholders may be subject to tax on the interest received in respect of the Coupon, depending on their tax residence.

PART V

RISK FACTORS

The investment opportunity offered in this Private Placing Memorandum may not be suitable for all recipients of it. Recipients are therefore strongly recommended to consult an investment adviser who specialises in investments of this nature before making their decision to invest.

Recipients should be aware of the risks associated with acquiring Loan Notes. The Directors consider the following risks and other factors to be the most significant for potential Noteholders at the date of this Private Placing Memorandum; however the risks listed below do not necessarily comprise all those associated with an acquisition of the Loan Notes and are not set out in a particular order of priority. Additional risks and uncertainties not currently known to the Directors or that the Directors consider to be immaterial at the date of this Private Placing Memorandum may also have an adverse effect on the Issuer's business. Recipients should carefully consider these risks, read this Private Placing Memorandum, the Loan Note Instrument and the available Security Interest Agreements in their entirety and consult with their advisers before making a decision to acquire Loan Notes. This summary of risk factors is not intended to be exhaustive. Additional risk and uncertainties may exist which have not been identified below.

THE LOAN NOTES

- (i) The acquisition of the Loan Notes may involve substantial risks and are suitable only for persons who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Loan Notes. Prior to making a decision to acquire Loan Notes, prospective Applicants should consider carefully, in light of their own financial circumstances and investment objectives, all of the information set forth in this document, the Application Form and the Loan Note Instrument. Prospective Applicants should make such enquiries as they deem necessary without relying on the Issuer.
- (ii) The Loan Notes will not be listed on any instrument exchange or admitted to dealing on any market. For these reasons there is unlikely to be a market or liquidity in respect of the Loan Notes. Accordingly, the purchase of Loan Notes is suitable only for Noteholders who can bear the risks associated with a lack of liquidity in the Loan Notes. Noteholders must be prepared to hold the Loan Notes until they are repaid.
- (iii) Neither the Issuer (nor its legal advisors) nor any of its respective affiliates has or assumes responsibility for the lawfulness of the acquisition of the Loan Notes by an Applicant of the Loan Notes, whether under the laws of the jurisdiction of the Applicant incorporation, residence or domicile or the jurisdiction in which it operates (if different), or for compliance by the Applicant with any law, regulation or regulatory policy applicable to it.

FORWARD LOOKING STATEMENTS

This Private Placing Memorandum contains forward-looking statements, including, without limitation, statements containing the words "believes", "estimates", "anticipates", "expects", "intends", "may", "will" and "should" or, in each case, their negative or other variations or similar expressions. Such forward looking statements involve unknown risk, uncertainties and other factors, which may cause the actual results of operations, performance or achievement of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Important factors that could cause these differences include, but are not limited to:

- changes in economic conditions generally and their input on the Issuer's ability to achieve its financial targets;
- changes in assumptions made by the Directors in arriving at the Issuer's ability to pay the Coupon and ultimately repay the Loan Notes; and
- changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Issuer.

NON-PERFORMANCE OF CUSTOMER LOANS

The Issuer will be reliant upon income being achieved by Prospect Capital entering into Customer Loans to service interest payable to the Issuer under the Loan Facility. Without Prospect Capital servicing interest obligations under the Loan Facility, the Issuer may not be able to discharge its obligations to pay the Coupon payable in respect of the Loan Notes. Furthermore, the ability of the Issuer to repay capital is reliant upon sufficient Customer Loans being repaid to Prospect Capital in accordance with terms applicable to such loans in order that each may make requisite repayments under the Loan Facility. Past performance of such type of Customer Loans should not be considered as a guide to future performance.

NO TRADING HISTORY

The Issuer has not yet commenced operations, is thinly capitalized and exists solely to issue the Loan Notes and enter into a Loan Facility with Prospect Capital and possibly, in time, other members of the Prospect Capital Group. The Issuer is subject to all the business risks and uncertainties associated with any new business enterprise, including the risk that the Issuer will not achieve its commercial objectives and therefore be unable to pay the Coupon and/or effect repayment of capital.

CHANGES IN LAW OR REGULATION

Any change in the law and regulation affecting the Issuer or any changes in applicable law and regulation generally may have an adverse effect on the ability of the Issuer to carry on its businesses.

For regulatory, tax and other purposes, the Issuer and the Loan Notes may not be treated in a similar way in different jurisdictions. In certain jurisdictions, the treatment of the Issuer and/or the Loan Notes may be uncertain or subject to change or it may differ depending on the availability of certain information or disclosure by the Issuer of that information. The Issuer may be subject, therefore, to financially and logistically onerous requirements to disclose any or all of such information or to prepare or disclose such information in a form or manner which satisfies the regulatory, tax or other authorities in certain jurisdictions. Failure to disclose or make available information in the prescribed manner or format, or at all, may adversely impact Noteholders in those jurisdictions.

Prospect Capital will enter into a Loan Facility with the Issuer pursuant to which proceeds from the Placing will be made available by the Issuer to Prospect Capital in order to permit it to make Customer Loans. Customer Loans can be made by virtue of Prospect Capital being registered as a moneylender pursuant to the provisions of the Proceeds of Crime (Supervisory Bodies) (Jersey) Law 2008. If Prospect Capital ceases to be so registered for whatever reason, under the law in Jersey as currently enacted, Prospect Capital will be precluded from making Customer Loans; this could impact the business of Prospect Capital and thereby affect the ability of the Issuer to meet its obligations in terms of the Loan Notes.

NO PETITION

Save to the extent that any relevant legislation provides otherwise, no recourse under any obligation, covenant or agreement of the Issuer contained in the Loan Note Instrument may be had against any shareholder, officer or director of the Issuer or any member of the Prospect Capital Group as such, by virtue of statute or otherwise. Any and all personal liability of every such shareholder, officer or director for breaches by the Issuer of any such obligations, covenants or agreements either at law or by statute or constitution has, to be fullest extent possible at law, been waived.

RISK OF EARLY REPAYMENT

The Issuer retains the right to redeem any Loan Notes in full (including any outstanding Coupon) at any time on one month's notice. If the Issuer repays Loan Notes prior to the end of the current Issue Period, a Noteholder will, as a result of that early repayment, receive less interest than would have been the case had repayment been made at the end of the relevant Issue Period.

ABSENCE OF REGULATION

The Issuer is not regulated by the FSA or any other securities or governmental authority. Accordingly, the benefit of such regulation is not, and will not be, applicable to the Issuer or available to Noteholders. The FSA has not authorised this document or the Loan Note Instrument and does not accept any responsibility for the financial soundness of the Issuer or for the accuracy of any of the statements made or opinions expressed herein.

Holders of Loan Notes are not protected in the event of the Issuer defaulting on its obligations under the Loan Note Instrument; the Isle of Man Depositor's Compensation Scheme Regulations 2010 have no application in this connection.

COVID-19

In December 2019, the novel coronavirus ("COVID-19") emerged in Wuhan, China. The World Health Organization declared a global emergency on 30 January 2020 with respect to the outbreak then characterized it as a pandemic on 11 March 2020. The outbreak has spread throughout Europe, the Middle East, Canada and the United States of America, causing companies and various international jurisdictions to impose restrictions, such as quarantines, closures, cancellations and travel restrictions. While these effects are expected to be temporary, the duration of the business disruptions internationally and related financial impact cannot be reasonably estimated at this time. Similarly, we cannot estimate whether, or to what extent this outbreak and potential financial impact may extend to countries outside of those currently impacted. At this point, the extent to which the coronavirus may impact the Issuer is uncertain.

To date the outbreak of COVID-19 has not had a material adverse impact on our operations. The future impact of the outbreak is uncertain and cannot be predicted, and there is no assurance that the outbreak will not have an adverse impact on the future results of the Issuer. The extent of the impact, if any, will depend on future developments, including actions taken to contain COVID-19 worldwide.]

LAW

The Issuer is a limited liability company incorporated under the Law. The Law does not make a distinction between private and public companies and some of the protections and safeguards that Noteholders may expect to find in relation to a public company under UK law are not provided for by Isle of Man law in relation to the Issuer.

PART VI

GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

The Directors, whose names, functions and addresses appear on pages 15 and 16 of this document, and the Issuer, accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Issuer (who have taken reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the impact of such information.

2. THE ISSUER

- 2.1 The Issuer was incorporated on 18 May 2020 under the Law and is registered in the Isle of Man with company registration number 017999V.
- 2.2 The registered office of the Issuer is at First Floor, Millennium House, Victoria Road, Douglas, IM2 4RW, Isle of Man.
- 2.3 The Issuer is not and does not require to be regulated by the FSA or any other regulator in another jurisdiction.

3. DIRECTORS AND OTHERS

- 3.1 The Issuer is managed by its Board. The Board is composed of at least two directors. There are no statutory provisions regarding the nationality or domicile of Board members.
- 3.2 As at the date of this Private Placing Memorandum, the following have been elected to the Board:
 - Matthew Lawrence;
 - Wendy Bourne;
 - Martin Tidby; and
 - John Sturgeon
- 3.3 The business address for the above Directors is the same as the principal place of business of the Issuer.
- 3.4 The Directors may from time to time invest in their personal capacity in one or more of the Loan Notes.
- 3.5 The entire issued share capital of the Issuer comprising 1 ordinary share of £1.00, is owned by Prospect Holdings.
- 3.6 The Issuer has no employees.

4. MEMORANDUM AND ARTICLES

The Memorandum and Articles contains no restrictions on the Issuer's activities.

5. AUTHORISATIONS

The issue of the Loan Notes was authorised by the Board of Directors of the Issuer on 24 June 2020. The Issuer is not currently obliged to obtain any consents, approvals or authorisations in connection with the issue and performance of the Loan Notes.

6. LITIGATION

Since its incorporation there has been no litigation or arbitration proceedings against or affecting the Issuer or any of its assets or revenues, nor is the Issuer aware of any pending or threatened proceedings of such kind, which are or might be material in the context of the issue of the Loan Notes.

7. FINANCIAL INFORMATION

- 7.1 The Issuer's accounting period ends on 31 December in each year.
- 7.2 The Issuer has not commenced trading since its incorporation on 18 May 2020 and no financial statements of the Issuer have been made at the date of this Private Placing Memorandum.
- 7.3 The Issuer intends to raise up to £50,000,000 through the Placing. The Issuer will not proceed with the Placing if the net proceeds of the Placing are less than £85,000.
- 7.4 The Issuer will ensure that on a quarterly basis (and as verified by the Security Trustee), the minimum account balance in the Subscription Account, subject to a Security Interest Agreement, will be above the amount of the bad debt provision.

8. DOCUMENTS AVAILABLE FOR INSPECTION

For so long as any Loan Notes shall be outstanding, copies of the following documents may be inspected at the registered office of the Issuer, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- (i) the Memorandum and Articles;
- (ii) this Private Placing Memorandum (including the attached Application Form, the Loan Note Instrument);
- (iii) the Security Interest Agreements which have been entered into on or before at the date of this Private Placement Memorandum.

PART VII

PROCEDURE FOR APPLICATION

The following should be read in conjunction with the Application Form.

1. Insert in the first space provided (in figures) the amount that you would like to subscribe. Applications must be for a minimum of £85,000 and, if in excess of that number, be in additional multiples of £1,000. You should also select your preferred interest period (monthly, quarterly or annually) by checking the appropriate box.
2. Insert your full name (no initials please), address and contact details in BLOCK CAPITALS in the space provided in paragraph 7 of the Application Form.
3. Date and sign the Application Form in the space provided in paragraph 9 of the Application Form. The Application Form may be signed by someone else on your behalf (and/or on behalf of any joint applicant) if duly authorised to do so, but the power(s) of attorney or a duly certified copy thereof must be enclosed for inspection.
4. If subscribing for Loan Notes with cash, attach a single cheque or banker's draft to your completed Application Form. Your cheque or banker's draft must be payable to the Issuer as detailed on the Application Form for the amount payable on application identified in your application form and should be crossed "A/C Payee". Should you wish to make payment electronically please make any payment in accordance with the details set out in the Application Form.
5. Acknowledgments of acceptance of Noteholders' applications and confirmation of final allocations, together with the total subscription amount payable to the Issuer by telegraphic transfer or such other means as shall be determined by the Issuer, will be dispatched as soon as reasonably practicable and shall be subject to the final decision of the Directors to issue the Loan Notes. The Loan Notes will be issued following the receipt by the Issuer of the subscription monies.
6. In each case the cheque for the amount payable on application must be drawn in pounds sterling. If any application is not accepted the amount paid will be returned without interest by cheque sent by post at the risk of the applicant(s). The Issuer reserves the right to:
 - present all cheques for payment and to retain Loan Note certificates and surplus application monies pending clearance of applicants' cheques;
 - reject any application or to accept any application in part only on any basis it sees fit;
 - accept an application not complying with the requirements specified in these notes or in the Application Form; and
 - all cheques, certificates and other documents will be dispatched by post at the risk of the person(s) entitled to them.
7. You may apply jointly with one other person. You must then arrange for the Application Form to be completed by, or on behalf of, the joint applicant. Full name, address and contact details should be inserted in BLOCK CAPITALS and the Application Form signed by joint applicants in the spaces provided in paragraph 7.1. If anyone is signing on behalf of the joint applicant, the power of attorney or a duly certified copy must be enclosed for inspection.
8. You must send your completed Application Form by post to:

Prospect Group Funding (IOM) Ltd,
First Floor, Millennium House,
Victoria Road, Douglas,
IM2 4RW, Isle of Man

9. On posting your Application Form, you are recommended to use first-class or signed for post and allow at least two Business Days for delivery. Any documents in connection with the Loan Note may be sent to you at the address stated in your Application Form.
10. The Application Form must be accompanied by the documents specified therein and, because the Issuer is obliged to collect certain information about each applicant, the Individual Self-Certification Form, completed in all respects. If the Individual Self-Certification Form, complete in all respects, does not accompany the Application Form, the application for Loan Notes may not be processed, or processing may be delayed.

Private placing (the “Placing”) by Prospect Group Funding (IOM) Ltd (the Issuer”) of up to £50,000,000 nominal value secured Loan Notes (“Loan Notes”).

Before making any application you are recommended to consult a financial adviser.

This Application Form should be read in conjunction with the private placing memorandum issued by the Issuer dated 24 June 2020 (“Private Placing Memorandum”) (as amended) to which the Loan Note Instrument is attached.

APPLICATION FORM

You must send your completed Application Form, the relevant Due Diligence Questionnaire, accompanied by the original certified client due diligence documents, set out below, by post to:

**Prospect Group Funding (IOM) Ltd,
First Floor, Millennium House,
Victoria Road, Douglas,
IM2 4RW, Isle of Man**

accompanied by:

(a) Corporate Applicants:

- Certified copies of the Certificate of Incorporation and Memorandum and Articles of Association of the applicant;
- Certified copies of the register of directors and register of members of the applicant;
- Certified copies of passports and proof of address for any individual acting as director, shareholder or beneficial owner of the applicant holding more than 25% of the issued share capital of the applicant, not older than 3 months;
- Such additional documentation as may be agreed with the Issuer;
- A certified copy of a current authorised signatory list.

(b) Individual Applicants (including the beneficiary of any trust of which the registered holder is a trustee):

- a certified copy of a current valid passport (specifically the pages showing personal details, signature and photograph); and
- an original or certified copy of a utility bill confirming the residential address, not older than 3 months.

8. Certification of Documents

Certifications should be performed by a relevant independent professional, such as a lawyer or accountant, stating the capacity in which they are signing and dating. Please ensure the following wording/information is adopted:

(a) In relation to passport certification the certification wording should state:

“I hereby certify that this is a true copy of the original document which I have seen and that the photograph is a true likeness of (include name of the individual)”

Signed
Name
Capacity
Address
Date

(b) In relation to **document certification** the certification wording should state:

"I hereby certify that this is a true copy of the original document which I have seen"

Signed
Name
Capacity
Address
Date

Terms defined in the Private Placing Memorandum shall have the same meaning in this Application Form.

The terms in the Procedure for Application in the Private Placing Memorandum shall be treated as part of this Application Form and binding on Noteholders accordingly.

I/We offer irrevocably to subscribe for £ _____ of Loan Notes (being a minimum of £85,000 and any excess being in multiples of £1,000) in respect of which this application may be accepted on the terms of and subject to the conditions of the Placing. I/We request that interest on the Loan Notes be payable:

Annually

Quarterly

Monthly

I/We request that the Loan Notes be redeemable on the last day of Issue Periods of:

12 months (and I/we note that I/we will need to provide one month's notice prior to such redemption)

36 months (and I/we note that I/we will need to provide six months' notice prior to such redemption)

60 months (and I/we note that I/we will need to provide six months' notice prior to such redemption)

1. I/We request that you send me/us a loan note certificate for the Loan Notes in respect of which this application may be accepted together with a cheque for any surplus money (without interest) by post at my/our risk to the address given below. I/We understand that the completion and delivery of the Application Form constitutes an undertaking that I/we will make payment into the Account identified in the Procedure for Application for the Loan Notes, of an amount up to the total shown in paragraph 1 above once confirmation of my/our final allocation and the subscription amount payable by me/us has been received by me/us and the conditions referred to in paragraph 1 above have been satisfied.
2. I/We confirm that I/we have read the Loan Note Instrument and have read, accepted and understood the terms and conditions set out in the Private Placing Memorandum, that I/we have taken appropriate professional advice before submitting this Application Form and that I am/we are aware of the risks involved in investing in the Loan Notes subject to the Placing. I/We further confirm that I am/we are investing in the Loan Notes on the basis only of the information contained in the Private Placing Memorandum and the Loan Note Instrument which information supersedes all other information (whether written or oral) concerning the Issuer and the Loan Notes or otherwise prior to the date of the Private Placing Memorandum and any such other information or representations must not be relied upon in subscribing for Loan Notes.

For investments by pension schemes, paragraph 2 applies to the Scheme Member only.

3. I/We:
 - agree that all Applications, acceptances of Applications and contracts resulting therefrom shall be governed in accordance with Isle of Man law, and that I/we submit to the jurisdiction of the Isle of Man law courts and agree that nothing shall limit the right of the Issuer to bring any action, suit or proceeding arising out of, or in connection with, any such Applications, acceptances of Applications and contracts in any other manner permitted by law or any court of competent jurisdiction;
 - irrevocably authorise the Issuer or any person authorised by the Issuer as its agent to do all things necessary to effect registration of any Loan Notes subscribed by, or issued to, me/us into my name/our names and authorise any representative of the Issuer to execute any document required therefor;
 - agree that, having had the opportunity to read the Private Placing Memorandum and the Loan Note Instrument, I/we shall be deemed to have had notice of all information and statements concerning the Issuer and the Loan Notes contained therein;
 - confirm that I/we have read the restrictions contained in paragraph 5 below and warrant that I am/we are not a "US Person" as defined in the United States Securities Act of 1933 (as amended) (the "Securities Act"), nor a resident of Canada and that I am/we are not applying for any Shares with a view to their offer, sale or delivery to or for the benefit of any US Person or a resident of Canada;
 - agree that all documents and cheques sent by post to, by or on behalf of, the Issuer will be sent at the risk of the person entitled thereto;
 - agree, on request by the Issuer, to disclose promptly in writing to the Issuer any information which the Issuer may reasonably request in connection with my/our application including, without limitation, satisfactory evidence of identity to ensure compliance with any applicable law or regulation and authorise the Issuer to disclose any information relating to my/our

Application as it considers appropriate;

- agree, on request by the Issuer, to disclose promptly in writing to the Issuer any information which the Issuer may reasonably request in connection with my/our application including without limitation, satisfactory evidence of identity to ensure compliance;
 - acknowledge that no steps have been taken to register, qualify or otherwise authorise the Placing or the distribution of the documents related to the Placing in any territory; and
 - declare that the Application Form has been completed to the best of my/our knowledge.
4. No person receiving a copy of this document or an Application Form in any territory other than the Isle of Man and the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any regulations or other legal requirements. It is the responsibility of any person outside of the Isle of Man or the United Kingdom wishing to make an Application to satisfy himself 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 requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.
 5. The Loan Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States of America, its territories or possession or other areas subject to its jurisdiction (the "USA"). In addition, the Issuer has not been and will not be registered under the United States Investment Company Act of 1940, as amended. No application will be accepted if it bears an address in the USA.
 6. The basis of allocation will be determined by the Issuer in its absolute discretion. The right is reserved to reject in whole in part and/or scale down and/or ballot any Application Form or any part thereof including, without limitation, Application Forms in respect of which any verification of identity which the Issuer considers may be required for the purposes of any applicable legislation and regulations) has not been satisfactorily supplied. The Issuer shall not be obliged to scale back applications on a pro-rata or proportional basis.
 7. Please register any Loan Notes allotted to me/us in my/our name(s):

Details	Complete Using BLOCK CAPITALS
Title (if Individual):	
Full Name of individual OR Company:	
Full Address (Incl. Post Code):	
Contact Person (Full Name):	
Telephone Number:	
Mobile Number:	
E-mail Address:	

7.1 Joint Applications (if applicable).

The first applicant should complete the boxes in paragraph 7 and sign and date the boxes in paragraph 9. Insert below in BLOCK CAPITALS the names of the other joint applicants, who must sign in the right hand column below thereby joining in this application and giving the declarations set out herein.

Applicant	Title	Forename(s) in full	Surname	Signature
2 nd joint applicant				
3 rd joint applicant				
4 th joint applicant				

8. I/We authorise the Directors of the Issuer and its advisers to contact me/us by telephone in connection with queries arising in connection with my/our Application Form.

9. Applicant Signature and Date:

Signature:	2 nd Signature:
Name:	2 nd Name:
Date:	Date:

10. Signature and Date of Scheme Member if application is through a Pension Scheme:

Signature:	2 nd Signature:
Name:	2 nd Name:
Date:	Date:

11. If subscribing for cash, please attach a single cheque or banker's draft to this completed application form. Your cheque or banker's draft must be payable to:

Prospect Group Funding (IOM) Ltd for the amount payable on application identified in your application form and should be crossed "a/c payee". Should you wish to make payment electronically, please make any payment in accordance with the following details:

Account Name: Prospect Group Funding (IOM) Ltd
 Bank: Nedbank Private Wealth Limited
 Account number: 63606190
 Sort Code: 16-57-41

SOURCE OF FUNDS*

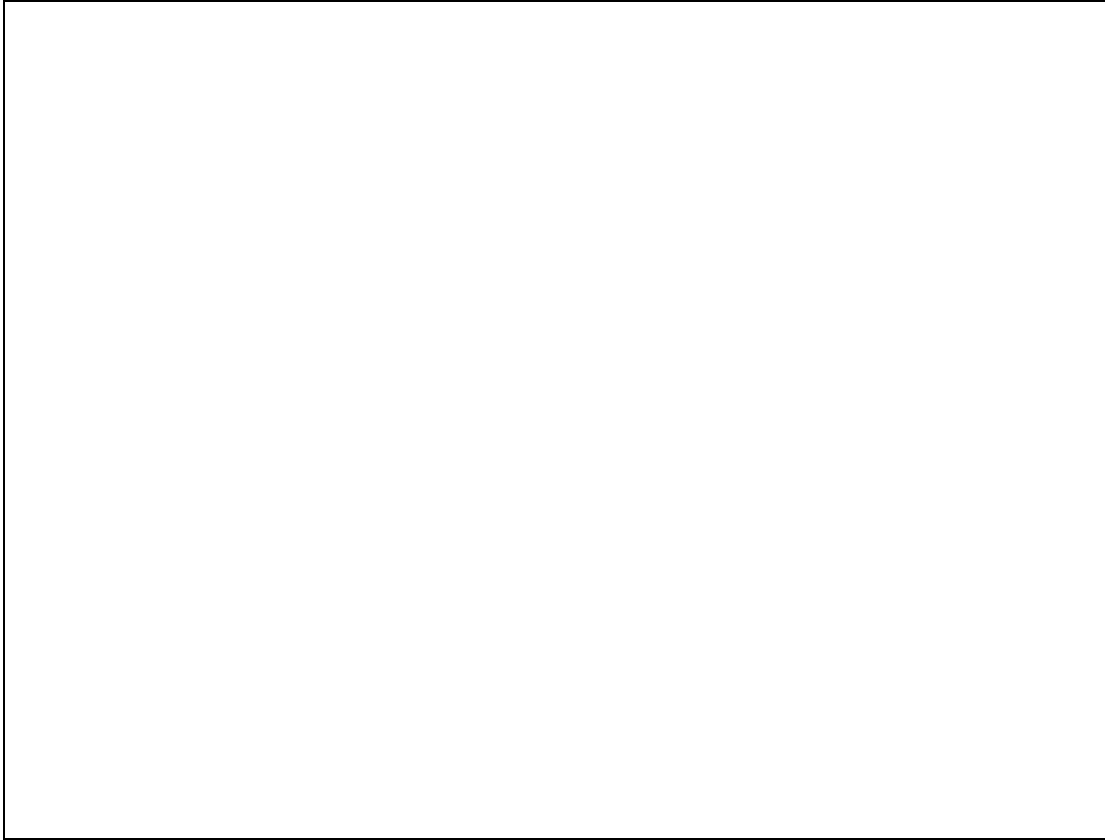
Please provide bank account details as to where any payments to or from Prospect Group Funding (IOM) Ltd will be made to or by you. Please note that any funds you transfer to the Issuer must come through this account otherwise we will be required to carry our further due diligence.

Account Name:	
Bank and Branch:	
Address:	
Sort Code:	
Account Number:	

SOURCE OF WEALTH*

Please provide a description of your source of wealth (i.e. how and where your overall

wealth has been generated e.g. employment inheritance etc.). If necessary, please use a continuation sheet.



*We may request additional information and/or documentary evidence to support the details provided above.

Data Protection - processing of personal data is undertaken for the performance of this contract with you. Your consent is deemed to have been freely given, specific, informed, unambiguous and verifiable by the provision of your personal data. A Copy our privacy policy can be obtained from our offices, or downloaded from our website at: <https://www.prospectgroupfunding.com>

Individual Self-Certification for FATCA and CRS

Instructions for completion

In accordance with Part 9 of the Income Tax Act 1970 (as amended) and regulations made pursuant to the Act, we are obliged to collect certain information about each account holder. Please complete the sections below as directed and provide any additional information that is requested. Please note that in certain circumstances we may be legally obliged to share this information, and other financial information with respect to an account holders' interests with relevant tax authorities.

If you have any questions about this form or defining the account holders tax residency status, please refer to the OECD CRS Portal or speak to a tax adviser.

For further information on FATCA or CRS please refer to the Income Tax Division's website at <https://www.gov.im/categories/tax-vat-and-your-money/income-tax-and-national-insurance/international-agreements/fatca-and-common-reporting-standard/> or the following link to the OECD CRS Information Portal at: <http://www.oecd.org/tax/automatic-exchange/> in the case of CRS only.

If any of the information below about the account holders tax residence or FATCA/CRS classification changes in the future, please advise of these changes within 14 days.

Please note that where there are joint or multiple account holders each account holder is required to complete a separate self-certification form.

Sections 1 to 4 must be completed by all account holders.
(Mandatory fields are marked with an *)

Section 1: Identification of Individual Account Holder

Family Name or Surname*: (Complete in Bold & Underlined):

First or Given Name*: (Complete in Bold & Underlined)

Title: (Complete in Bold & Underlined)

Current Residential Address:

Number: Street:

City, Town, State, Province or County*:

Postal/ZIP Code: Country*:

Mailing address (if different from above):

Number: Street:

City, Town, State, Province or County*:

Postal/ZIP Code: Country*:

Place and Date of Birth

Town or City of Birth*: Country of Birth*:

Date of Birth*:

Section 2: FATCA Declaration of U.S. Citizenship or U.S. Residence for Tax purposes*:

Please tick either (a), (b) or (c) and complete as appropriate.

- (a) I confirm that **I am** a U.S. citizen and/or resident in the U.S. for tax purposes and my U.S. federal taxpayer identifying number (U.S. TIN) is as follows:

- (b) I confirm that **I was born** in the U.S. (or a U.S. territory) but I am no longer a U.S. citizen as I have voluntarily surrendered my citizenship as evidenced by the enclosed documents.
- (c) I confirm that **I am not** a U.S. citizen or resident in the U.S. for tax purposes.

Section 3: CRS Declaration of Tax Residency (please note you may choose more than one country) *

Please indicate your country of tax residence (if resident in more than one country please detail all countries of tax residence and associated taxpayer identification numbers ("TIN"). Please see the CRS Portal for more information on Tax Residency.

Country of Tax Residency	Tax ID Number

NOTE: If a TIN is not available please provide a functional equivalent (such as your social security, national insurance, citizen, personal identification or a resident registration number). If no TIN or functional equivalent is available for any of the jurisdictions listed please advise the reason why (such as the jurisdiction does not issue such numbers) below:

.....

.....

Please see the CRS Portal for further information on the issuance rules for TINs and their format. <http://www.oecd.org/tax/automatic-exchange/>

Section 4: Declaration and Undertakings:

I declare that the information provided in this form is, to the best of my knowledge and belief, accurate and complete.

I acknowledge that the information contained in this form and information regarding the Account Holder may be reported to the tax authorities of the country in which this account(s) is/are maintained and exchanged with tax authorities of another country or countries in which the Account Holder may be tax resident where those countries (or tax authorities in those countries) have entered into Agreements to exchange financial account information.

I undertake to advise Prospect Group Funding (IOM) Ltd within 14 days of any change in circumstances which causes any of the information contained in this form to be incorrect, and to provide an updated self- certification form.

Authorised Signature*: Print Name*:

Capacity * Date: (dd/mm/yyyy)*:

Note: If you are not the account holder please indicate the capacity in which you are signing the form. If signing under a power of attorney please also attach a certified copy of the power of attorney.

Originally dated 24 June 2020 as amended and restated pursuant to an amendment and restatement agreement dated 5 November 2020 and a Special Resolution of Noteholders dated 5 November 2020

LOAN NOTE INSTRUMENT

constituting

**UP TO £50,000,000 VARIABLE RATE VARIABLE TERM SECURED LOAN
NOTES**

of

PROSPECT GROUP FUNDING (IOM) LTD

**Cains Advocates Limited
Fort Anne
Douglas
Isle of Man
IM1 5PD**

Contents

Clause

2	DEFINITIONS AND INTERPRETATION	40
3	AMOUNT OF NOTES AND ISSUE	44
4	DESCRIPTION OF NOTES	44
5	STATUS OF NOTES	44
6	REPAYMENT OF NOTES	44
7	INTEREST ON NOTES	45
8	SECURITY	45
9	CERTIFICATES	45
10	REGISTER	46
11	DEFAULT	47
12	ACCELERATION	48
13	NO SET-OFF	48
14	MEETINGS OF NOTEHOLDERS	48
15	ENFORCEMENT	49
16	MODIFICATION	49
17	GOVERNING LAW AND JURISDICTION	49

Schedules

SCHEDULE 1	FORM OF NOTE CERTIFICATE	50
SCHEDULE 2	THE CONDITIONS	52
1.	REPAYMENT	52
2.	VOLUNTARY EARLY REPAYMENT	52
3.	CANCELLATION	52
4.	PAYMENT OF INTEREST	52
5.	DEALINGS	53
6.	NOTICES	53
SCHEDULE 3	PROVISIONS AS TO REGISTRATION, TRANSFER AND OTHER MATTERS	54
1.	RECOGNITION OF NOTEHOLDER AS ABSOLUTE OWNER	54
2.	TRANSFERABILITY OF NOTES	54
3.	EXECUTION OF TRANSFERS	54
4.	REGISTRATION OF TRANSFERS	54
5.	NO FEES FOR REGISTRATION OF TRANSFERS	55
6.	RECOGNITION OF PERSONAL REPRESENTATIVES	55
7.	TRANSMISSION OF NOTES	55
8.	PAYMENT OF INTEREST AND PRINCIPAL	55
9.	RECEIPT OF JOINT HOLDERS	56
10.	REPLACEMENT OF CERTIFICATES	56
11.	NOTICE OF NOTEHOLDERS	56
12.	NOTICE TO THE COMPANY	56
13.	SERVICE OF NOTICES	56
SCHEDULE 4	PROVISIONS FOR MEETINGS OF NOTEHOLDERS	58

1.	CALLING OF MEETINGS.....	58
2.	NOTICE OF MEETINGS	58
3.	CHAIRMAN OF MEETINGS.....	58
4.	QUORUM AT MEETINGS	58
5.	ABSENCE OF QUORUM	58
6.	ADJOURNMENT OF MEETINGS.....	59
7.	NOTICE OF ADJOURNED MEETINGS.....	59
8.	RESOLUTION ON SHOW OF HANDS.....	59
9.	DEMAND FOR POLL	59
10.	MANNER OF TAKING POLL.....	59
11.	TIME FOR TAKING POLL	59
12.	PERSONS ENTITLED TO VOTE	60
13.	INSTRUMENT APPOINTING PROXY.....	60
14.	DEPOSIT OF INSTRUMENT APPOINTING PROXY	60
15.	VOTES.....	60
16.	POWER OF MEETINGS OF NOTEHOLDERS	61
17.	SPECIAL RESOLUTION BINDING ON ALL NOTEHOLDERS.....	61
18.	RESOLUTIONS IN WRITING	62
19.	MINUTES OF MEETINGS.....	62
SCHEDULE 5	SECURITY ARRANGEMENTS.....	63
SCHEDULE 6	NOTICE OF REDEMPTION.....	68

THIS DEED is originally dated 24 June 2020 as amended and restated pursuant to an amendment and restatement agreement dated 5 November 2020 and a Special Resolution of the Noteholders dated 5 November 2020

BY

- (1) **PROSPECT GROUP FUNDING (IOM) LTD**, a company incorporated in the Isle of Man with number 017999V whose registered office is at First Floor, Millennium House, Victoria Road, Douglas, Isle of Man IM2 4RW (the "**Company**"); and
- (2) **GLENQ TRUSTEES LIMITED**, a company incorporated in Jersey with number 115000 acting through its Jersey branch at First Floor, 22-24 Seale Street, St Helier, Jersey JE2 3QG, its successors and assigns (the "**Security Trustee**").

BACKGROUND

The Company has, by resolution of its board of directors passed on 24 June 2020, resolved to create up to a maximum nominal amount of £50,000,000 variable rate variable term secured loan notes, to be constituted in the manner set out below.

AGREED TERMS

1 DEFINITIONS AND INTERPRETATION

1.1 The definitions and rules of interpretation in this clause apply in this instrument.

Business Day: a day other than a Saturday, Sunday or public holiday in the Isle of Man when banks in the Isle of Man are open for business.

Conditions: the conditions set out in Schedule 2 as from time to time amended and **Condition** shall be construed accordingly.

Company Debenture: the Isle of Man fixed and floating charge created by the Company in favour of the Security Trustee for the benefit of Noteholders.

Directors: the board of directors of the Company for the time being.

Event of Default: any of those events specified in clause 10.

Group: Prospect Holdings and any subsidiary or holding company from time to time of the Company or Prospect Holdings (and the expressions **Group Member** and **member of the Group** shall be construed accordingly).

Issue Period: means the period of issue of a Note having a tenor of 12, 36 or 60 months as identified in the relevant certificate.

Noteholder: each person for the time being entered in the Register as a holder of any Notes.

Notes: up to £50,000,000 variable rate variable term secured loan notes constituted by this instrument or, as the case may be, the amount of such loan notes for the time being issued and outstanding.

Prospect Capital: Prospect Capital Limited, a company incorporated in Jersey with company number 122126.

Prospect Capital Assignment: the English law deed of charge and assignment by way of security created by Prospect Capital in favour of the Security Trustee for the benefit of Noteholders in respect of the benefit of certain customer loans.

Prospect Capital Security Interest Agreement: the Jersey law security interest agreement created by Prospect Capital in favour of the Security Trustee for the benefit of Noteholders in respect of Prospect Capital's bank accounts.

Prospect Debenture: any security agreement created by a member of the Group in favour of the Security Trustee for the benefit of Noteholders.

Prospect Holdings: Prospect Holdings Limited, a company incorporated in Jersey with company number 131026.

Register: the register of Noteholders kept and maintained by the Company in accordance with clause 9.

Redemption Notice: a completed notice to be provided to the Company by a Noteholder wishing to redeem Notes in the form (or substantially in the form) of Schedule 6.

Repayment Date: 12 months, 36 months or 60 months from the date the Notes are issued, as specified in the relevant Note.

Restricted Overseas Person: means a person resident in the United States, Canada, Australia or Japan or a US person as defined in Regulation S of the United States Securities Act of 1933 (as amended).

Security Documents: collectively, the Company Debenture, Prospect Capital Security Interest Agreement, the Prospect Capital Assignment and each Prospect Debenture.

Special Resolution: a resolution passed at a meeting of the Noteholders duly convened and held in accordance with the provisions of this instrument and carried by a majority consisting of not less than 75% of the persons voting at such meeting on a show of hands or, if a poll is demanded, by a majority consisting of not less than 75% of the votes given on such poll.

1.2 **Any reference in this instrument to:**

1.2.1 **annually** shall be construed as a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the twelfth calendar month following save that, where any such period would otherwise end on a day that is not a Business Day, it shall end on the next Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month;

- 1.2.2 the **assets** of any person shall be construed as a reference to all or any part of its business, undertaking, property, assets, revenues (including any right to receive revenues) and uncalled capital;
- 1.2.3 an **encumbrance** shall be construed as a reference to a mortgage, charge, assignment, pledge, lien (save as arising in the ordinary course of business), hypothecation, right of set-off (save as arising under the general law for the protection of certain classes of creditors) or trust arrangement for the purpose of and having a similar effect to the granting of security, or other security interest of any kind;
- 1.2.4 **indebtedness** shall be construed as a reference to any obligation for the payment or repayment of money, whether as principal or as surety and whether present or future, actual or contingent;
- 1.2.5 this **instrument** or to any other instrument, agreement or document shall, unless the context otherwise requires, be construed as reference to this instrument or such other instrument, agreement or document as the same may from time to time be amended, varied, supplemented or novated, in each case, in accordance with its terms;
- 1.2.6 **monthly** shall be construed as a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month save that, where any such period would otherwise end on a day that is not a Business Day, it shall end on the next Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month;
- 1.2.7 a **person** includes a natural person, corporate or unincorporated body (whether or not having separate legal personality);
- 1.2.8 **quarterly** shall be construed as a reference to a period starting on one day in a calendar month and ending on the numerically corresponding day in the third calendar month following save that, where any such period would otherwise end on a day that is not a Business Day, it shall end on the next Business Day, unless that day falls in the calendar month succeeding that in which it would otherwise have ended, in which case it shall end on the preceding Business Day provided that, if a period starts on the last Business Day in a calendar month or if there is no numerically corresponding day in the month in which that period ends, that period shall end on the last Business Day in that later month;

- 1.2.9 **repayment** includes redemption and vice versa and the words repay, redeem, repayable, redeemed and repaid shall be construed accordingly;
- 1.2.10 a reference to a **holding company** or a **subsidiary** means a holding company or a subsidiary (as the case may be) as defined in section 220 of the Companies Act 2006;
- 1.2.11 **tax** shall be construed so as to include any present and future tax, levy, impost, deduction, withholding, duty or other charge of a similar nature (including, without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);
- 1.2.12 the **winding-up, dissolution or administration** of a person shall be construed so as to include any equivalent or analogous proceedings under the law of the jurisdiction in which such person is incorporated or of any jurisdiction in which such person carries on business;
- 1.2.13 the terms **administration, administrator and moratorium** shall have the same meanings as in the Insolvency Act 1986 (an Act of Parliament) and shall include any equivalent or analogous proceedings under the laws of any other applicable jurisdiction and any reference to an administrator or an administrative receiver shall have the same meaning as in the Insolvency Act 1986 (an Act of Parliament) and includes the equivalent official in any other applicable jurisdiction; and
- 1.2.14 **£** denotes the lawful currency of the United Kingdom.
- 1.3 References to any statute or statutory provision:
- 1.3.1 shall be construed as a reference to it as amended, extended or re-enacted from time to time.
- 1.3.2 shall include all subordinate legislation made from time to time under that statute or statutory provision.
- 1.4 In construing this instrument general words introduced by the word other shall not be given a restrictive meaning by reason of the fact that they are preceded by words indicating a particular class of acts, matters or things and general words followed by the word including shall not be given a restrictive meaning by reason of the fact that they are followed by particular examples intended to be embraced by the general words.
- 1.5 All the provisions of this instrument are severable and distinct from one another and the illegality, invalidity or unenforceability of any provision of this instrument under the law of any jurisdiction shall not affect its validity or enforceability under the law of any other jurisdiction nor the legality, validity or enforceability of any other provision.

- 1.6 References to the **Notes** include references to all and/or any of the Notes.
- 1.7 Clause, Schedule and paragraph headings shall not affect the interpretation of this instrument.
- 1.8 References to clauses and Schedules are to the clauses of and Schedules to this instrument and references to paragraphs are to paragraphs of the relevant Schedule.
- 1.9 The Schedules (including, for avoidance of doubt, the Conditions) form part of this instrument and shall have effect as if set out in full in the body of this instrument. Any reference to this instrument includes the Schedules.

2 AMOUNT OF NOTES AND ISSUE

- 2.1 The principal amount of the Notes is limited to £50,000,000.
- 2.2 No initial issue of Notes may be issued to a person unless the aggregate principal amount of the Notes proposed to be issued to the relevant person equals or exceeds the sterling equivalent of US\$100,000 on the date the relevant Notes are issued.
- 2.3 The Notes are not, and will not be, registered under the United States Securities Act of 1933 (as amended) and no steps have been or will be taken to enable the Notes to be offered in compliance with the relevant securities laws of any state, district or attorney of the United States, Canada, Australia or Japan. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia or Japan. No issue of Notes in breach of this restriction may be made by the Company.

3 DESCRIPTION OF NOTES

The Notes shall be known as variable rate variable term secured loan notes and shall be issued in integral multiples of £1 by the Company.

4 STATUS OF NOTES

The Notes when issued shall rank pari passu equally and rateably without discrimination or preference among themselves and as a secured obligation of the Company.

5 REPAYMENT OF NOTES

- 5.1 When the Notes become payable in accordance with the provisions of this instrument, the Company shall pay to the Noteholders the full principal amount of the Notes to be repaid together with any accrued interest on such Notes (less any tax which the Company is required by law to deduct or withhold from such payment) up to and including the date of payment.

- 5.2 All payments under this instrument, whether of principal, interest or otherwise, shall be made by the Company to the Noteholders entitled to such payments as provided in paragraph 8 of Schedule 3.
- 5.3 Where any payment to a Noteholder, whether of principal, interest or otherwise, is due in accordance with the terms of this instrument on a day that is not a Business Day, payment shall take place on the next succeeding Business Day. If that next succeeding Business Day is in the month following the month in which payment would otherwise be made, payment shall take place on the immediately preceding Business Day.

6 INTEREST ON NOTES

Until the Notes are repaid in accordance with the provisions of this instrument, interest shall accrue and be paid on the principal amount of the Notes which are outstanding at the rate and in the manner set out in the Conditions.

7 SECURITY

- 7.1 The Company's obligations in respect of the Notes shall be secured by the Security Documents.
- 7.2 In subscribing for the Notes each Noteholder hereby agrees to:
- 7.2.1 the appointment of the Security Trustee as agent and trustee of the benefit of the Security Documents for and on behalf of the Noteholders from time to time; and
 - 7.2.2 observe and abide by the terms of Schedule 5 as regards the regulation of the relationship between the Security Trustee and the Noteholders insofar as the holding and enforcement of the security constituted by the Security Documents are concerned.

8 CERTIFICATES

- 8.1 Each certificate for Notes shall:
- 8.1.1 be issued to a Noteholder in the form (or substantially in the form) set out in Schedule 1 and shall be executed by the Company in accordance with the Companies Act 2006;
 - 8.1.2 bear a denoting number;
 - 8.1.3 state the date on which the certificate is issued;
 - 8.1.4 state the principal amount of the Notes;
 - 8.1.5 disclose the rate of interest applicable to the Notes;

- 8.1.6 disclose the interest period applicable to the Notes;
 - 8.1.7 state the relevant Repayment Date;
 - 8.1.8 state whether the initial tenor of the Notes is of 12, 36 or 60 months' duration; and
 - 8.1.9 have the Conditions endorsed on or attached to it.
- 8.2 Each Noteholder shall be entitled to receive without charge one certificate for the Notes registered in his name.
- 8.3 The Company shall not be bound to register more than four persons as the joint holders of any Notes and, in the case of Notes held jointly by several persons, the Company shall not be bound to issue more than one certificate. Delivery of a certificate to the person who is first named in the Register as Noteholder shall be sufficient delivery to all joint holders of the Notes in respect of which such certificate has been delivered.
- 8.4 When a Noteholder transfers or redeems part only of his Notes, the old certificate shall be cancelled and a new certificate for the balance of such Notes shall be issued without charge.

9 REGISTER

- 9.1 The Company shall, at all times, keep a Register at its registered office (or at such other place as the Company may from time to time have appointed for the purpose and have notified to the Noteholders).
- 9.2 The Register shall contain the following details:
- 9.2.1 the names and addresses of the Noteholders for the time being;
 - 9.2.2 the principal amount of the Notes held by each Noteholder;
 - 9.2.3 the denoting numbers of certificates for Notes;
 - 9.2.4 the interest period applicable to each Note;
 - 9.2.5 whether the initial tenor of each Note is of 12, 36 or 60 months' duration;
 - 9.2.6 the date on which the name of each Noteholder is entered in respect of the Notes registered in his name;
 - 9.2.7 the date of issue of each Note; and
 - 9.2.8 all transfers and changes of ownership of the Notes.

9.3 Any change of name or address by any Noteholder that is notified to the Company at its registered office address above shall be entered in the Register.

9.4 Any Noteholder may at all reasonable times during office hours and on reasonable notice inspect, and take copies of, the Register.

10 DEFAULT

The following are Events of Default:

- 10.1.1 Non-payment: The Company fails to pay any principal or interest on any of the Notes within 10 Business Days of the due date for payment thereof;
- 10.1.2 Breach of undertaking: The Company fails duly to perform or comply with any obligation (other than an obligation to pay principal or interest in respect of the Notes) expressed to be assumed by it in this instrument and such failure continues for 10 days after written notice has been given by any Noteholder requiring remedy thereof;
- 10.1.3 Cross-default: Any indebtedness of the Company or any member of the Group is not paid when due or is declared to be or otherwise becomes due and payable prior to its specified maturity or any creditor of the Company or any member of the Group becomes entitled to declare any such indebtedness due and payable prior to its specified maturity;
- 10.1.4 Insolvency: The Company or any member of the Group is (or is, or could be, deemed by law or a court to be) insolvent or unable to pay its debts (as defined in section 163 of the Companies Act 1931), stops, suspends or threatens to stop or suspend payment of all or any material part of its indebtedness or commences negotiations with any one or more of its creditors with a view to the general readjustment or re-scheduling of all or any material part of its indebtedness or makes a general assignment for the benefit of, or composition with, any of its creditors (or any class of its creditors) or a moratorium is agreed or declared in respect of, or affecting, all or a material part of its indebtedness;
- 10.1.5 Enforcement proceedings: A distress, attachment, execution or other legal process is levied, enforced or sued out on or against all or any part of the assets of any member of the Group and is not discharged or stayed within 10 days;
- 10.1.6 Winding-up: The Company or any member of the Group takes any corporate action or other steps are taken or legal or other proceedings are started for its winding-up, dissolution or re-organisation (other than for the purposes of a bona fide, solvent scheme of reconstruction or amalgamation previously approved by Special Resolution) or for the appointment of a receiver,

administrator, administrative receiver, liquidator, trustee or similar officer of it or of any or all of its assets;

10.1.7 Analogous proceedings: Anything analogous to or having a substantially similar effect to any of the events specified in clause 10.1.4 to clause 10.1.6 inclusive shall occur under the laws of any applicable jurisdiction;

10.1.8 Encumbrance enforceable: Any encumbrance on or over the assets of any member of the Group becomes enforceable and any step (including the taking of possession or the appointment of a receiver, manager or similar person) is taken to enforce that encumbrance;

10.1.9 Cessation of business: Any member of the Group ceases to carry on the business it carries on at the date of this instrument or a substantial part thereof; and

10.1.10 Illegality: It is or becomes or will become unlawful for the Company to perform or comply with any of its obligations under this instrument, or any such obligation is not or ceases to be legal, valid and binding.

11 ACCELERATION

If, at any time and for any reason, any Event of Default has occurred, the Noteholders may by Special Resolution or by written notice to the Company from Noteholders holding more than 50% in nominal value of the Notes then issued and outstanding, at any time while such Event of Default remains unremedied and has not been waived by a Special Resolution, direct that the principal amount of all Notes, all unpaid accrued interest and any other sum then payable on such Notes shall become due and payable immediately. If the Noteholders give such a direction under this clause, then the principal amount of all Notes, all unpaid accrued interest and any other sum then payable on such Notes (in each case less any applicable taxes) shall be immediately due and payable by the Company and the Company shall immediately pay or repay such amounts to the Noteholders.

12 NO SET-OFF

Payments of principal and interest under this instrument shall be paid by the Company to the Noteholders, and the Notes shall be transferable in accordance with the provisions of Schedule 3, without any deduction or withholding (whether in respect of any set-off, counterclaim or otherwise whatsoever) unless the deduction or withholding is required by law.

13 MEETINGS OF NOTEHOLDERS

The provisions for meetings of the Noteholders set out in Schedule 4 shall be deemed to be incorporated into this instrument and shall be binding on the Company and the

Noteholders and the Security Trustee and on all persons claiming through or under them respectively.

14 ENFORCEMENT

- 14.1 From and after the date of this instrument and for so long as any amount is payable by the Company in respect of the Notes, the Company undertakes that it shall duly perform and observe the obligations on its part contained in this instrument.
- 14.2 The Notes shall be held subject to and with the benefit of the provisions of this instrument, the Conditions and the schedules (all of which shall be deemed to be incorporated into this instrument). All such provisions shall be binding on the Company and the Noteholders and all persons claiming through or under them respectively, and shall enure for the benefit of all Noteholders, their personal representatives, successors and permitted assigns.
- 14.3 Except as expressly provided in clause 14.4, a person who is not a party to this instrument shall not have any rights under the Contracts (Rights of Third Parties) Act 2001 to enforce any term of this instrument.
- 14.4 This instrument and the Notes are enforceable under the Contracts (Rights of Third Parties) Act 2001 by each Noteholder.

15 MODIFICATION

The provisions of this instrument and the Conditions and the rights of the Noteholders may from time to time be modified, abrogated or compromised in any respect (including in any manner set out in paragraph 16.1 of Schedule 4) with the sanction of a Special Resolution and with the consent of the Company.

16 GOVERNING LAW AND JURISDICTION

- 16.1 This instrument and the Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of the Isle of Man.
- 16.2 The courts of the Isle of Man shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with this instrument or any Note or their subject matter or formation (including non-contractual disputes or claims).

This instrument has been executed as a deed and is delivered and takes effect on the date stated at the beginning of it.

Schedule 1 Form of Note Certificate

Certificate No.	[•]
Date of Issue	[•]
Amount	£[•]
Rate of Interest	[•]
Interest Period	[•monthly/quarterly/annually•]
Repayment Date	[•]
Tenor	[•12 months/36 months/60 months•]

PROSPECT GROUP FUNDING (IOM) LTD £50,000,000 VARIABLE RATE VARIABLE TERM SECURED LOAN NOTES

Created and issued pursuant to a resolution of the board of directors of the Company passed on 24 June 2020.

THIS IS TO CERTIFY THAT [NAME OF NOTEHOLDER] is the registered holder of £[AMOUNT] of the variable rate variable term secured loan notes constituted by an instrument entered into by the Company on 24 June 2020 (as amended and restated on 5 November 2020) (**Instrument**). Such Notes are issued with the benefit of and subject to the provisions contained in the Instrument and the Conditions endorsed hereon.

1. The Notes are repayable in accordance with Condition 1.
2. This Certificate must be surrendered before any transfer, whether of the whole or any part of the Notes comprised in it, can be registered or any new certificate issued in exchange.
3. Any change of address of the Noteholder(s) must be notified in writing signed by the Noteholder(s) to the Company at its registered office from time to time.
4. The Notes are transferable in amounts and in integral multiples of £1 in accordance with the terms of the Conditions and the Instrument.
5. Words and expressions defined in the Instrument shall bear the same meaning in this Certificate and in the Conditions endorsed hereon.
6. The Notes and any dispute or claim arising out of or in connection with any of them or their subject matter or formation (including non-contractual disputes or claims) shall be governed by, and construed in accordance with, the law of the Isle of Man.
7. The courts of the Isle of Man shall have exclusive jurisdiction to settle any dispute or claim arising out of or in connection with the Notes or their subject matter or formation (including non-contractual disputes or claims).
8. A copy of the Instrument is available for inspection at the registered office of the Company.

Executed by [NAME OF COMPANY] acting
by [NAME OF DIRECTOR], a director

.....
Director

Dated: [INSERT DATE]

Schedule 2 The Conditions

1. REPAYMENT

1.1 Provided that a completed Redemption Notice relating to the Notes is received by the Company no later than:

- (a) one month prior to the relevant Repayment Date for the Notes as set out in the relevant certificate, in the case of Notes with a 12 month tenor; or
- (b) six months prior to the relevant Repayment Date for the Notes as set out in the relevant certificate in the case of Notes with either a 36 month tenor or a 60 month tenor,

the Company shall redeem the principal amount of Notes the subject of the relevant certificate.

1.2 If a completed Redemption Notice relating to the Notes is not received by the Company no later than one month or six months, depending on the tenor of the Notes (see paragraph 1.1 above), prior to the Repayment Date for the Notes as set out in the relevant certificate for the Notes, the Notes shall not be redeemed on the Repayment Date in the principal amount of the Notes; such Notes shall continue in existence for a further period or periods equal to the tenor of the Notes, as set out in the relevant certificate, until such time as a completed Redemption Notice relating to the Notes is received by the Company.

1.3 Any redemption of the Notes under paragraph 1.1 or 1.2 shall be made to a Noteholder, together with accrued and unpaid interest (less any tax required by law to be deducted or withheld from such payment) accrued on the relevant Notes up to (and including) the date of such repayment by the Company.

2. VOLUNTARY EARLY REPAYMENT

2.1 The Company may at any time, by giving a Noteholder not less than one month's written notice, repay the principal amount of all or a portion of the Notes issued to that Noteholder on the date specified in such notice.

2.2 The Company shall also pay to the relevant Noteholder all unpaid interest accrued on the Notes the subject of the voluntary early repayment to be redeemed up to and including the date of such redemption (in each case less any taxes required by law to be deducted or withheld from such payments).

3. CANCELLATION

All Notes repaid, prepaid or purchased by the Company shall be cancelled and the Company shall not reissue the same.

4. PAYMENT OF INTEREST

- 4.1 Subject to paragraph 4.2, until the Notes are repaid in accordance with these Conditions, interest on the principal amount of the Notes outstanding from time to time shall accrue at the rate of interest applicable to the relevant Notes as set out in the relevant certificate therefor.
- 4.2 The Company may vary the rate of interest on the principal amount of Notes in respect of periods following the initial Issue Period provided that the Company provides notice of the revised rate of interest for the subsequent Issue Period no later than one month before the relevant Repayment Date.
- 4.3 The Company shall within five Business Days pay accrued interest in cash, in arrears on a monthly, quarterly or annual basis, as set out in the relevant certificate for Notes, to the persons registered as Noteholders at the close of business on the relevant payment date.
- 4.4 Interest shall be calculated on the basis of the actual number of days elapsed in the relevant period and a 360 day year.
- 4.5 If the Company fails to pay any amount of interest or principal on any Note when such amount is due, interest at the rate applicable under these Conditions plus 1% per annum shall accrue on the unpaid amount from the due date until the date of payment.
- 4.6 Interest on any Notes repaid by the Company in accordance with these Conditions shall cease to accrue as from the date of such repayment.

5. DEALINGS

The Notes shall not be capable of being dealt in or on any stock or securities exchange in the United Kingdom or elsewhere and no application has been or shall be made to any stock or securities exchange for permission to deal in or for an official or other quotation for the Notes.

6. NOTICES

The Company shall communicate with a Noteholder at the address of the Noteholder contained in the Register from time to time.

Schedule 3 Provisions as to registration, transfer and other matters

1. RECOGNITION OF NOTEHOLDER AS ABSOLUTE OWNER

The Company shall recognise as absolute owner the registered holder of any Notes. The Company shall not (except as ordered by a court of competent jurisdiction) be bound to take notice or see to the execution of any trust (whether express, implied or constructive) to which any Notes may be subject. The receipt of the registered holder for the time being of any Notes or, in the case of joint registered holders, the receipt of any of them, for the principal payable in respect of such Notes and for the interest from time to time accruing due in respect of such Notes or for any other moneys payable in respect of such Notes shall be a good discharge to the Company notwithstanding any notice it may have (whether express or otherwise) of the right, title, interest or claim of any other person to or in such Notes, interest or moneys. The Company shall not be bound to enter any notice of any express, implied or constructive trust on the Register in respect of any Notes.

2. TRANSFERABILITY OF NOTES

2.1 The Notes are transferable by instrument in writing in the usual common form (or in such other form as the Directors of the Company may approve) in amounts determined by the Directors of the Company and in multiples of £1. There shall not be included in any instrument of transfer any Notes other than the Notes constituted by this instrument.

2.2 The Notes are not, and will not be, registered under the United States Securities Act of 1933 (as amended) and no steps have been or will be taken to enable the Notes to be offered in compliance with the relevant securities laws of any state, district or territory of the United States, Canada, Australia or Japan. Accordingly, the Notes may not be offered, sold or delivered, directly or indirectly, in or into the United States, Canada, Australia or Japan. No transfer of Notes in breach of this restriction will be registered by the Company.

3. EXECUTION OF TRANSFERS

Every instrument of transfer shall be duly signed by or on behalf of the transferor and the transferor shall be deemed to remain the owner of the Notes to be transferred until the transferee's name is entered in the Register in respect of such Notes.

4. REGISTRATION OF TRANSFERS

Every instrument of transfer shall be left for registration at the address where the Register is maintained for the time being (as referred to in clause 9.1 of this instrument) accompanied by the Certificate(s) for the Notes to be transferred, together with such other evidence as the Directors or other officers of the Company authorised to deal with the transfers may require to prove the title of the transferor or his right to transfer the Notes and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person to do so. All instruments of transfer which are

registered shall be retained by the Company. No transfer shall be registered of Notes in respect of which a notice of repayment has been given under Condition 2 (*Voluntary early repayment*) of the Conditions. No transfer of Notes will be registered unless the Company is satisfied that the transferee is not to a Restricted Overseas Person.

5. NO FEES FOR REGISTRATION OF TRANSFERS

No fee shall be charged for the registration of any transfer or for the registration of any confirmation, probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any Notes or for making any entry in the Register relating to or affecting the title to any Notes.

6. RECOGNITION OF PERSONAL REPRESENTATIVES

The executors or administrators of a deceased Noteholder (not being one of several joint registered holders) and in the case of the death of one or more of several joint registered holders the survivor or survivors of such joint registered holders, shall be the only person(s) recognised by the Company as having any title to such Notes.

7. TRANSMISSION OF NOTES

Any person who becomes entitled to any of the Notes as a result of the death or bankruptcy of any Noteholder, or of any other event giving rise to the transmission of such Notes by operation of law may, upon producing such evidence that he sustains the character in respect of which he proposes to act under this paragraph 7 or of his title as the Directors shall think sufficient, be registered himself as the holder of such Notes or, subject to the preceding paragraphs of this Schedule 3 as to transfer, may transfer such Notes. The Company may retain any payments paid upon any such Notes which any person under this provision is entitled to, until such person is registered as the holder of such Notes or has duly transferred the Notes.

8. PAYMENT OF INTEREST AND PRINCIPAL

8.1 The payments of principal, interest or other sums payable in respect of the Notes may be paid by:

- (a) electronic transfer in immediately available cleared funds on the due date for payment, to the account specified for the purpose by the Noteholder or joint Noteholders in writing to the Company; or
- (b) in the absence of such notification, by cheque, warrant or bankers' draft made payable to and sent to the registered address of the Noteholder or in the case of joint registered holders, made payable to the order of and sent to the registered address of that one of the joint registered holders who is first named on the Register or made payable to such person and sent to such address as the registered holder or all the joint registered holders may in writing direct.

8.2 Every such cheque, warrant or bankers' draft shall be sent on the due date for payment and may be sent through the post at the risk of the registered Noteholder or joint registered holders. Payment of the cheque, warrant or bankers' draft shall be a good discharge to the Company.

8.3 All payments of principal, interest or other moneys to be made by the Company shall be made after any deductions or withholdings for or on account of any present or future taxes required to be deducted or withheld from such payments.

9. RECEIPT OF JOINT HOLDERS

If several persons are entered in the Register as joint registered holders of any Notes then without prejudice to the provisions of paragraph 8 of this Schedule the receipt of any one of such persons for any interest or principal or other moneys payable in respect of such Notes shall be as effective a discharge to the Company as if the person signing such receipt were the sole registered holder of such Notes.

10. REPLACEMENT OF CERTIFICATES

If the certificate for any Notes is lost, defaced or destroyed it may be renewed on such terms (if any) as to evidence and indemnity as the Directors may require. In the case of defacement the defaced certificate shall be surrendered before the new certificate is issued.

11. NOTICE OF NOTEHOLDERS

Any notice or other document (including certificates for Notes) may be given or sent to any Noteholder by sending the same by post in a prepaid, first-class letter addressed to such Noteholder at his registered address in the Isle of Man or (if he has no registered address within the Isle of Man) to the address (if any) within the Isle of Man supplied by him to the Company for the giving of notice to him. In the case of joint registered holders of any Notes a notice given to the Noteholder whose name stands first in the Register in respect of such Notes shall be sufficient notice to all joint holders. Notice may be given to the persons entitled to any Notes as a result of the death or bankruptcy of any Noteholder by sending the same by post in a prepaid envelope addressed to them by name or by the title of the representative or trustees of such Noteholder at the address (if any) in the Isle of Man or elsewhere supplied for the purpose by such persons or (until such address is supplied) by giving notice in the manner in which it would have been given if the death or bankruptcy had not occurred.

12. NOTICE TO THE COMPANY

Any notice or other document (including certificates for Notes and transfers of Notes) may be given or sent to the Company by sending the same by post in a prepaid letter addressed to the Company at its registered office for the time being.

13. SERVICE OF NOTICES

Any notice, communication or document sent by post shall be deemed to have been delivered or received on the second Business Day following the day on which it was posted. In proving such delivery or receipt it shall be sufficient to prove that the relevant notice, communication or document was properly addressed, stamped and posted (by airmail, if to another country).

Schedule 4 Provisions for meetings of Noteholders

1. CALLING OF MEETINGS

The Company and, following an Event of Default, the Security Trustee may at any time and the Company shall on the request in writing signed by any registered holder or holders who hold not less than one-fifth in nominal value of the Notes for the time being outstanding, convene a meeting of the Noteholders to be held at such place as the Company shall determine.

2. NOTICE OF MEETINGS

At least 14 clear days' notice specifying the place, day and hour of the meeting shall be given to the Noteholders of any meeting of Noteholders in the manner provided in Schedule 3. Any such notice shall specify the general nature of the business to be transacted at the meeting thereby convened but, except in the case of a resolution to be proposed as a Special Resolution, it shall not be necessary to specify the terms of any resolutions to be proposed. The omission to give notice to any Noteholder shall invalidate any resolution passed at any such meeting.

3. CHAIRMAN OF MEETINGS

A person nominated by the Company shall be entitled to take the chair at any such meeting and if no such nomination is made, or if at any meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting, the Noteholders present shall choose one of their number to be Chairman. Until an Event of Default, the Directors and legal advisers of the Company and any other person authorised in that behalf by the Directors may attend at any such meeting.

4. QUORUM AT MEETINGS

At any such meeting convened for any purpose, other than the passing of a Special Resolution, a person or persons holding or representing by proxy one-fifth in nominal value of the Notes for the time being outstanding shall form a quorum for the transaction of business. At any meeting convened for the purpose of passing a Special Resolution persons (at least two in number) holding or representing by proxy a not less than one-fifth in nominal value of the Notes for the time being outstanding shall form a quorum. No business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum is present at the commencement of the meeting.

5. ABSENCE OF QUORUM

If within 30 minutes from the time appointed for any meeting of the Noteholders a quorum is not present the meeting shall, if convened upon the requisition of the Noteholders, be dissolved. In any other case it shall stand adjourned to such day and time (being not less than 14 days and not more than 42 days thereafter) and to such place as may be appointed by the Chairman and at such adjourned meeting two

Noteholders present in person or by proxy and entitled to vote, whatever the principal amount of the Notes held by them, shall form a quorum.

6. ADJOURNMENT OF MEETINGS

The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place. No business shall be transacted at any adjourned meeting other than business that might lawfully have been transacted at the meeting from which the adjournment took place.

7. NOTICE OF ADJOURNED MEETINGS

Notice of any adjourned meeting at which a Special Resolution is to be submitted shall be given in the manner provided for in this instrument. Such notice shall state that two Noteholders present in person or by proxy and entitled to vote at the adjourned meeting whatever the principal amount of the Notes held by them shall form a quorum.

8. RESOLUTION ON SHOW OF HANDS

Every question submitted to a meeting of Noteholders shall be decided in the first instance by a show of hands. In case of an equality of votes the Chairman shall not have a casting vote.

9. DEMAND FOR POLL

At any meeting of Noteholders, unless (before or on the declaration of the result of the show of hands) a poll is demanded by the Chairman or by one or more Noteholders present in person or by proxy, a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by any particular majority shall be conclusive evidence of the fact.

10. MANNER OF TAKING POLL

If at any such meeting a poll is so demanded it shall be taken in such manner as the Chairman may direct. The result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

11. TIME FOR TAKING POLL

Any poll demanded at any such meeting shall be taken at the meeting without adjournment. The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded.

12. PERSONS ENTITLED TO VOTE

The registered holders of any of the Notes or, in the case of joint holders, any one of them shall be entitled to vote in respect thereof either in person or by proxy and in the latter case as if such joint holder were solely entitled to such Notes. If more than one of such joint holders be present at any meeting either personally or by proxy the vote of the senior who tenders a vote (seniority being determined by the order in which the joint holders are named in the Register) shall be accepted to the exclusion of the votes of the other joint holders.

13. INSTRUMENT APPOINTING PROXY

Every instrument appointing a proxy shall be in writing, signed by the appointor or his attorney or, in the case of a corporation, under its common seal, or signed by its attorney or a duly authorised officer and shall be in such form as the Directors may approve. Such instrument of proxy shall, unless the contrary is stated thereon, be valid both for an adjournment of the meeting and for the meeting to which it relates and need not be witnessed. A person appointed to act as a proxy need not be a Noteholder.

14. DEPOSIT OF INSTRUMENT APPOINTING PROXY

The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified or office copy of such power or authority shall be deposited with the Company at the address where the Register is maintained for the time being (as referred to in clause 9.1 of this instrument) or at such other place as may be specified in the notice convening the meeting before the time appointed for holding the meeting or adjourned meeting or the taking of a poll at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy is given or transfer of the Notes in respect of which it is given unless previous intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the address where the Register is maintained for the time being (as referred to in clause 9.1 of this instrument). No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.

15. VOTES

On a show of hands every Noteholder who (being an individual) is present in person or by proxy or (being a corporation) is present by a representative (not being himself a Noteholder) or by proxy shall have one vote (provided that a proxy appointed by more than one member should only have one vote or, where the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it, such proxy shall have one vote for and one vote against the resolution). On a poll every Noteholder shall have one vote

for every £1 in nominal amount of the Notes of which he is the holder. A Noteholder (or a proxy or representative of a Noteholder) entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.

16. POWER OF MEETINGS OF NOTEHOLDERS

16.1 In addition to any other powers it may have, a meeting of the Noteholders may, by Special Resolution:

- (a) sanction any compromise or arrangement proposed to be made between the Company and the Noteholders;
- (b) sanction any abrogation, modification or compromise or any arrangement in respect of the rights of the Noteholders against the Company or its property whether such rights shall arise under this instrument or otherwise;
- (c) sanction any scheme for the reconstruction of the Company or for the amalgamation of the Company with any other company;
- (d) sanction any scheme or proposal for the sale or exchange of the Notes for, or the conversion of the Notes into, cash or shares, stock, debentures, debenture stock or other obligations or securities of the Company or any other company formed or to be formed, and for the appointment of a person with power on behalf of the Noteholders to execute an instrument of transfer of the Notes held by them in favour of the person to or with whom the Notes are to be sold or exchanged (as the case may be);
- (e) assent to any modification or abrogation of the provisions contained in this instrument that shall be proposed by the Company and authorise the Company to execute an instrument supplemental to this instrument embodying any such modification or abrogation; and
- (f) give any authority or sanction which under the provisions of this instrument is required to be given by Special Resolution.

16.2 No resolution that would increase any obligation of the Company under this instrument or postpone the due date for payment of any principal or interest in respect of any Note without the consent of the Company shall be effective.

17. SPECIAL RESOLUTION BINDING ON ALL NOTEHOLDERS

A Special Resolution, passed at a meeting of Noteholders duly convened and held in accordance with the provisions of this schedule, shall be binding on all the Noteholders whether or not present at such meeting and each of the Noteholders shall be bound to give effect to such Special Resolution accordingly. The passing of any such resolution shall be conclusive evidence that the circumstances justify the passing of such Special Resolution.

18. RESOLUTIONS IN WRITING

A resolution in writing signed by the holders of at least 75% in nominal value of the Notes for the time being outstanding who are for the time being entitled to receive notice of meetings in accordance with the provisions contained in this instrument shall for all purposes be as valid and effectual as a Special Resolution. Such resolution in writing may be contained in one document or in several documents in like form each signed by one or more of the Noteholders.

19. MINUTES OF MEETINGS

Minutes of all resolutions and proceedings at every such meeting of the Noteholders shall be made and duly entered in books to be from time to time provided for that purpose by the Company. Any minutes which purport to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings held or by the Chairman of the next succeeding meeting of the Noteholders shall be conclusive evidence of the matters contained in such minutes. Unless the contrary is proved, every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly convened and held and all resolutions passed at such meetings to have been duly passed.

Schedule 5 Security Arrangements

1. The Security Trustee shall act as agent and trustee for the Noteholders for the purpose of holding the assets mortgaged or charged pursuant to the Security Documents as security for the obligations of the Company under this instrument. The Noteholders shall authorise the Security Trustee to exercise the rights, powers, authorities and discretions specifically given to the Security Trustee under or in connection with the Security Documents together with any other incidental rights, powers, authorities and discretions.

2. Each of the Noteholders irrevocably authorises the Security Trustee (subject to paragraphs 4 and 15 of this Schedule 5):
 - (a) to execute the Security Documents on its behalf and to enter into such deeds and such other documents as the Security Trustee considers appropriate to give effect to the Security Documents;
 - (b) to collect, receive, release or pay any money on its behalf;
 - (c) acting on the authority of a Special Resolution, to give or withhold any waivers, consents or approvals under or pursuant to the Security Documents; and
 - (d) acting on the authority of a Special Resolution, to exercise, or refrain from exercising, any rights, powers, authorities or discretions under or pursuant to the Security Documents.

3. The Security Trustee shall have no duties or responsibilities as agent and trustee other than those expressly set out in the Security Documents and shall not be obliged to act on any instructions from any Noteholders if to do so would, in the opinion of the Security Trustee, be contrary to any provision of the Security Documents or to any law, or would expose the Security Trustee to any actual or potential liability to any third party.

4. In becoming a holder of Notes each Noteholder shall be deemed to acknowledge, that, subject to the terms and conditions of this paragraph 4 of Schedule 5, the Security Trustee holds all benefits arising under (including, without limitation, all proceeds of the enforcement of) the Security Documents on trust for the Noteholders absolutely (with the exception of any benefits arising solely for the benefit of the Security Trustee). Each of the Noteholders, in becoming a holder of Notes, shall be deemed to agree that the obligations, rights and benefits vested in the Security Trustee shall be performed and exercised in accordance with this paragraph 4 of Schedule 5. The Security Trustee shall have the benefit of all of the provisions of this instrument benefitting it in its capacity as agent and trustee, and all the powers and discretions conferred on trustees by statute (to the extent not inconsistent with this instrument). In addition, the Noteholders, in becoming a holder of Notes, shall be deemed to agree that the perpetuity period applicable to the trust declared by this instrument shall be the period of eighty years from the date of this instrument. The provisions of Part I of the Trustee Act 2001 shall, in so far as permitted by law, not apply to the Security

Trustee or the benefits arising under the Security Documents.

5. Except with the prior written sanction of a Special Resolution, the Security Trustee shall not be entitled to:
 - (a) release or vary any security given for the Company's obligations under this instrument;
 - (b) waive the payment of any sum of money or proceeds payable by the Company or the relevant Group Member under the Security Documents;
 - (c) exercise, or refrain from exercising, any right, power, authority or discretion, or give or withhold any consent, the exercise or giving of which is, by the terms of this instrument, expressly reserved to the Noteholders;
 - (d) extend the due date for the payment of any sum of money or proceeds payable by the Company or relevant Group Member under this instrument or the Security Documents;
 - (e) take or refrain from taking any step if the effect of such action or inaction may lead to the increase of the obligations of the Noteholders under this instrument;
 - (f) agree to change the currency in which any sum is payable under this instrument or the Security Documents (other than in accordance with the terms of the Security Documents);
 - (g) agree to amend this paragraph 5 of Schedule 5.
6. Neither the Security Trustee nor any of its directors, officers, employees or agents shall be liable to the Noteholders for anything done or omitted to be done by the Security Trustee under or in connection with the Security Documents unless as a result of the Security Trustee's gross negligence or wilful misconduct.
7. The Noteholders acknowledge that:
 - (a) they have not relied on any representation made by the Security Trustee or any of the Security Trustee's directors, officers, employees or trustees or by any other person acting or purporting to act on behalf of the Security Trustee to induce them to enter into the Security Documents;
 - (b) they have made and will continue to make without reliance on the Security Trustee, and based on such documents and other evidence as is considered appropriate, their own independent investigation of the financial condition and affairs of the Company and the Group in connection with the Notes;

- (c) they have made their own appraisal of the creditworthiness of the Company;
and
 - (d) the Security Trustee shall not have any duty or responsibility at any time to provide them with any credit or other information relating to the Company unless that information is received by the Security Trustee pursuant to the express terms of the Security Documents.
- 8. The Noteholders agree that they will not assert or seek to assert against any director, officer, employee or agent of the Security Trustee or against any other person acting or purporting to act on behalf of the Security Trustee any claim which they might have against them in respect of any of the matters referred to in this paragraph 8 of Schedule 5.
- 9. The Security Trustee shall have no responsibility to the Company or to the Noteholders on account of:
 - (a) the failure of the Noteholders, the Company or the Parent to perform any of their respective obligations under the Security Documents;
 - (b) the financial condition of the Company or the Group;
 - (c) the completeness or accuracy of any statements, representations or warranties made in or pursuant to the Security Documents, or in or pursuant to any document delivered pursuant to or in connection with the Security Documents;
 - (d) the negotiation, execution, effectiveness, genuineness, validity, enforceability, admissibility in evidence or sufficiency of the Security Documents or of any document executed or delivered pursuant to or in connection with the Security Documents.
- 10. The Security Trustee may:
 - (a) assume that all representations or warranties made or deemed repeated by the Company or the relevant Group Member in or pursuant to the Security Documents are true and complete, unless, in its capacity as agent and trustee, it has acquired actual knowledge to the contrary;
 - (b) assume that no Event of Default has occurred unless, in its capacity as agent and trustee, it has acquired actual knowledge to the contrary;
 - (c) rely on any document or notice believed by it to be genuine;
 - (d) rely as to legal or other professional matters on opinions and statements of any legal or other professional advisers selected or approved by it;

- (e) rely as to any factual matters which might reasonably be expected to be within the knowledge of the Company on a certificate signed by or on behalf of the Company; and
 - (f) refrain from exercising any right, power, discretion or remedy unless and until instructed to exercise that right, power, discretion or remedy and as to the manner of its exercise by Special Resolution and unless and until the Security Trustee has received from the Noteholders any payment which the Security Trustee may require on account of any costs, claims, expenses (including legal expenses).
- 11. The Security Trustee shall:
 - (a) if requested in accordance with a Special Resolution, make enquiry and advise the Noteholders as to the performance or observance of any of the provisions of the Security Documents by the Company or the relevant Group Member (as appropriate) or as to the existence of an Event of Default; and
 - (b) inform the Noteholders promptly of any Event of Default of which the Security Trustee has actual knowledge.
- 12. The Security Trustee shall not be deemed to have actual knowledge of the falsehood or incompleteness of any representation or warranty made or deemed repeated by the Company or the relevant Group Member or actual knowledge of the occurrence of any Event of Default unless the Noteholders or the Company shall have given written notice thereof to the Security Trustee in its capacity as agent and trustee. Any information acquired by the Security Trustee other than specifically in its capacity as agent and trustee shall not be deemed to be information acquired by the Security Trustee in its capacity as the Security Trustee.
- 13. The Noteholders shall, promptly on the Security Trustee's request keep the Security Trustee fully indemnified in respect of all liabilities, damages, costs and claims sustained or incurred by the Security Trustee in connection with the Security Documents, or the performance of its duties and obligations, or the exercise of its rights, powers, discretions or remedies under or pursuant to the Security Documents, to the extent not paid by the Company or the relevant Group Member and not arising solely from the Security Trustee's gross negligence or wilful misconduct.
- 14. In performing its duties and exercising its rights, powers, discretions and remedies under or pursuant to the Security Documents, the Security Trustee shall be entitled to employ and pay trustees to do anything which the Security Trustee is empowered to do under or pursuant to the Security Documents (including the receipt of money and documents and the payment of money) and to act or refrain from taking action in reliance on the opinion of, or advice or information obtained from, any lawyer, banker, broker, accountant, valuer or any other person believed by the Security Trustee in good faith to be competent to give such opinion, advice or information.

15. The Security Trustee shall pay promptly to the Noteholders the liabilities secured by the Security Documents net of all and any reasonable costs incurred by the Security Trustee in connection with the enforcement of the security constituted by the Security Documents, and until so paid such amount shall be held by the Security Trustee on trust absolutely for the Noteholders.
16. The Security Trustee shall have no liability to pay any sum to the Noteholders until it has itself received payment of that sum. If, however, the Security Trustee does pay any sum to the Noteholders on account of any amount prospectively due to the Noteholders before it has itself received payment of that amount, the Noteholders will, on demand by the Security Trustee, refund to the Security Trustee an amount equal to the sum so paid, together with an amount sufficient to reimburse the Security Trustee for any interest which the Security Trustee may certify that it has been required to pay by way of interest on money borrowed to fund the sum in question during the period beginning on the date of payment and ending on the date on which the Security Trustee receives reimbursement.
17. Where the Security Trustee is authorised or directed to act or refrain from acting in accordance with the terms of a Special Resolution each of the Noteholders shall provide the Security Trustee with instructions within three (3) Business Days of the Security Trustee's request (which request may be made orally or in writing). If the Noteholders do not provide the Security Trustee with instructions within that period, the Noteholders shall be bound by the decision of the Security Trustee. Nothing in this paragraph 17 of Schedule 5 shall limit the right of the Security Trustee to take, or refrain from taking, any action without obtaining the instructions of the Noteholders if the Security Trustee in its discretion considers it necessary or appropriate to take, or refrain from taking, such action in order to preserve the rights of the Noteholders under or in connection with the Security Documents. In that event, the Security Trustee will notify the Noteholders of the action taken by it as soon as reasonably practicable, and the Noteholders agree to ratify any action taken by the Security Trustee pursuant to this paragraph 17 of Schedule 5.
18. All amounts payable to the Noteholders under this Schedule 5 shall be paid to such account at such bank as the Noteholders may from time to time direct in writing to the Security Trustee.
19. Except as provided in paragraphs 3 and 14 of Schedule 5, the Security Trustee shall not have any fiduciary relationship with or be deemed to be a trustee of or for any other person and nothing contained in the Security Documents shall constitute a partnership between the Noteholders and the Security Trustee.

Schedule 6 Notice of Redemption

To: Prospect Group Funding (IOM) Ltd

I/We, being the registered holder(s) of the Notes represented by the attached certificate, hereby give notice that I/We require the Company to redeem the whole / £_____¹ of the principal amount of the Notes represented by the certificate on the earliest date on which redemption of such Notes is possible² in accordance with the Conditions.

Signature(s)³ _____

Name⁴ _____

Address(es) _____

Dated _____

¹ Delete and/or complete as appropriate. If no amount is inserted the whole of the principal amount will be redeemed. Notes are redeemable in amounts or integral multiples of £1.

² At least one months' notice of redemption is required to be given in the case of Notes with a 12 month tenor; at least 6 months' notice of redemption is required to be given in the case of Notes with a 36 month or 60 month tenor; redemption will occur following the giving of not less than appropriate notice on the relevant Redemption Day set out in the relevant certificate, unless the redemption period is extended in accordance with paragraph 1.2 of the Conditions, in which case redemption will occur at the end of the extended period.

³ In the case of joint holdings all holders must sign. In the case of a corporation this Notice must be given under its common seal or signed on its behalf by an attorney or a duly authorised officer.

⁴ If no name or address is inserted, payment will be made to the first named holder in the register of Noteholders.

The Company

Executed as a deed by **PROSPECT
GROUP FUNDING (IOM) LTD** acting
by a director

.....
Director

The Security Trustee

Executed as a deed by **GLENQ
TRUSTEES LIMITED** (acting through
its Jersey branch) acting by two
directors, in the presence of:

.....
Director

.....
Director

.....
SIGNATURE OF WITNESS
NAME, ADDRESS AND OCCUPATION
OF WITNESS