



# The Connaught Income Fund, Series 1

“Let every man praise the bridge that carries him over”

English Proverb

# Important Notice

This confidential Information Memorandum (the "Information Memorandum") provides information in respect of The Connaught Income Fund, Series 1 (the "Fund"), which consists of a Limited Partnership and associated Exempt Unit Trust. The Exempt Unit Trust will invest in the associated Limited Partnership as a limited partner. The Operator of the Limited Partnership will be Blue Gate Capital Limited who are authorised and regulated by the UK Financial Services Authority ("FSA").

This Document is issued by Blue Gate Capital Limited (the "Operator"), whose registered address is 4th Floor, Blackfriars House, Parsonage, Manchester, M3 2JA. The General Partner has appointed Connaught Asset Management Limited to act as Asset Manager in relation to the bridging loans proposed to The Fund by the Specialist Partner.

The Asset Manager, is not authorised or regulated by the FSA or any other regulatory body and is not authorised to give investment advice or undertake any other regulated activities.

THE LIMITED PARTNERSHIP AND THE EXEMPT UNIT TRUST WILL EACH CONSTITUTE AN UNREGULATED COLLECTIVE INVESTMENT SCHEME FOR THE PURPOSES OF THE UNITED KINGDOM FINANCIAL SERVICES AND MARKETS ACT 2000. THIS DOCUMENT IS BEING ISSUED BY THE OPERATOR AND IS ONLY BEING DISTRIBUTED TO, AND IS ONLY DIRECTED AT (1) PERSONS WHO ARE 'INVESTMENT PROFESSIONALS/EXPERIENCED INVESTORS' AS SUCH ARE DEFINED IN ARTICLE 19 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND (II) OTHER PERSONS TO WHOM IT MAY LAWFULLY BE PROMOTED (TOGETHER, 'RELEVANT PERSONS'). AN INVESTMENT IN THE LIMITED PARTNERSHIP OR THE EXEMPT UNIT TRUST IS ONLY AVAILABLE TO RELEVANT PERSONS AND ANY PERSONS WHO ARE NOT A RELEVANT PERSON SHOULD NOT ACT UPON OR RELY ON THIS DOCUMENT.

## Risk Warning

An investment in the Limited Partnership or the Exempt Unit Trust involves a degree of risk. Investment results may vary substantially over time. When reviewing historical performance data in this Information Memorandum, prospective investors should bear in mind that such information is not indicative of future performance.

Certain information in this Information Memorandum represents or is based upon forward looking statements or information. The General Partner believes that such statements and information are based upon reasonable estimates and assumptions. However, forward-looking statements and information are inherently uncertain and actual events or results may differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.

Throughout this document, reference is made to 'very low risk', 'low risk' and 'medium risk'. Such terms are used with the specific meanings as set out on page 12 of this document and should not, therefore, be considered, or relied upon, as having a generic meaning.

The Participations in the Limited Partnership and the Units in the Exempt Unit Trust are not listed or traded on, and no application has been or is being made for the admissions of the Participations or the Units to listing or trading on, any stock exchange or securities market.

In addition to the other information contained in this Information Memorandum, the risk factors set out under the heading 'Risk Factors' on page 24 of this Information Memorandum should be carefully considered by prospective investors before deciding whether to invest.

## Reliance on this Information Memorandum.

This Information Memorandum should be read in conjunction with the other documents relating to the Limited Partnership and the Exempt Unit Trust, including, without limitation, the respective Limited Partnership Agreement, the Operator Agreement, the Asset Management Agreement, the Trust Deed and the Application Form / Subscription Agreement (together, the "Documents"). Investments in The Fund are being promoted solely pursuant to this Information Memorandum and the Documents. Any information which is not contained in this Information Memorandum and the Documents should not be relied upon in considering whether to invest in The Fund.

This Information Memorandum does not purport to offer legal, tax or investment advice to prospective investors. You are strongly advised to carry out your own investigation including, without limitation, investigation in relation to the legal and tax consequences to you for investing in the Limited Partnership or the Exempt Unit Trust.

Prospective investors should not invest in The Fund unless they are satisfied that they have asked for and received all the information needed to evaluate the merits and risks of the proposed investment.

## Restrictions on distribution

This Information Memorandum and all other information supplied may not under any circumstances be copied, distributed, published or reproduced, in whole or in part, at any time, nor may its contents (or any part of them) be disclosed to any person without the Operator's prior written consent, other than to a Relevant Person or to the directors, officers, employees and professional advisers of a Relevant Person who need to know the confidential information and provided only that such persons undertake to abide by the same restrictions and responsibilities as set out in this Information Memorandum. By accepting this Information Memorandum, each prospective investor agrees to keep it, and the information contained in it, confidential. If you do not wish to pursue this matter you also are asked to return this Information Memorandum and any accompanying documentation to the Operator at the address on page 5 of this Information Memorandum.

## General

English law governs the issue, communication and terms of this Information Memorandum and any disputes arising in relation to any of them will be subject to the exclusive jurisdiction of the courts of England and Wales.

## Executive Summary

With increasing volatility in world-wide markets, Connaught Asset Management was formed in February 2007 to research and offer investment opportunities directly into the investment market based and secured against tangible assets to minimise investment risk and offer investors and institutions innovative ways to diversify their asset portfolios.

The current conditions in the lending market have resulted in an increase in the time it takes to obtain a mortgage; a number of lenders have left the marketplace and those lenders still available to a potential borrower are using more complex underwriting criteria before approving a loan. All of which means that it can take longer to obtain a mortgage and in the residential property investment market, which is Tiuta Plc's specialisation, borrowers may have to carry out remedial or refurbishment work before the lender will accept the property as security. There is also considerable potential in auction properties, which frequently sell at below market value and require the successful bidder to complete more quickly than it takes to process a traditional mortgage application.

This has resulted in growth in demand in the 'bridging' finance market. The Fund has been developed to offer potential investors the opportunity to invest money directly into the bridging loan market with an annualised income paid quarterly in arrears from 8.15% (8.40% AER if reinvested quarterly) to 8.5% (8.77% AER), depending on investment levels, with any monies being secured as a legal charge on the property made in favour of the Limited Partnership.

Bridging loans charge a premium interest rate typically between 1.25% and 1.4% per calendar month which is based on the speed the loans are required by the borrower and not only on the risk profile of the loan itself, which is designed to be a very low or low-risk investment as the borrower is subjected to an assessment of their personal status, the security is independently valued and loans are restricted to a conservative maximum loan to value (LTV).

Initial interest costs and charges made on a bridging loan are taken from the loan up front by deducting from the gross loan, which further reduces the lending risk. In addition, the interest paid out to investors will also be underwritten by the Specialist Partner to the Limited Partnership.

The combination of a relatively high income from The Fund, one months notice to withdraw monies with a five month initial period from the date of investment, and with the whole funding line secured against properties makes this a potentially very attractive investment proposition for the investor market.

Internet searches suggest that the best rates achievable from long-term savings accounts are 3.17% or less. Source: [www.moneyfacts.co.uk](http://www.moneyfacts.co.uk) (22/6/09).

All interest monies will be paid to investors quarterly in arrears and will be paid within the first 14 days of January, April, July and October. After an initial minimum investment period of five months, investors can withdraw their money from The Fund by giving one calendar month's written notice.

Bridging finance is offered as a percentage of the market value on which it is secured and will cover a maximum of 75% of the value of a property, as an average of the funded loan book, to ensure that the bridging monies are protected in the event of any loan default.

## The Specialist Partner to The Fund is Tiuta Plc.

To June 2009 Tiuta Plc has made 1047 loans (836 of which have redeemed), and has never failed to claim back the full capital amount lent on any of the loans. This is a reflection of its low risk lending criteria detailed on page 16.

The annual value of the loans provided has risen from just over £1 million at the end of 2004 to £88 million at the end of 2008. The number of loans made annually in the same period has risen from 6 to 293 per year.

The default rate (being when the loan is unable to be repaid and Tiuta has exercised its first charge) is 7.36%.

Tiuta Plc. is authorised and regulated by the Financial Services Authority for the conduct of mortgage business in the UK (no. 430956). The Fund will offer a revolving credit facility to Tiuta Plc and its wholly owned subsidiaries and can only use this facility on the approval of the Asset Manager for loans that meet the strict lending criteria set out on page 16 of this Information Memorandum.

The Connaught Income Fund, Series 1, has been developed to make this market accessible directly to investors whilst reducing risk levels through: strict lending criteria; independent valuation of any asset lent against; secondary valuation by the Specialist Partner; investment diversification; security against the asset; title insurance to protect against third party negligence with regards to the title; using a Limited Partnership structure so the beneficial ownership of the security remains with the investors and the legal undertaking from the Specialist Partner for all interest monies due to The Fund.

This Fund is operated by Blue Gate Capital Limited who specialise in providing operator and administrator services to unregulated collective investment schemes from their Manchester offices.

### The Connaught Income Fund, Series 1

The Fund is available as a UK Limited Partnership with an Exempt Unit Trust for SIPP, SSAS and eligible investors.

The Fund is open ended but we reserve the right to close the Fund to new monies at our discretion.

All interest owing to investors will be paid out quarterly in arrears.

The minimum investment in The Fund is £20,000 through an authorised and regulated investment specialist.

The minimum investment directly into The Fund from a person or persons who are 'Investment Professionals' as defined in Article 19 of the Financial Services and Markets Act 2000 is £45,000 or the sterling equivalent of 50,000 Euros, if higher.

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# Key Parties

Operator, Administrator and Unit Trust Manager:	Blue Gate Capital Limited 18-22 Lloyd Street, Manchester, M2 5WA
General Partner:	Connaught Administration Services Limited 1 Royal Exchange Avenue London EC3V 3LT
Specialist Partner:	Tiuta Plc 21 Ely Place London EC1N 6TD
Asset Manager:	Connaught Asset Management Ltd 1 Royal Exchange Avenue London EC3V 3LT
Trustees to the Exempt Unit Trust:	The Bank of New York Trust and Depositary Company Limited One Canada Square London E14 5AL
Bank:	Royal Bank of Scotland plc London City Office PO Box 412 62-63 Threadneedle Street London, EC2R 8LA
Solicitors to The Fund:	Lupton Fawcett LLP Yorkshire House East Parade Leeds. LS1 5BD



# Role of Main Parties

## Blue Gate Capital Limited

### The Operator

Blue Gate Capital specialise in developing and operating Limited Partnerships and have a very close affinity to the funds designed by the General Partner and Asset Manager.

The Operator is authorised under the Financial Services and Markets Act 2000 to act in the United Kingdom as the operator of an unregulated collective investment scheme and is regulated by the FSA in the conduct of its regulated activities.

Blue Gate Capital Limited was appointed Operator on 25th September 2009 to replace Capita Financial Managers Limited who had been Operator since the Fund launch.

### The Asset Manager

The Asset Manager has been appointed by the General Partner.

The Asset Manager has been specifically created to provide services to the General Partner to cater for the institutional and sophisticated investor markets.

For the Connaught Income Fund, Series 1 the Asset Manager will be using the professional services of Tiuta Plc. and its wholly owned subsidiaries, as the Specialist Partner who will use the revolving credit facility supplied by The Fund to make bridging loans.

### Key roles as Asset Manager:

- Approve all proposed bridging loan applications recommended from the Specialist Partner
- Review the independent valuations on any properties before accepting applications
- Ensure that the loan security is registered to the Limited Partnership
- Ensure that the correct amount of interest monies is paid to each investor in The Fund
- Review progress on each bridging loan
- Ensure no single bridging loan exceeds more than 15% of the total monies raised for The Fund
- Ensure that all monies are repaid back to The Fund following the completion of any loan
- Report to the Operator on the performance of The Fund

## The Specialist Partner – Tiuta Plc

Tiuta Plc specialises in offering short term (bridging) loans. Loans are provided primarily to property developers and investment companies. They range from £25,000 to £7 million and are secured by legal charges on property solely in England, Wales and Scotland.

The company began trading in March 2004 and is based in Central London. Tiuta is a member of the Council of Mortgage Lenders and FSA regulated, thus enabling it to provide both regulated and unregulated loans.

Tiuta's management and personnel have a strong background in both property and finance and thus are ideally placed to service the bridging loan market. The company's ability to make lending decisions quickly whilst adhering to its strict credit controls and risk management procedures enables it to charge premium rates and achieve high levels of repeat business.

Tiuta has a diversified client base of property developers, investors, individuals and companies, the majority (92%) are to businesses. Clients are introduced by mainstream lenders, brokers, auction houses, solicitors and other professionals.

Tiuta currently utilises subordinated debt to fund its loan book and holds lending facilities with:

- Clydesdale Bank
- Bank of Ireland
- Bank of Scotland
- Marfin Popular Bank

### Key roles as Specialist Partner

As Specialist Partner Tiuta Plc will use monies raised in The Fund through a revolving credit facility, for the purpose of enabling them to make first charge short term loans on selected properties.

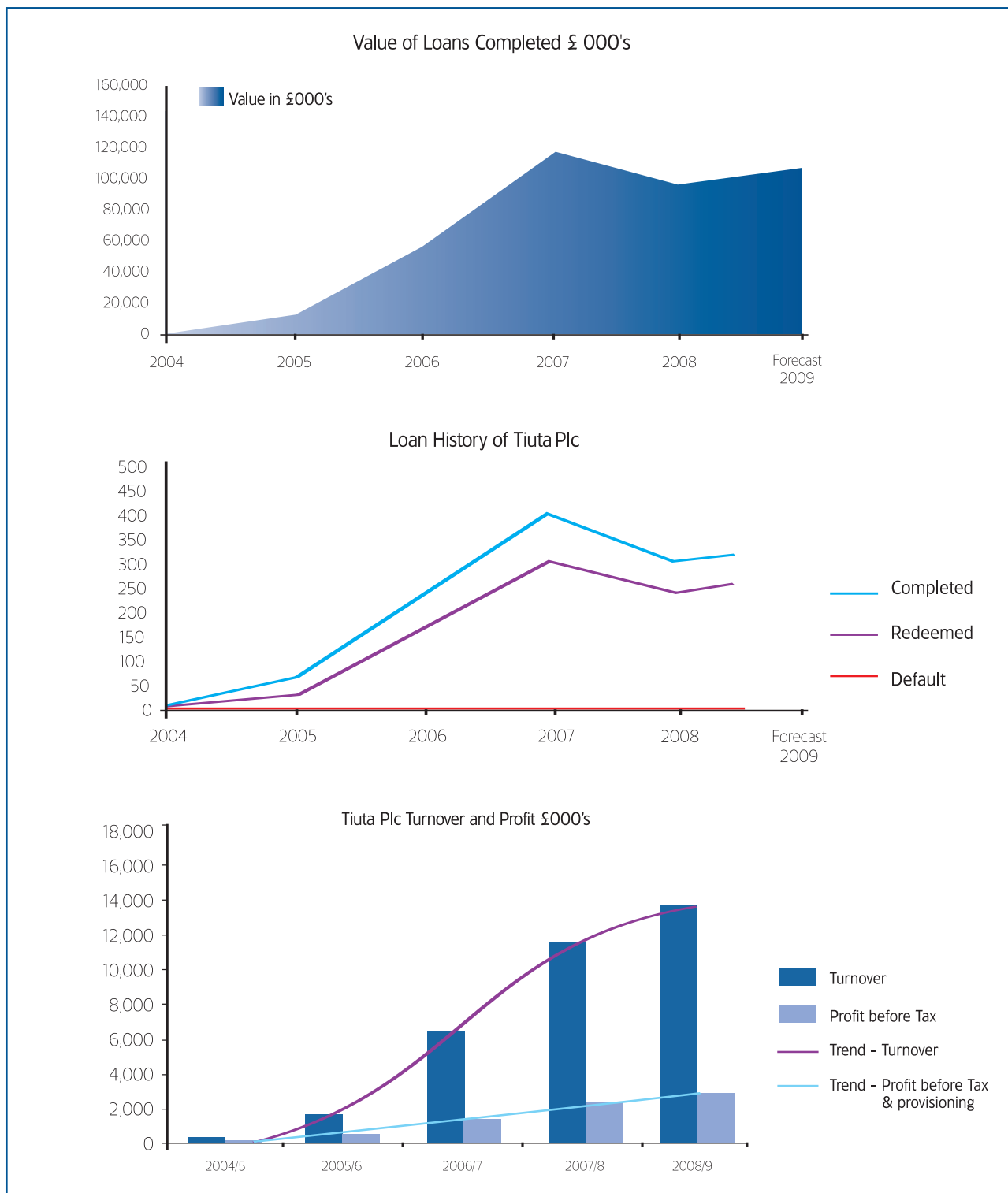
- Provide the Asset Allocation Committee all documentation regarding a proposed loan
- Ensure a thorough credit vetting process has been undertaken
- Provide an independent valuation on each property
- Ensure the legal charge is subordinated to the Limited Partnership
- Provide a monthly progress and activity report on all loans relating to the monies raised by The Fund

## Tiuta Plc – Lending Record

To June 2009 Tiuta has made 1047 loans (836 of which have redeemed), and has never failed to claim back the full capital amount lent on any of the loans. Value of the loans provided has risen from just over £1 million in 2004 to £88 million in 2008. The number of loans made annually in the same period have risen from 6 to 293.

The default rate (being when the loan is unable to be repaid and Tiuta has exercised its first charge) remains at less than 8%.

A history of Tiuta's lending is shown below, 2008 figures are annualised using figures to mid August. The average loan value is currently £296,000 and average time to redeem is 196 days (as at 30/06/2009).



Source: Tiuta Plc.

Since beginning trading, Tiuta Plc has shown consistently high levels of growth. Turnover from loan interest and fees is expected to be over £15m for the financial year to March 31st 2009 with monthly

levels now consistently exceeding £1.2m per month. Profit before tax is forecast to be over £2.5m for the financial year to March 2010.

# Why Invest in Bridging Finance?

## Low Risk

Bridging Finance is specifically utilised for funding short term property mortgages. Lending is secured by legal charges over one or more properties.

Despite cyclical economic conditions in the UK, property as an investment or security has consistently grown in value in any 5 year period. (Source: Halifax House Price Index, September 2008).

Despite the current economic downturn and 'adjustments' in property values, housing demand still outstrips supply. Although the demand from first time buyers has fallen in 2008, the same would be first time buyers are now driving up the rental market as they seek homes to rent rather than buy. This means that the lower activity in the homebuyer market is replaced by demand from property investors. As over 80% of Tiuta loan applications are from the buy-to-let property investment market, demand for their products remains high.

The performance of property when compared to shares shows that although over the long term the two show comparable growth, the fluctuations of the FTSE 100 are far greater, leaving investors in shares exposed to greater short-term risk. Since 1990 there have been 5 separate years in which the FTSE 100 has fallen more than 10% year on year, the index has fallen by 15.4% in the first 9

months of 2008 (FTSE UK Performance Analysis); the index then fell by 33.3% in the single month of October 2008. Property in comparison is a lot less volatile in the short to medium term, average values falling by 12.4% in the first 9 months of 2008, with a month on month fall of 3.8% for October 2008 in the London area, arguably the worst affected property market (Halifax House Price Index).

Bridging finance is a very low risk lending business because it rarely allows the lending to be more than 80% of the valuation for mortgage purposes of a property (a higher percentage lending is only allowed when the borrower has a guaranteed exit route but never exceeds 85% of the valuation). Interest and fees deducted up front normally reduce the net amount lent to nearer to 75%. Because of its short term nature of between three and six months, property values would have to fall by more than 25% in the corresponding period for the loan not to be secured against a tangible asset. The regular turnover of loans in the funded portfolio, with new lending against up-to-date independent valuations reduces the risk to a level significantly lower than that experienced in the long term mortgage market. Therefore, in the worst case scenario that the property is repossessed, the full loan amount should still be recovered. If the full amount is not recovered, Tiuta Plc has a legal obligation to repay the original investment to all investors.

## Rate of Return

Because of the speed in which bridging finance is required a network of specialised professionals is needed to complete the loan. This service means that bridging finance carries a premium in comparison to other lending.

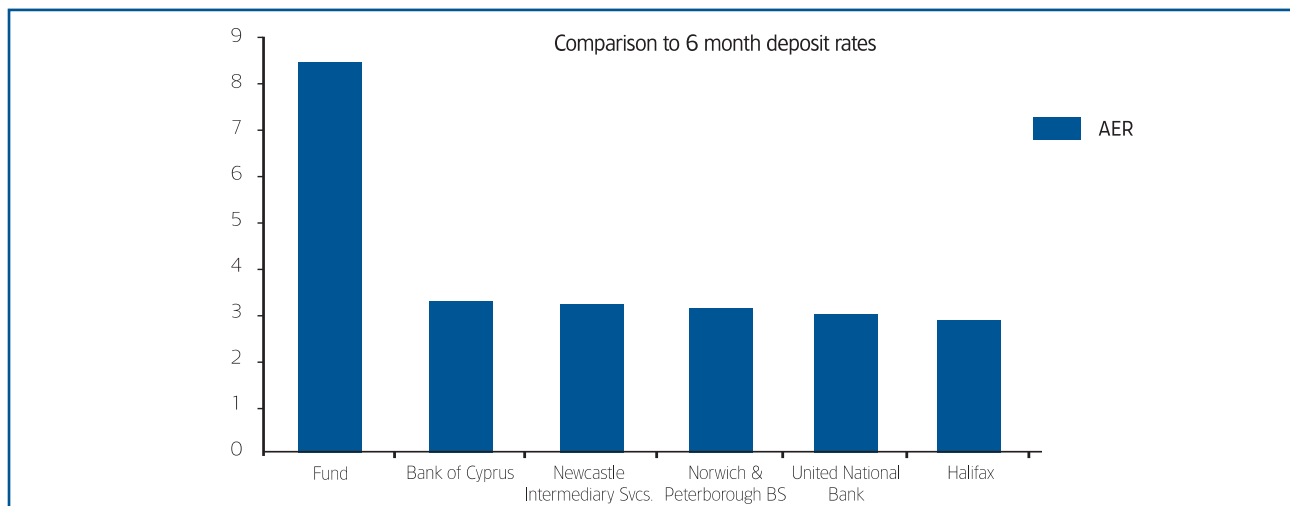
Loans typically carry an interest rate of between 1.25 and 1.4% per month (for low risk lending) in addition to arrangement and administration fees.

From an investment perspective, the high rates of interest charged reflect the speed of the loan and not only on the risk profile of the loan, which potentially offers an excellent low risk investment opportunity for investors.

The income in The Fund varies between 8.15% and 8.5%, depending on the amount invested, which is very favourable when comparing to other fixed rate products such as saving accounts and bonds available from high street and internet providers. Government bonds being the most secure, are currently providing a coupon of circa 5% per annum, other bond based product and savings accounts offer rates of anywhere up to 3.17% (Moneyfacts 22/6/2009).

In the current market the trend is to turn from share based investment schemes in favour of fixed rate products; the regular revenue stream offers greater security in times of instability.

The table below highlights some of the available fixed rate products currently on the market as at June 2009:

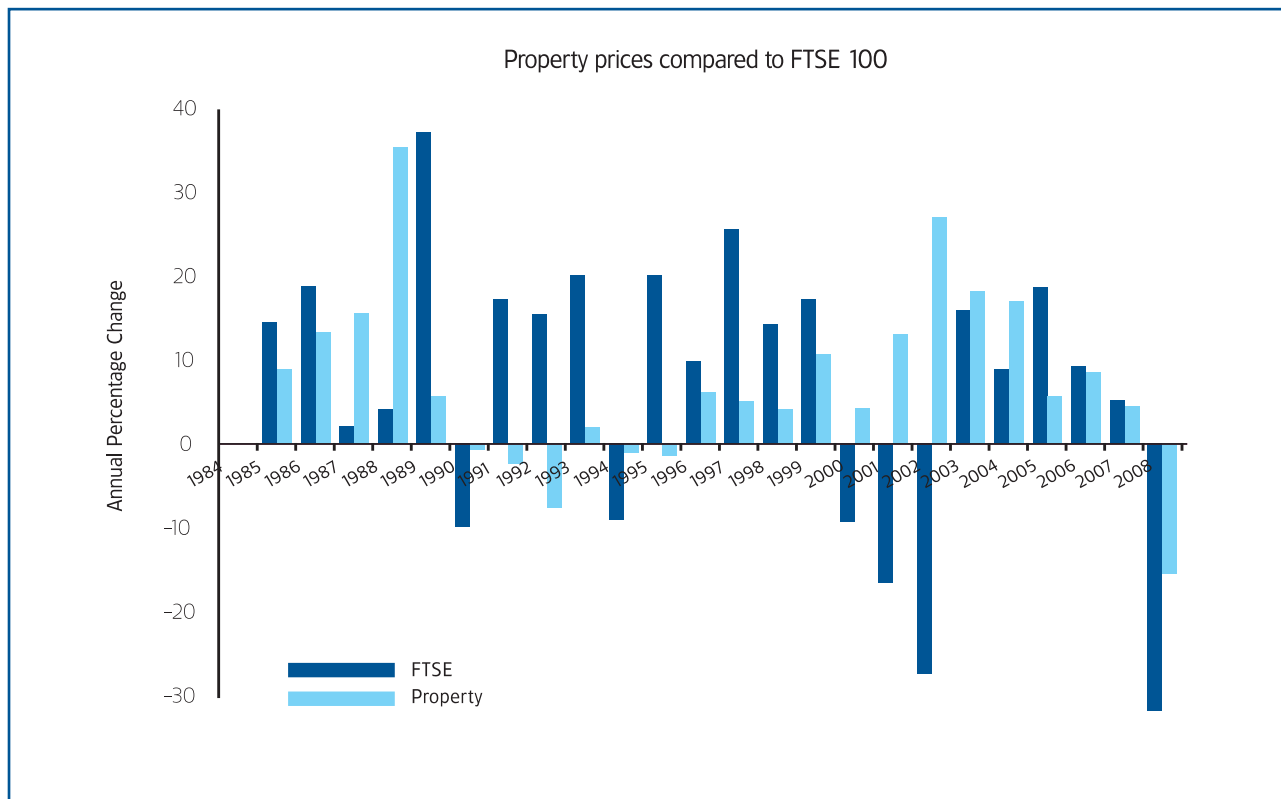


Source: Moneyfacts.co.uk (22/6/09)

\*Fund AER will vary from 8.15% to 8.5%, depending on investment level

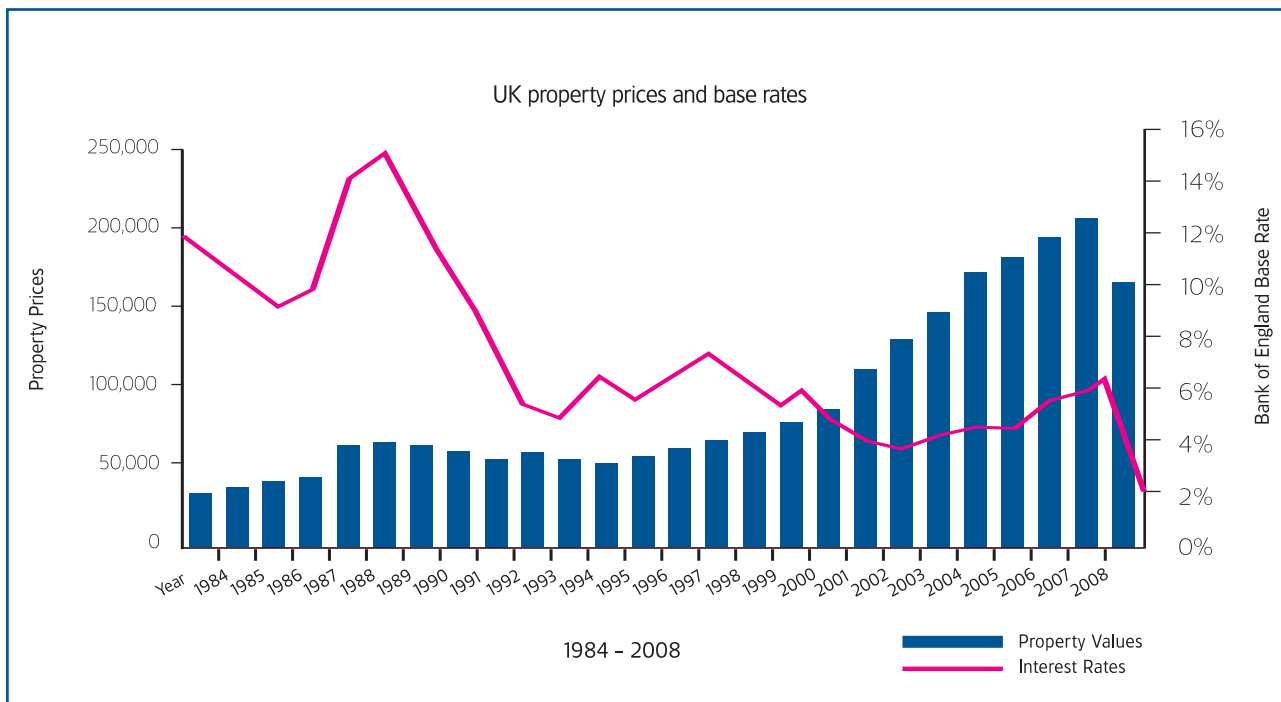
# Property as a Security

Even in today's market, property market values are significantly less volatile than share prices.



Source: Property Prices: Halifax Price Index. Compiled by Specialist Partner

Property as an asset class has shown consistent stability or growth in the last 20-25 years, despite fluctuating interest rates.



Source: Property Prices: Halifax Price Index  
Interest Rates: Bank of England Website Compiled by Specialist Partner

## Fixed Returns

The annualised interest rates are paid quarterly in arrears within 14 days on the first working day of January, April, July and October to investors and are fixed as follows, dependant upon the Cash Subscription by an individual Investor.

Cash Subscription	Annualised Interest Rate
£20,000 to £100,000	8.15% (8.4% AER)
Over £100,000 up to £500,000	8.25% (8.51% AER)
Over £500,000	8.5% (8.77% AER)

AER means Annualised Equivalent Rate and assumes that the interest is re-invested on a quarterly basis.

If the Bank of England base rate increases to above 7%, then any further increase above this rate will be added to the fixed interest paid out by The Fund. The Fund cannot reduce the interest rates paid to investors regardless of the Bank of England base rates being reduced below the current rate.

## How does Bridging Finance work?

Bridging finance is best explained through the use of an example. Take the example of a property investment company which has purchased a prime development property at auction for £500,000. The majority of the property investment company's equity is being effectively used in other projects and they require quick funds to complete the purchase within fifteen days or forfeit their deposit. A further £70,000 is needed to refurbish the building.

The available equity has covered the deposit and can fund some of the purchase price - £150,000 in total; a further £350,000 is needed to complete the initial transaction. The developers' high street bank cannot release funds within the timeframe required, so a bridging loan is utilised.

The current value of the property is £500,000 and expected value once refurbished is £750,000. Initial funding of £375,000 constitutes 75% of the value of the property as is, and total development funding of £420,000 is 56% of the expected value on completion. Because the developer has a clean credit rating and the loan to value ratios are acceptable the loan is provided. The project is completed in 3 months and the property sold at a healthy profit; the money lent by the bridging loan is then re-paid plus interest and fees.

# Who can apply?

## Limited Partnership

- Any individual over 18 years of age who is a suitable investor as defined in COB, section 4.12, March 2008
- UK Limited Companies
- Trustees
- Any other investment vehicle, company or jurisdiction which permits this type of investment, including offshore bond providers.

## Exempt Unit Trust

- Self Invested Personal Pension (SIPP)
- Small Self Administered Scheme Investors (SSAS)
- Any other registered pension scheme under the Finance Act 2004
- Charities (including registered and unregistered charities)

Only persons falling within these categories may invest in the Exempt Unit Trust

The following link will help you in deciding if you, or your client, is defined as an appropriate person to invest in an unregulated collective investment fund <http://www.fsa.gov.uk/pubs/hb-releases/rel75/rel75cobs.pdf>.

Individual investors will only be accepted in the Limited Partnership

# Why a Limited Partnership Structure?

This Fund is intentionally structured as a Limited Partnership with an attendant Exempt Unit Trust because the General Partner and Asset Manager believe that this offers additional investment protection for investors.

The security on all properties monies are loaned against, and the legal undertaking from the Specialist Partner for the interest income and the original investment amount will be registered to the Limited Partnership.

As a result, investors to The Fund will have the added security of beneficial ownership in the event of default in a Limited Partnership structure but will not have any responsibilities for the operation and management of the Limited Partnership, which rests with the General Partner.

## Investment Objective

The Connaught Income Fund, Series 1 will seek to exploit the current market conditions and the general market requirement for short term (bridging) finance by raising monies in The Fund for the Specialist Partner to access through a revolving credit facility for them to invest in certain real estate using the strict lending criteria set out on page 16 of this document. Investors will receive a fixed annualised interest rate, paid quarterly in arrears, of between 8.15% and 8.5% paid by the Specialist Partner.

### The Lending Strategy

#### Breakdown of Loan book

The Specialist Partner will lend to a range of customers who are looking to utilise short term funding by submitting loan proposals to the Asset Manager. If the proposed loan is approved by the Asset Manager the monies will be released to the Specialist Partner for the loan.

The majority of loans will be to fund a property purchase with a short completion deadline, to fund a short term renovation or project or to refinance to raise capital. All loans will be secured with a legal charge over one or more properties that will be registered to the Limited Partnership for the duration of the loan.

The Fund will seek to reduce risk by ensuring that not more than 15% of the total lending of The Fund is to any single loan after the first six months of The Fund opening date. Each individual will have a clean credit record as confirmed through an Experian Credit Report and have a viable exit route to pay back the loan.

Only loans in England, Wales and Scotland will be considered, however exposure to any one geographical area will be managed. The Specialist Partner and Asset Manager will assess the property market and avoid areas in which there is a perceived risk of a material fall in property value during the loan period.

Areas in which property prices are expected to remain most stable such as the South East of England and areas of Scotland will be looked upon more favourably.

Property types are also assessed as part of the lending decision. Certain properties, such as commercial properties, carry greater risk in the current economic market and therefore are subject to greater restrictions or are deemed unacceptable for security purposes. For a full list of lending criteria for property types please refer to page 16.

Loan size ranges from £25,000 to £7,000,000, but must always fall within the ratios of loan to value defined in The Fund lending rules.

#### Tiuta Plc classification of loan to value in terms of risk

Very Low Risk	Loan to Value < 70%
Low Risk	Loan to Value 70% to 75%
Medium Risk	up to 85% (above 80% must have a guaranteed exit route)

Regardless of the loan categorisation, all clients must currently be prime borrowers, i.e. have no CCJ's, no previous loan defaults, and no mortgage arrears or missed credit card payments in the previous 12 months.

The Fund is designed to be of Very Low to Medium risk within the above loan to value risk categories. It will seek to lend monies in Great Britain with differing time scales, criteria and risk profiles to fully utilise lending capacity whilst minimising exposure to risk.

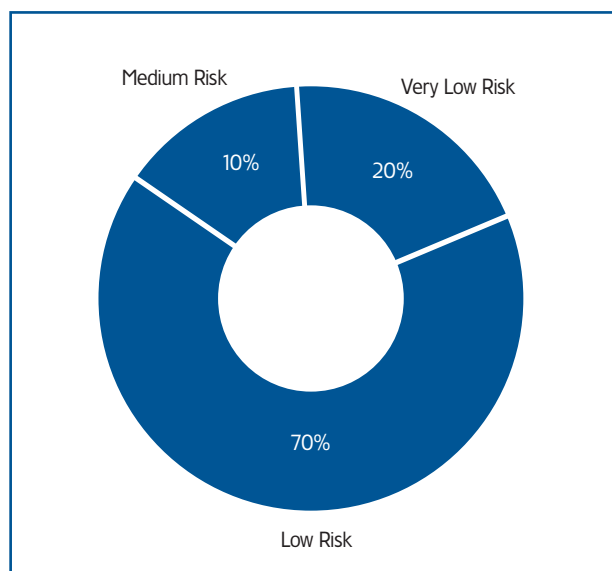
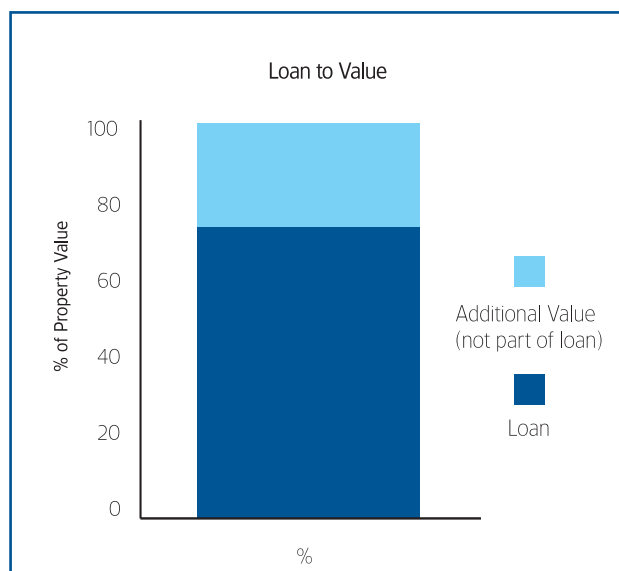
The targeted risk profile of The Fund is for up to 90% of the available monies to be held in Very Low or Low Risk loans and up to 10% in Medium Risk loans.

## Individual Loan Make Up

As an example, 75% of the value of the property will be lent as part of a low risk loan.

The remaining 25% constitutes monies invested by the client and any money saved on the purchase.

The legal charge over the property will be held in the name of the Limited Partnership until the loan is redeemed and balance paid off.



### Lending Breakdown

Clients requiring short term finance will often be looking to borrow the maximum percentage of the value of their security. The Fund will minimise risk by focussing on loans that fall within the low risk (70-75% LTV) category.

It is anticipated that 20% of clients will not require such high levels of funding and will fall into the very low risk category.

To maximise the usage of investor funds, it is recognised that the Asset Manager can, if necessary, utilise funds for medium risk loans up to 80% LTV, (or up to 85% where there is a guaranteed exit route).

The target risk percentages are based on a fund value of £50,000,000 being achieved within 18 months from the opening of The Fund. The percentages stated above are a guideline, and if the Asset Manager deems it appropriate can loan outside of these. Full loan book statistics will be included in all quarterly reports.

All fees and costs are paid by the Specialist Partner and, therefore, there are no deductions from the investment monies. Also The Fund is not asset backed so the value of a unit will always be £1. Investors who opt to reinvest their quarterly interest will acquire additional units.

### Keeping Investors Appraised

#### Quarterly

Interim reports include management accounts for the preceding quarter, details of the active loans at the end of the quarter with loan statistics and commentary, and a summary of loan completions and redemptions in the period.

#### Half Yearly

Copies of the six monthly and annual reports will be sent to Investors direct by the General Partner, as well as being available to view on the internet.

#### Annually

There will be a full management report incorporating the audited accounts for The Fund, which will constitute periodic statements for the purposes of FSMA.



## Liquidity after 5 months

Investment in The Fund should be considered medium-term, but Investors may apply to withdraw from The Fund at any time after the first five months from the initial monies being drawn down by the General Partner. After the initial five month period Investors may apply to withdraw from The Fund at any time giving a minimum of one calendar month's written notice.

The interest will be paid quarterly in arrears to investors within 14 days of the first working day of January, April, July and October. Any monies invested within a quarterly period will have the first interest payment made on a pro rata basis.

Investors may also roll-up any interest payments due from their initial investment and re-invest this money into The Fund.

Monies withdrawn during any quarterly payment period will forfeit any interest accrued during that quarterly payment period.

Monies invested during a calendar month will be drawn down on the last working day of any calendar month and the investment return will commence from the first working day of the following month.

Investors will receive 100% of their Cash Subscription back, investors can request up to two withdrawals from The Fund in any one calendar month providing the minimum remaining investment is at £20,000.

## Legal Undertaking from the Specialist Partner

The interest received by investors is legally underwritten by the Specialist Partner and is underwritten by their parent Company as Guarantor. The Specialist Partner guarantees the payment or discharge to the Limited Partnership and undertakes that the Guarantor will on demand in writing made on the Guarantor pay or discharge to the Limited Partnership all monies and liability which shall be duly owing or incurred by the Specialist Partner to the Limited Partnership.

The obligations of the Guarantor under the Guarantee are those of primary obligor and not merely as a surety. A copy of the written Guarantee to the Limited Partnership is available on request from the Asset Manager.

# Lending Review Process

## Asset Allocation Committee

The Committee consists of members of the senior management team of the Asset Manager. The Committee meets at least once a month and has a number of specialist functions including:

- Discussing the economic, political and market considerations applicable to The Fund strategies and their risk levels
- Approving the implementation of internal procedural changes to respond to external factors discussed
- Taking decisions on lending strategy changes through discussion and analytical review
- Ensuring that the investment guidelines are adhered to; encompassing such issues as portfolio diversification, underwriting of loans, liquidity and performance against targets

## Security Valuation

Each loan must meet the strict underwriting criteria formulated by the Specialist Partner and Asset Manager as outlined on page 16. Criteria will be constantly updated in response to market conditions.

Before a loan is agreed, an up-to-date valuation of the property acting as security is provided by an independent third party surveyor appointed by the Specialist Partner.

## Statements from Independent Valuers

### Countrywide Surveyors

A division of Countrywide plc, Countrywide Surveyors is one of Europe's premier surveying and valuation practices. It is the largest residential survey business in the U.K. and operates from 129 locations nationally.

Countrywide Surveyors employs over 800 Chartered Surveyors and Valuers in England, Scotland, Wales and Northern Ireland and are appointed valuers to virtually all of the major lenders.

As industry leaders, Countrywide are influential across the property profession and endeavour to anticipate trends. They are proactive in adapting to changing needs, always acting in the interests of their many clients, whether large or small.

Countrywide Surveyors is accredited with ISO 9001:2000 for Quality Assurance covering all disciplines.

### Copping Joyce Chartered Surveyors LLP

Established over 100 years ago, Copping Joyce Chartered Surveyors LLP is an independent multi practice partnership, based in Shoreditch. They offer a full range of agency and surveying services covering the city fringes, suburbs and home counties.

Their services include; valuations, investment and development acquisitions and disposals, commercial agency, landlord and tenant and building consultancy. They have a wide range of clients including banks, institutions, property companies, public bodies and the general public. Driving their continued company growth is their unique knowledge of the market place and their reputation for quality service and strong and valued client relationships.

They provide loan security reports including mortgage valuations for most leading high street banks and for a number of city institutions and public bodies, including housing associations.

Their valuations are prepared in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards ('The Red Book') by qualified members of the Institution.

In their reports they provide comment on the condition of the property, estimated rental values (when requested) and advice on marketing and general marketing conditions in addition to their opinion of market value. They attempt within our reports to provide a comprehensive assessment of the property whether it be owner occupied, an investment or a development opportunity.

*Countrywide and Copping Joyce are the two main surveyors, however other surveyors from a pre agreed panel can be utilised to provide a valuation.*

## Sales and Underwriting Process

The Specialist Partner, through existing client contacts and its broker network will attract borrowers and manage the underwriting, legal work and administration relating to each loan.

Tiuta Plc has been operating in the bridging market for four years and has extensive contacts amongst brokers, packagers, accountants, lawyers, introducers and property developers. From enquiries received through these various channels an initial assessment regarding the suitability of each case will be made, taking into account the characteristics of the individual seeking the loan and the property offered as security.

If the borrower and the security meet the preliminary requirements then the loan is fully underwritten using the criteria as agreed in the most recent Asset Allocation Committee.

A template request form is then submitted to the Asset Manager for approval outlining the details of the case and attaching a copy of the independent valuers report and a certificate signed by a solicitor confirming the title is acceptable as security; if the requirements prescribed by The Fund are met the Asset Allocation Committee will approve the release of the funds which are provided to the client to use. The legal charge is then subordinated in the name of the Limited Partnership.

Once the monies are lent, the Specialist Partner will manage the day to day administration of the loan; if the loan includes a facility to be used for the refurbishment of a project then this will be released by the Asset Manager following inspection by Tiuta and/or a quantity surveyor and is kept in a high interest account until utilised.

Each loan has an agreed contractual term. Throughout the duration of this term the Specialist Partner will manage the loan documentation, the obtaining of interest and fees and redeem the loan through liaising with the client. The progress of each loan will be presented at the monthly Asset Allocation Committee meetings and included in the quarterly investor reports. The Asset Allocation Committee will review each of the loans through to the redemption period and will make investment and loan decisions in the best interests of investors.

Within the lending sector, loans can vary in risk; risk can be defined as being the likelihood that the capital provided to the client will not be recovered in the future, the percentage of the market value of the property lent, the length of the loan and the likelihood of a fall in property value.

The loans that will be completed by The Fund will have been assessed as having a very high chance of redeeming both capital and interest and fees. The time frame for redemption of each loan cannot be guaranteed to be within the contractual term of the loan, but the risk-profiling of each loan based on the extensive experience of the legal, survey and financial specialists and the resultant underwriting criteria are designed to be conservative. The Asset Manager will not consider any properties that exceed the investment criteria.

The Fund will apply restricted lending to the following properties and only consider lending funds if the loan to value ratio falls within the defined risk categories:

- Mixed residential & commercial properties
- House in Multiple Occupation (HMO)
- Live / work units
- New build residential

The Fund will initially not lend on the following property types because they will not meet the Low Risk policies of The Fund:

- Land
- Ex-Local Authority (except houses and flats in conversions or small blocks where it can be demonstrated that more than 70% of the building has been purchased privately)
- Concrete construction
- 100% timber construction
- Steel frame construction (except new build properties)
- Flats above food premises with A3 use or those adjacent
- Properties with restrictions regarding occupancy e.g. retirement flats etc.
- Properties deemed as unacceptable security by the appointed valuer
- Less than 10 years old without NHBC / Zurich Municipal guarantees or architect's certificate
- Land with full residential or commercial planning
- Not wholly owned by the borrower (shared ownership)
- Mobile homes / house boats / caravans
- Freehold flats or maisonettes
- Care homes / nursing homes
- Petrol stations without planning permission
- Nightclubs
- Golf clubs
- Churches
- Adult entertainment
- Equestrian centres with or without residential accommodation
- Kennels / catteries without residential accommodation
- Agricultural
- Deemed as unacceptable security by the appointed valuer

The above property types on which lending is restricted or prohibited may change in response to market conditions.

Restrictions on property types along with all underwriting procedure will be reviewed and updated at the monthly lending and credit and Asset Allocation Committee meetings.

## Key Personnel



Mike Davies  
Chairman – Connaught Asset  
Management

Mike has managed compliance functions at a senior management level, since the introduction of the Financial Services Act 1986 in 1988, in a variety of firms in the UK retail financial services market, including an IFA, a large regional building society and the UK group subsidiaries of the Bank of Ireland.

Prior to becoming the Chairman of Connaught Asset Management, Mike was Head of Compliance for a joint venture between the Bank of Ireland and Post Office Limited, the setting up of which culminated in Post Office Limited and branches becoming an appointed representative of Bristol & West plc, a Bank of Ireland UK regulated subsidiary company. His particular specialisms are financial promotions, training & competence and senior management systems and controls.

Mike is a frequent speaker at compliance conferences, particularly with regard to financial promotions. He is a Fellow of the Chartered Institute of Bankers and an Associate Member of the Compliance Institute.



James Allen  
Member,  
Asset Allocation Committee

James studied Economics at the University of London and has extensive experience in the financial markets, analytics and advertising.

James is a member of the Asset Allocation Committee and will use his experience to assist with ensuring that all loans recommended to the Asset Allocation Committee comply fully with the investment procedures and rules. He will also continue to liaise with existing clients to keep them informed on the progress of The Fund.



Chris Taylor  
Deputy Chairman – Asset  
Allocation Committee  
Director – Connaught Asset  
Management

Chris Taylor has spent his entire career within the financial services industry predominantly within banking and asset management. For the last 20 years he has worked in compliance in senior roles within the industry, culminating in being appointed as the joint Deputy Head of Group Compliance for the global NatWest Group, and more latterly has worked within Swiss Private Banking and Consultancy.

He has travelled abroad extensively to conduct compliance reviews in overseas subsidiaries and to provide guidance and support. As a result of earlier involvement with human resource management, he continues to take a close interest in staff training and development.

He is Chairman of an independent discussion group of asset management compliance professionals, Deputy Chairman of the Securities and Investment Institute Compliance Forum and a member of the SII Integrity and Ethics Committee where he has been asked to project manage the production of a book on ethics within the financial services industry.

He is a frequent speaker and Chairperson at Compliance conferences and has had several articles published in learned magazines. In addition to his role at Connaught Asset Management, Chris is involved in part time advisory roles with several other financial institutions as well as being a Freeman of the City of London and a Liveryman of the Guild of International Bankers.

He is an Associate of the Chartered Institute of Bankers and a Fellow of both the Securities and Investment Institute and the Chartered Institute of Personnel and Development.



Alistair Mawdsley  
Director,  
Connaught Asset Management

Alistair brings to the team substantial experience of the intermediary marketplace having worked for a wide range of blue-chip organisations. He has worked for Friends Provident, Flemings, Save & Prosper, Royal and Sun Alliance, and Abbey over the last 20 years. He spent the three years prior to joining Connaught re-launching Scottish Provident International into the UK.

Alistair is committed to establishing and building Connaught's long term relationships within the UK and Channel Islands, with the leading intermediaries and institutions.



Gary Booth  
Chief Executive Officer,  
Specialist Partner

Gary Booth has acted as a property developer and investor, both in his own right and as a retained consultant to many private investors. He currently has a major property portfolio of his own in Central London, which he has built up over a period of 15 years. This gives him vital hands-on knowledge which has proved invaluable in understanding the needs of clientele with whom Tiuta has become accustomed to dealing.



Steven Nicholas  
Chairman and Legal Director,  
Specialist Partner

Steven Nicholas has specialised in property and property security since he qualified as a solicitor in 1988. He is a senior partner in the solicitor's practice Georgiou Nicholas, which has offices in central London. The client base is predominantly property orientated and he has dealt with numerous transactions involving tens of millions of pounds.



Charles Baba  
Construction and Surveying  
Director, Specialist Partner

Charles Baba has recently retired from his position of managing director of a construction company. He has extensive knowledge in property construction as well as advising clients on property portfolio building, through estate agencies he has owned in the past.

## Summary of Principal Terms

This section contains a summary of the principal terms of The Fund. The description does not purport to be complete and is qualified in its entirety by the actual text of the Limited Partnership agreement. In the event that the description in this section, or elsewhere in the Information Memorandum, is inconsistent with or contrary to the terms of the Limited Partnership Agreement the Limited Partnership Agreement will prevail.

The Fund is structured as a Limited Partnership and an Exempt Unit Trust, with investors becoming either limited partners in the Limited Partnership or, in the case of Exempt Investors, unit holders in the Exempt Unit Trust. The Exempt Unit Trust will invest solely in the respective Limited Partnership as a limited partner.

The minimum commitment to the Limited Partnership is £20,000 via an intermediary or £45,000 (or if higher the sterling equivalent of €50,000) if direct from an Investment Professional as defined in Article 19 of the Financial Services and Markets Act 2000.

Commitments will be split between a nominal capital contribution of 0.01% and a non-interest bearing loan contribution of 99.99%.

There is no maximum loan commitment but the Asset Manager reserves the right to vary the minimum investment period for any individual investments over £500,000.

The Fund will be an open-ended vehicle and may be closed by the Operator to new investment at any time and closed down by the Operator giving not less than one month's notice to investors. All applications will be treated on a strictly first come first served basis.

Prior to the last working day of any calendar month subscription monies will be held by the Operator within a Client Bank Account. Subscriptions will be drawn down into The Fund on the first working day of the next month in their entirety.

However, funds held in the Client Bank Account may be drawn down more frequently if Tiuta's funding requirements dictate it.

# Additional Information

## The Limited Partnership

The Limited Partnership will be an English Limited Partnership established pursuant to the Limited Partnership Act 1907. The principal place of business of the Limited Partnership will be Blue Gate Capital Limited, 4th Floor, Blackfriars House, Parsonage, Manchester. M3 2JA.

## The General Partner

The General Partner will be Connaught Administration Services Limited which is a wholly owned subsidiary of the Asset Manager. As General Partner of the Limited Partnership, the General Partner will be responsible for the debts and obligations of The Fund.

## The Operator and Unit Trust Manager

Blue Gate Capital Limited is authorised and regulated by the FSA and is appointed by the Limited Partnership to act as Operator and Unit Trust Manager of the Exempt Unit Trust and will be responsible for the establishment and operation of the Limited Partnership and all regulated matters as required under FSMA.

## The Asset Manager

Connaught Asset Management Limited will be appointed by the General Partner under an asset management agreement to act as the Asset Manager of the Limited Partnership.

## Subscriptions

Subscriptions in respect of the Limited Partnership can be made at any time; the Operator reserves the right to close the Limited Partnership to further subscriptions at any time after the opening date.

## Initial Distributions and The Annual Fixed Return

The General Partner will receive an initial 2% of total Participations committed to the Limited Partnership. Of this, 1% will be paid to introducers and financial intermediaries by way of an annual trail commission paid quarterly in arrears. The remaining 1% of the initial profit share will be applied in payment of the establishment costs of the Limited Partnership and the balance will be divided, although not equally, between the General Partner and the Asset Manager.

## Establishment Costs

Costs and expenses relating to the establishment of the Limited Partnership were paid initially by the previous Operator Capita Financial Managers Limited. These costs may be clawed back from The Fund after the launch.

Any set up costs incurred by the Asset Manager will initially be paid by the Asset Manager. These costs may be clawed back from The Fund after the launch.

The Limited Partnership will pay banking and audit fees only after the initial set-up fees.

## The Connaught Income Fund, Series 1

After payment of all operating expenses of the Limited Partnership distributions will be paid as set out below.

All Participants will receive annual interest of between 8.15% and 8.5%, depending on the size of the Cash Subscription as detailed on page 10 of the Information Memorandum, on 100% of the monies invested. Interest payments will be made quarterly in arrears on the first working day of January, April, July and October. In the case of the first interest payment not covering a full quarter, daily interest will be calculated using a 365 day year. In the case of withdrawal of funds by Participants a final interest payment will not be included with the repayment of capital if the withdrawal is made during a quarterly interest payment period.

A minimum of 30 days is required to withdraw monies and will be from the date a written instruction has been received by The Operator.

After establishment of the Limited Partnership the Asset Manager will receive an annual fee of 1.5% of the total Participations in the Limited Partnership. This will be applied in payment of the ongoing management costs of the Limited Partnership and will be divided, although not equally, between the General Partner and the Asset Manager. This will be paid monthly in arrears.

From month 13 of an investor's Cash Subscription the annual profit share will increase by an additional 1% per annum where an introducer or financial intermediary receives a trail commission.

The Operator will be paid an annual fee of £15,000 (paid quarterly in advance) and £10,000 per annum (paid quarterly in advance) in relation to their appointment as Manager of the Exempt Unit Trust. The Operator's appointment can be terminated by 6 months notice in writing and in other circumstances summarised in the Operator Agreement.

## Accounts and Limited Partners' Meetings

Accounting periods will end on the 31st October each year and audited reports and accounts will be prepared to that date and sent to investors within 90 days thereof, un-audited financial statements will be available to Limited Partners on a quarterly basis.

Any general meetings of the Limited Partnership will be held at such location as the Operator may determine from time to time.



## Removal of General Partner

The General Partner may not resign during the term of the Limited Partnership.

The General Partner may be removed as General Partner of the Limited Partnership by written consent or resolution of Limited Partners whose aggregate Participations represents at least 75% of the total Participations. If the General Partner is so removed, the Operator and the Asset Manager will be entitled to compensation of an amount equal to the annual profit share of 1.5% of total Participations. The Asset Manager and the Operator will not, however, be entitled to compensation if the General Partner is removed as a result of its negligence, wilful misconduct or reckless disregard of its obligations and duties.

On removal of the General Partner for any reason, the Limited Partnership will terminate automatically, save that it may be reconstituted with the unanimous written consent of all Limited Partners.

## Terms of the Limited Partnership

### The Connaught Income Fund, Series 1

The Limited Partnership in respect of The Connaught Income Fund, Series 1 will be perpetual and have no fixed closing date.

### Auditors

The General Partner shall appoint UK recognised Auditors to the Fund.

### Indemnity

The Limited Partnership Agreement will provide that the General Partner, Specialist Partner, the Operator and the Asset Manager and each of their respective directors, officers, shareholders, agents and employees are entitled to be indemnified out of the Limited Partnership's assets against any liabilities, cost or expenses (including reasonable legal fees) incurred or threatened by reason of it or him being or having been the Specialist Partner, the Operator or the Asset Manager or a director, officer, shareholder, agent and employee of the Specialist Partner, the Operator or the Asset Manager except that such person will not be indemnified with respect to any matter resulting from its or his wilful misconduct or fraud.

The General Partner and the Limited Partnership will also require each Investor to indemnify the General Partner, the Operator and the Asset Manager in respect of any taxation which such parties pay on behalf of such Investor.

### Transfers and Withdrawals

An Investor may not sell, assign or transfer any interest in the Limited Partnership without the prior written consent of the Operator, which cannot be unreasonably withheld.

## Fees and Expenses

The Limited Partnership will bear all fees and expenses of its auditors and any banking charges. The Operator will be responsible for all other expenses incurred in the administration and management of the Limited Partnership.

### Borrowings

The Limited Partnership will not have the power to borrow money.

## The Exempt Unit Trust

### Summary

The Exempt Unit Trusts will be established as an exempt unauthorised unit trust by the Trust Deeds. The Bank of New York Trust and Depositary Company have been appointed as the trustee of the Exempt Unit Trust. Blue Gate Capital Limited has been appointed to manage the Exempt Unit Trust.

The Trustee will, on behalf of the unit holders, exercise its rights as a limited partner in the Limited Partnership. The Exempt Unit Trust is designed for SIPP and SSAS investors and other Exempt Investors to enable them to invest indirectly in the Partnerships.

The Trustee is authorised and regulated by the FSA and is appointed to act as trustee in accordance with the terms of the deed constituting the Exempt Unit Trust.

The Manager's role in respect of the Exempt Unit Trust includes ensuring the Trustee deals with subscriptions, administers receipt and payment of monies and admits Unit holders. The Manager will also be responsible for appointing auditors to the Exempt Unit Trust whilst also ensuring the maintenance of the books and records of the Exempt Unit Trust by the Trustee.

### Subscriptions

If Subscriptions in respect of the Exempt Unit Trust are less than £1,000,000 at the opening date of The Fund, the Manager reserves the right not to proceed with the launch of the Exempt Unit Trust until a minimum subscription of £1,000,000 is achieved.

### Fees and Expenses

The Exempt Unit Trust will bear all fees and expenses of its trustees, auditors and any banking charges only. The Manager will be responsible for all other expenses incurred in the administration and management of the Exempt Unit Trust.

### Application Procedure

Applications for Participations in the Limited Partnership and Units in the Exempt Unit Trust may only be made by using the appropriate Subscription Agreement included with this Information Memorandum.

Applications will be dealt on a strictly first come first basis and the Operator reserves the right to close The Fund to new applications at any time.

### Initial Profit Share

On Participations made to the Limited Partnership and subscriptions made to the Exempt Unit Trust the General Partner will receive an initial profit share of 2%.

1% of the initial profit share will be applied in payment to the establishment costs of the Limited Partnership and Exempt Unit Trust.

The balance will be paid to introducers and financial intermediaries by way of trail commissions.

### Annual profit share

The annual profit share is 1.5% per annum of total participations to each of the Limited Partnerships and subscriptions to the Exempt Unit Trust. This will be paid from the opening date monthly in arrears.

From month 13 of an investor's Cash Subscription the annual profit share will increase by an additional 1% per annum where an introducer or financial intermediary receives a trail commission.

### Additional Fees and Expenses

The only fees and expenses to The Fund in addition to those set out above will be in respect of the fund's banking, audit, and in the case of the Exempt Unit Trust, trustee fees. The overall level of these fees on the fund is considered to be minimal.

### Taxation

An investment in The Fund involves tax considerations which may differ for each investor, and each investor is advised to consult their own tax advisers.

### Taxation of the Limited Partnerships

The Limited Partnership should be treated as fiscally transparent in the UK. Consequently, the Limited Partnership will not be taxable as a separate entity, and will have no tax liability of its own in the UK. The limited partners of the Limited Partnership will be taxed in accordance with the taxation rules of their country of residence.

### Investor Tax Responsibilities

Each limited partner will be responsible for any UK tax on his share of the income arising in the Limited Partnership. Each limited partner will be responsible for submitting self assessment tax returns, taking into account his interest in the Limited Partnership. The Operator of the Limited Partnership will provide each limited partner with an annual statement, within 60 business days of the end of the financial year stating the relevant information on the Limited Partnership's income.

### Income Tax Arising in the Exempt Unit Trust

Income arising from the Exempt Unit Trust, after deducting allowable costs, will be subject to basic rate tax in force for the fiscal year in which the income arises, currently 20%.

In accordance with the Taxes Act, the manager of the Exempt Unit Trust will pay this basic rate income tax before the income is distributed to unit holders. The Trust will then pay the income tax deducted to the HMRC under the self-assessment regulations.

On each occasion a distribution net of basic rate income tax is made to a unit holder, the Exempt Unit Trust Manager will also issue an R185 tax deduction certificate to the unit holder. Tax exempt unit holders should then be able to reclaim the full amount of income tax paid to HMRC in relation to their income.

### VAT

The Limited Partnership may incur professional fees and other costs that will be subject to VAT. The Limited Partnership will bear the cost of such VAT and will aim to recover it wherever possible.

# Risk Factors

The risks described below should not be considered to be an exhaustive list of the risks which potential investors should consider before investing in The Fund.

## General

An investment in the Limited Partnership or the Exempt Unit Trust involves a degree of risk and investment results may vary over time. When reviewing historical performance data in this Information Memorandum, prospective investors should bear in mind that such information is not indicative of future performance.

Certain information in this Information Memorandum represents or is based upon forward looking statements or information. The Operator believes that such statements and information are based upon reasonable estimates and assumptions. However, forward looking statements and information are inherently uncertain and actual events or results may differ from those projected. Therefore, undue reliance should not be placed on such forward looking statements and information.

The Participations in the Limited Partnership and the Units in the Exempt Unit Trust are not listed or traded on, and no application has been or is being made for the admission of the Participations or the Units to listing or trading on, any stock exchange or securities market.

## Compensation

Investors will not be entitled to compensation under the Financial Services Compensation Scheme.

## Complaints

Any complaints should be made to the Operator and sent to Blue Gate Capital Limited, 18-22 Lloyd Street, Manchester, M2 5WA.

## Indemnity

In certain circumstances, more particularly referred to in the Limited Partnership Agreement, the General Partner, the Operator and the Asset Manager may be entitled to be indemnified out of the assets of The Fund for liabilities, costs and expenses arising in connection with services in relation to The Fund.

## Lack of Investor control

Investors will have no opportunity to control the day to day operations, including investments and disposal decisions, of The Fund.

## Liability

Although participations in the Limited Partnership are structured as 99.99% of non-interest bearing loan and 0.01% of capital, it is possible that a court may determine in the event of the Limited Partnership's bankruptcy that an Investor is liable to return to the Limited Partnership any loan which has been repaid in addition to any repaid capital. Such a return of funds may occur, in particular, in the event that such Limited Partnership is subject to litigation or where a warranty or indemnity given by the Limited Partnership is called on.

## Market Factors

The performance of The Fund may be affected by a variety of market factors, such as a change in demand for bridging loans or adverse changes in political, economic or social conditions.

## Valuations

The valuation of a property is a matter of a Valuer's opinion rather than fact.

## Tax Considerations

An investment in The Fund involves tax considerations which may differ for each investor and each investor is advised to consult their own tax advisers.

## Track Record

The key personnel within the Asset Manager and The Specialist Partner have experience within their respective spheres of asset management and bridging finance. The Fund however is a new concept, and therefore has no prior track record. The success of The Fund will depend on the ability of such key personnel to carry out the obligations of such entities. The performance of The Fund could be adversely affected should one or more of such individuals cease to participate in the activities of The Fund.

## Investment/Trading

The Fund may be involved in investment and/or trading activities which may result in different tax treatment to Limited Partners or unit holders.

## Definitions and Terms

Asset Management Agreement	The agreements between the Operator and the Asset Manager appointing the Asset Manager as Asset Manager to The Fund
Auditors	A United Kingdom recognised auditor as may be selected by the Operator
Bank	Royal Bank of Scotland or any other UK Bank appointed by The Operator
Capital Contribution	In respect of each Limited Partner, the amount shown as contributed to the capital of the Limited Partnership by such Limited Partner which shall be an amount equal to 0.01% of its Participations and which shall not include any capital which has been returned to Investors
Cash Subscription	The total sum subscribed by Investors for Participations and Units
Client Bank Account	The client account maintained by the Bank and into which prospective Investors' Cash Subscriptions for Participations and Units will be remitted following signature of their Subscription Agreements
Opening Date	1 June 2008 or such other date as determined by the Operator (in consultation with the General Partner), after receipts of applications exceed £1m
Connaught Administration Services	Connaught Administration Services Limited (registered number 6081018)
Connaught Asset Management	Connaught Asset Management Limited (registered number 6058768)
Exempt Investors	Persons within the definition of "Eligible Investor" in the deed constituting the Exempt Unit Trust, being (in summary) United Kingdom resident investors who are or may be permitted by HM Revenue & Customs to hold Units in the Exempt Unit Trust without thereby prejudicing the total exemption of the Exempt Unit Trust from taxation on capital gains under section 100 of The Taxation of Chargeable Gains Act 1992
Exempt Unit Trust	The Exempt Unit Trust for investment by Exempt Investors which will invest in the Limited Partnership as Limited Partners
Exempt Unit Trust Application Form	The application form for prospective investors to apply for Units in the Exempt Unit Trust containing the relevant Subscription Agreement
Guarantee	<p>In the context of this investment Fund, 'Guarantee' means the legally binding Guarantee Agreement between the Specialist Partner and Limited Partnership and a debenture Agreement between Tiuta Plc and all its Subsidiary companies to the Limited Partnership to underwrite the Guarantee Agreement.</p> <p>The Specialist Partner undertakes that it will on demand in writing pay or discharge to the Limited Partnership all monies and liability which shall be duly owing to the Limited Partnership and is additionally secured by a charge over the properties which form the security for the loans.</p>

Independent Valuer	The Valuer appointed to value the properties on an indicative basis and undertake a valuation for mortgage purposes on The Fund
Information Memorandum	This confidential Information Memorandum
Low Risk	In the context of this investment described the fact that 100% of the investors capital, together with any interest due, will be returned to the investor on request, subject to the conditions of The Fund. The funds are invested in short term loans secured against residential and commercial property, considered in themselves to be low risk, due to the restrictions on the maximum loan to value and property type, or high interest bearing cash deposits, and will not be invested in high risk assets.
FSA	The Financial Services Authority at 25 The North Colonnade, Canary Wharf, London E14 5HS
FSMA	The Financial Services and Markets Act 2000 and any successor legislation
The Fund	The Connaught Income Fund, Series 1
HMRC	Her Majesty's Revenue & Customs
ICTA 1988	The Income & Corporation Taxes Act 1988 (as amended)
Investor	Any person who subscribes for Participations and/or for Units, and any substitute Investor and 'Investors' shall be construed accordingly
Limited Partner	Each of the Investors in the Limited Partnership other than the General Partner in its capacity as the General Partner of the Limited Partnership
Limited Partnership	The Limited Partnership to be called The Connaught Income Fund, Series 1
Limited Partnership Agreement	The Limited Partnership Agreement to be entered into between the General Partner and the Asset Manager
Loans	In respect of each limited partner, the aggregate amount of the loan advanced to the Partnership by such Investor, which will be an amount equal to 99.99% of its Participations
Manager	The manager of the Exempt Unit Trust, being Blue Gate Capital Limited (company number 06252776)
Minimum Investment	£45,000 per Professional Investor, or, if higher, the Sterling equivalent of €50,000, or, £20,000 if applications are received through an authorised Intermediary

Operator	Blue Gate Capital Limited (company number 06252776, FSA Number of Operator 478314)
Operator Agreement	In relation to the Limited Partnership, the agreement made between Connaught Administration Services and The Operator
Participation	A participation of £1 in a Limited Partnership, in the form of a Capital Contribution and a Loan
SDRT	Stamp Duty Reserve Tax
SIPP	Self Invested Personal Pension schemes approved pursuant to ICTA 1988
SSAS	Small Self-Administered pension Scheme approved pursuant to ICTA 1988
Specialist Partner	Tiuta Plc and its wholly owned subsidiaries, or any other party appointed by the General Partner who can provide secured lending services to The Fund.
Subscriptions	Cash Subscription to invest in the Limited Partnership and/or in the Exempt Unit Trust pursuant to the completion and submission by Investors of Subscription Application Forms or Exempt Unit Trust Application Forms
Subscription Agreements	The subscription agreements in relation to Participations in the Limited Partnership and/or Units in the Exempt Unit Trust attached to the Subscription Application Form and Exempt Unit Trust Application Form respectively
Subscription Application Form	The application form for prospective investors to apply for Participations in the Limited Partnership containing the relevant Subscription Agreement
TCGH 1992	Taxation of Chargeable Gains Act 1992
Trust Deeds	The Trust Deeds of the Exempt Unit Trust
Trustee	The Bank of New York Trust and Depository Company Limited (company number 3588038)
UK	United Kingdom
Units	Units of £1.00 in the Exempt Unit Trust
Unit holders	A SIPP or SSAS approved under Part XIV of ICTA 1988 and which holds Units
VAT	United Kingdom Value Added Tax



