

DATED 2009

- (1) CONNAUGHT ADMINISTRATION SERVICES LIMITED
- (2) BLUE GATE CAPITAL LIMITED
- (3) THE GUARANTEED LOW RISK INCOME FUND, SERIES 1
- (4) CONNAUGHT ASSET MANAGEMENT LIMITED

OPERATION AGREEMENT

Relating To The Management And Operation Of
The Guaranteed Low Risk Income Fund, Series 1

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THIS AGREEMENT IS MADE ON

BETWEEN:

1. CONNAUGHT ADMINISTRATION SERVICES LIMITED, incorporated in England with registered number 06081018 and having its registered office at 1 Royal Exchange Avenue, London, EC3V 3LT, as general partner of The Guaranteed Low Risk Income Fund, Series 1 ("General Partner");
2. BLUE GATE CAPITAL LIMITED, incorporated in England with registered number 06252776 and having its registered office at 4th Floor Blackfriars House, Parsonage, Manchester, Lancashire M3 2JA (the "Operator");
3. THE GUARANTEED LOW RISK INCOME FUND, SERIES 1, incorporated in England and registered as a limited partnership pursuant to the Limited Partnerships Act 1907 under number LP012862 and having its registered office at 51 New North Road, Exeter, Devon EX4 4EP (the "Partnership"); and
4. CONNAUGHT ASSET MANAGEMENT LIMITED, incorporated in England with registered number 06058768 and having its registered office is at 1 Royal Exchange Avenue, London, EC3V 3LT (the "Asset Manager").

WHEREAS:

- (A) The Partnership is a collective investment scheme for the purposes of the Financial Services and Markets Act 2000 (the "FSMA").
- (B) Between the period of 15 April 2008 and 25 September 2009 Capita Financial Managers Limited (company number 01146888) ("Capita") operated the Partnership pursuant to an agreement between (1) Capita, (2) the Partnership and (3) the General Partner dated 10th July 2008
- (C) The General Partner is the general partner of the Partnership but has no power to manage and operate the Partnership for the purposes of the FSMA. The General Partner is required by the limited partnership agreement dated 10th July 2008 in respect of the Partnership between the General Partner and the Founder Partner ("Partnership Agreement") to ensure that all aspects of the operation of the Partnership which constitute regulated activity or otherwise require authorisation under the FSMA are at all times undertaken by a person authorised to do so under the FSMA to the exclusion of the General Partner who shall have no responsibility for such aspects.
- (D) The Operator is regulated in the conduct of regulated activity by the Financial Services Authority and is authorised under the FSMA to operate collective investment schemes.
- (E) The Partnership Agreement expressly authorises the General Partner on behalf of the Partnership to enter into this Agreement with the Operator and authorises the General Partner to represent the Partnership in its dealings with the Operator, and any steps taken by the General Partner in its capacity as general partner of the Partnership shall constitute the steps of the Partnership.
- (F) The Operator also intends to enter into a trust deed ("the Trust Deed") in relation to The Guaranteed Low Risk Income Fund Exempt Unit Trust 1 ("the Trust") in which certain investors are able to invest in the Partnership by purchasing units ("Units"), following which, the Trust then invests the proceeds of such investment directly into the Partnership as a Limited Partner.

IT IS AGREED AS FOLLOWS:

1 DEFINITIONS AND INTERPRETATION

- 1.1 Unless otherwise defined in this Agreement or the context requires otherwise, words and phrases defined (expressly or by reference) in the Partnership Agreement and/or the Trust Deed shall have the same meaning in this Agreement.
- 1.2 Save to the extent that the context or the express provisions of this Agreement require otherwise, in this Agreement:
- 1.2.1 words importing the singular shall include the plural and vice versa;
 - 1.2.2 words importing any gender shall include all other genders;
 - 1.2.3 any reference to a recital, clause, the schedule or Part of the Schedule is to the relevant recital, clause, schedule or part of the schedule of or to this Agreement;
 - 1.2.4 references to this Agreement or to any other document shall be construed as references to this Agreement or to that document as modified, amended, varied, supplemented, assigned, novated or replaced from time to time;
 - 1.2.5 references to any statute or statutory provision (including any subordinate legislation) includes any statute or statutory provision which amends, extends, consolidates or replaces the same, or which has been amended, extended, consolidated or replaced by the same, and shall include any orders, regulations, instruments or other subordinate legislation made under the relevant statute or statutory provision provided that, no such amendment, extension, consolidation or replacement shall be included in the reference or apply for the purposes of this Agreement to the extent that it would impose any new or extended obligation, liability or restriction on, or otherwise adversely affect the rights of, any party;
 - 1.2.6 references to a "person" includes any individual, firm, company, corporation, body corporate, government, state or agency of state, trust or foundation, or any association, partnership or unincorporated body (whether or not having separate legal personality and wherever incorporated or established) or two or more foregoing;
- 1.3 The table of contents and the headings in this Agreement are included for convenience only and shall be ignored in construing this Agreement.
- 1.4 The recitals form part of this Agreement and shall have effect as if set out in full in the body of this Agreement and any reference to this Agreement includes the recitals.

2 TERM

- 2.1 This Agreement shall commence on the date of this Agreement and shall continue thereafter unless and until terminated in accordance with Clause 6.

3 APPOINTMENT AND FUNCTIONS OF THE OPERATOR

- 3.1 The Partnership hereby appoints the Operator as its operator and administrator, subject to the provisions of this Agreement (including, without limitation, clauses 8 and 9), with full power and authority to act on behalf of the Partnership, and with the power to bind the Partnership, to undertake the following aspects of the operation of the Partnership which do or may constitute regulated activity or otherwise require authorisation under the FSMA to the exclusion (to such extent only) of the General Partner:
- 3.1.1 to maintain, or cause to be maintained, the Partnership's records and books of account at the Partnership's or (to the extent permitted by the Act) the Operator's own principal place of business, to procure that (so far as it is reasonably able to do so) such records and books of account are properly and accurately maintained and at all times up to date including all taxation affairs;
 - 3.1.2 immediately after the execution of this Agreement to make arrangements for the opening and maintaining of an account in the name of the Partnership with such bank as the General Partner and the Operator shall agree (a "Bank Account"), and save as necessary for the operation of the business of the Partnership, to retain the relevant monies in such account and issue cheques and other payment instructions in respect of the monies held in such account and (subject to counter-signature by or on behalf of the General Partner in accordance with the relevant bank mandate from time to time) to draw cheques and other orders for the payment of monies on, and execute any other documentation in connection with, such account;
 - 3.1.3 to make arrangements for the receipt into a Bank Account, on behalf of the Partnership, make arrangements to aggregate the Capital Contributions and the Loan Participations made by the Partners and to make arrangements for the receipt into a Bank Account all investment income and other funds arising from the investment in, or disposal of, the Partnership Assets and any other monies to which the Partnership is entitled, provided that it shall make arrangements for the receipt into a Bank Account of any such payments, income, funds and other monies by means of cheques or orders payable to the Partnership and its responsibility in respect of the same shall be limited to paying the same, or procuring that they are paid, with reasonable promptness, into a bank or other account in the name of the Partnership within three business days of receipt;
 - 3.1.4 (subject to counter-signature by or on behalf of the General Partner in accordance with the relevant bank mandates from time to time) to make arrangements for the issuing of cheques or other payment instructions on a Bank Account in respect of:
 - 3.1.4.1 payments of distributions of net income and Capital and repayments of Loan Participations;
 - 3.1.4.2 repayments of principal, and payments of interest, fees and other sums due, in respect of any borrowings of the Partnership;
 - 3.1.4.3 the payment of the fees and expenses due to the Operator in accordance with this Agreement;

- 3.1.4.4 the payment of all other expenses of the Partnership and other liabilities of the Partnership as they fall due;
- 3.1.4.5 such other payments as the Operator is requested to make by the General Partner, provided always that before making any distribution of net income or Capital or other payment, the Operator shall make such deductions as the Operator is required and entitled to make under English law then in force in respect of any income or other tax, charges or assessments whatsoever and in respect of the amount of stamp duties or tax or charges payable by it or for which it might be made liable in respect of any such distribution or payment or any relevant documents. Any amount which is deducted by the Operator in excess of the relevant requirements shall be distributed to the Partners in accordance with the terms of the Partnership Agreement.
- 3.1.5 as soon as practicable after the end of each Accounting Period (and subject to receiving from the Partnership all necessary information to enable it to do so), to procure the preparation by the Auditors within 4 months of the end of the first Accounting Period, and within 4 months of the end of each subsequent Accounting Period of audited accounts in respect of the Partnership for that Accounting Period in accordance with generally accepted accounting practice in the United Kingdom and the Partnerships and Unlimited Companies (Accounts) Regulations 1993 and all other applicable legislation (including, without limitation, the requirements for the time and manner of filing such accounts) and otherwise in accordance with the terms and conditions of the Partnership Agreement and to send a copy of such accounts to each Partner no later than three weeks from the date of receipt;
- 3.1.6 to receive, consider and distribute to the Partners such reports as it may from time to time receive in relation to the Partnership or the Individual Investments;
- 3.1.7 to engage at the Partnership's reasonable cost independent lawyers, accountants and other consultants to perform, assist with or advise upon the functions which the Operator is required to perform under this Agreement and the Partnership Agreement with the prior approval of the General Partner (such approval not to be unreasonably withheld or delayed);
- 3.1.8 to prepare and submit to the General Partner for signature and, when received duly signed, to register and publish all such notices, statements or other instruments as may be required pursuant to the Act to be registered and published in relation to the execution and performance of the Partnership Agreement and in relation to any changes hereafter occurring in relation to the Partnership (to the extent that the Operator is or ought reasonably to be aware of such changes) as specified in sections 9 and 10 of the Act;
- 3.1.9 to serve all notices in respect of, and to register or record any assignments of any interest of any Limited Partner and otherwise fulfil the functions of the General Partner pursuant to the Partnership Agreement, it being hereby agreed that the Operator shall have the benefit of and shall be subject to the provisions in that agreement which are expressed to limit or qualify the liabilities or limit and restrict the obligations of the

General Partner and that the Operator shall not be obliged to register any assignment of Partnership Interests which is not duly stamped;

- 3.1.10 generally to communicate with the General Partner, to deal with correspondence from the Partners and to report to the General Partner at such times as it shall think fit;
- 3.1.11 to delegate the performance of all or any of the rights and obligations on its part contained in this Agreement and the Partnership Agreement to the extent permitted by the terms of this Agreement and the Partnership Agreement;
- 3.1.12 to do all such further things in connection with the Partnership as are required to be performed or undertaken by a person authorised under the FSMA and as are from time to time specified by notice in writing from the General Partner to the Operator, provided that such things do not represent a material extension of the scope of the obligations and duties of the Operator as set out in the remainder of this clause 3; and
- 3.1.13 to do all or any other acts as are required of the Operator by this Agreement or the Partnership Agreement or as are in the Operator's reasonable opinion necessary or desirable, to give effect to the terms of this Agreement.

4 GENERAL PARTNER'S VETO

- 4.1 The General Partner shall be entitled by notice in writing to the Operator to veto any decision of the Operator relating to any transaction which in the opinion of the General Partner is inconsistent with the purposes of the Partnership specified in the Partnership Agreement or which is otherwise unacceptable to the General Partner, provided always that:
 - 4.1.1 the exercise of any such veto shall not affect the validity or enforceability of actions taken or obligations incurred in accordance with the terms of this Agreement before notice of such exercise is received by the Operator;
 - 4.1.2 the Operator shall not be responsible for any loss incurred as a consequence of not implementing any transaction that is the subject of such veto; and
 - 4.1.3 the General Partner shall not be entitled to exercise such veto if as a result the Operator would or might become liable for breach of any lawful obligation or duty, whether in contract or under the regulatory regime applicable to the Operator or otherwise howsoever.

5 DELEGATION

- 5.1 The Operator shall be entitled to delegate the performance of all or any of its rights and obligations under or pursuant to this Agreement to the extent permitted by clause 10.2 of this Agreement in respect of all of its rights and obligations under this Agreement and/or the Trust Deed which do not constitute regulated activity or which otherwise would require any authorisation under FSMA which it may not have.
- 5.2 The Operator, to the extent it may lawfully do so, will give the General Partner access to inspect all documents supplied to the Operator by any other person in connection with the Partnership and

will, to the same extent, provide the General Partner with copies of any such documents requested by the General Partner within five Business Days of receipt of such a request.

6 TERMINATION

6.1 This Agreement will terminate on the occurrence of the following events:

- 6.1.1 either the General Partner or the Operator serving written notice on the other party terminating the Operator's appointment under this Agreement with immediate effect in the event that the Operator ceases to be authorised under the FSMA to perform the functions and obligations contained in this Agreement. The Partnership shall thereafter procure the appointment of a replacement Operator to operate, manage and administer the Partnership as soon as reasonably possible, provided that the Operator shall indemnify and keep indemnified the Partnership, the General Partner and the Limited Partners against all costs, claims and expenses properly incurred by the Partnership, the General Partner and the Limited Partners as a consequence of or in connection with the Operator ceasing to be authorised under the FSMA pending the appointment of a replacement Operator.
- 6.1.2 the termination of the Partnership in accordance with the terms of the Partnership Agreement;
- 6.1.3 the General Partner serving written notice on the Operator terminating this Agreement forthwith, following a material default by the Operator of its obligations and duties under this Agreement which, only if capable of remedy, is not remedied within 28 days of notice being given by the General Partner to the Operator requiring such remedy;
- 6.1.4 the Limited Partners by Investor's Consent terminating this Agreement on 12 months' notice;
- 6.1.5 the General Partner serving written notice on the Operator terminating this Agreement on 3 months' notice;
- 6.1.6 the Operator serving written notice on the Partnership terminating this Agreement forthwith, following a material default by the Partnership or the General Partner in the performance of its or their obligations under this Agreement (including, without limitation, the failure to provide the Operator with the necessary information to enable the Operator to discharge its obligations under this Agreement) which, only if capable of remedy, is not remedied within 28 days of notice being given by the Operator to the General Partner requiring such remedy;
- 6.1.7 the Operator serving written notice on the other parties to this Agreement terminating the Operator's appointment under this Agreement with immediate effect in the event that the Operator believes (at its sole discretion) that the Partnership is being administered in a manner that is inconsistent with the terms of the information memorandum received by any Investor or any Investor is not being treated fairly.
- 6.1.8 resignation by the Operator on 6 months' notice to the General Partner;
- 6.1.9 the Operator:

- 6.1.9.1 has a petition for winding up or for an administration order lodged against it or passes a resolution for winding up (other than for the purpose of a solvent amalgamation or reconstruction) or resolves to present a petition for winding up or is wound up or its directors and shareholders resolve to present a petition for an administration order or an administrative receiver or receiver or receiver and operator is appointed in respect of the whole or any material part of the assets or undertaking of the Operator; or
- 6.1.9.2 calls a meeting of creditors or makes an application to the Court under Section 425 of the Companies Act 1985 or submits to its Creditors a proposal under Part I of the Insolvency Act 1986 or enters into any arrangement or composition with its creditors; or
- 6.1.9.3 suffers any lawful distress or execution to be levied on its goods which is not paid out or sealed within 7 days;

PROVIDED THAT any termination pursuant to any of clauses 6.1.5 to 6.1.6 shall not take effect unless and until the earlier of 6 months after the occurrence of the relevant event and the date on which a replacement Operator authorised under the FSMA is appointed by the Partnership.

- 6.2 Upon termination of the Operator's appointment hereunder for any reason the Operator shall return forthwith to the Partnership all papers, documents and other property belonging to the Partnership or relating to the business or affairs of the Partnership or the Partnerships property which it has in its possession, custody or control provided that the Operator shall be entitled to retain copies of any information required to enable the Operator to comply with any applicable regulatory, tax or insurance requirements or the requirements of the FSMA or for the purposes of any litigation in which it is a party.
- 6.3 Any termination of this Agreement shall be without prejudice to any rights accrued in favour of any of the parties in respect of any breach committed prior to the date of such termination by any of the parties including (without limitation) the breach giving rise to termination.
- 6.4 Notwithstanding the expiry or the termination of this Agreement under any of its provisions, clause 6.3 and all the provisions of this Agreement which are expressed to have effect on, or at any time after, the expiration or determination of this Agreement, shall survive such expiration or determination, and the parties shall perform and observe their respective obligations and discharge their respective liabilities under all such provisions of this Agreement.
- 6.5 On termination of this Agreement howsoever terminated, the Operator shall use all reasonable endeavours to effect or procure a smooth and efficient transfer to the new Operator appointed by the Partnership of its obligations and duties hereunder, including, without limitation, the handing over of documentation and a report on the status of the Investments, and shall comply with all reasonable requests of the General Partner in connection therewith within a reasonable timescale.

7 **CONFIDENTIALITY**

- 7.1 The Operator shall (and shall use its reasonable endeavours to procure that its directors, officers, agents, contractors, and employees shall) at all times keep confidential (including after termination of this Agreement) and not disclose or use without the prior written consent of the Partnership (acting through the General Partner) any confidential information about the Partnership, the Partners, the Investments or any other Partnership Assets. However, the Partnership agrees that

the Operator may disclose such information to its professional advisers for the purpose of taking advice relating to the Operator's compliance with its obligations under this Agreement or if the Operator is required to do so by any competent regulatory authority or agency or by or under any applicable law or for the purpose of complying with the requests of its insurers.

8 OPERATOR'S OBLIGATIONS

8.1 The Operator hereby represents and warrants to the Partnership as follows:

8.1.1 that it has full corporate power and authority and has taken all necessary corporate action to enable it effectively to enter into and perform its obligations under this Agreement;

8.1.2 that this Agreement, when executed by all parties, will create obligations on the Operator which are valid and binding on it, and enforceable in accordance with their terms;

8.1.3 that it does not require the consent, approval or authority of any other person to enter into or perform its obligations under this Agreement and its entry into and performance of this Agreement will not constitute any breach of or default under any contractual or legal obligation binding upon it at the date of this Agreement; and

8.1.4 it is authorised under the FSMA to operate collective investment schemes.

8.2 The Operator shall devote as much of its time and attention to the performance of its responsibilities, duties and powers hereunder as is necessary for the purpose of fulfilling its obligations and duties to the Partnership under this Agreement.

8.3 The Operator shall have responsibility in respect of treasury management of deposited funds of the Partnership.

8.4 In performing its responsibilities, duties and powers hereunder the Operator shall exercise that degree of skill and care as could reasonably be expected of a person experienced and skilled in the financial management, operation and winding up of a collective investment scheme in the nature of the Partnership.

8.5 The Operator shall at all times maintain, and produce to the Partnership when required details of, all necessary authorisation under the FSMA to enable it to operate the Partnership in accordance with the terms and conditions of this Agreement.

8.6 The Operator undertakes to the Partnership to comply at all times with its obligations under the FSMA and the FSA Rules in respect of performance of its obligations under this Agreement.

8.7 If the Operator ceases to be authorised under the FSMA to manage and operate the Partnership, the Operator shall use reasonable endeavours to procure that another similarly authorised person is appointed as operator in its place forthwith to perform the Operator's functions, duties and obligations as set out in this Agreement.

FEES

- 9.1 The General Partner shall upon receipt of a valid value added tax invoice (if required) pay the Operator, or such persons as the Operator has properly delegated the performance of its obligations under this Agreement to (the "Delegates") and subject to clause 9.2:
- 9.1.1 an annual fee ("Annual Fee") of £49,500 plus VAT (if applicable), such Annual Fee to be payable by 4 quarterly instalments in advance and the Operator shall be entitled to a pro rata entitlement for any period which represents less than a calendar quarter;
- 9.1.2 set up and initial know your client compliance checks for a fee of £10,000 and for any investors to the Fund after the 29 July 2009 £75 per additional Investor;
- 9.1.3 to facilitate:-
- 9.1.3.1 Capital/income distributions £1,500 per distribution;
- 9.1.3.2 Capital transactions such as new subscriptions, redemptions or transfers of Capital; £75 per individual transaction;
- 9.1.4 Administration of Partner meeting; £1,250 per meeting; and
- 9.1.5 any other matters charged on a time spent basis at the current charge out rates applicable at the time. A schedule of current charge out rates is attached at Appendix 1
- together the "Fees"
- 9.2 The Fees are based on the assumption that the aggregate amount of Commitments shall not exceed £100 million (one hundred million pounds sterling) and a maximum of 1,000 (one thousand) Investors at any one time. If there is a change to these assumptions then the General Partner and the Operator shall negotiate any revised terms in good faith.
- 9.3 The fees referred to in clause 9.1 shall be increased once a year on each anniversary of the date of this Agreement by a percentage equal to the percentage increase in the General Index of Retail Prices (all items) published by the Office for National Statistics (or such other similar index as may be published in its place) over the preceding twelve month period.
- 9.4 The Annual Fee shall also be reviewed every fifth anniversary of this Agreement and the General Partner and the Operator shall negotiate any revised terms in good faith.
- 9.5 In addition to payment of the fees referred to in clause 9.1, the Partnership shall reimburse to the Operator and/or the Delegates (as appropriate) all reasonable travel costs and all reasonable fees or expenses properly incurred by the Operator and the Delegates respectively in reimbursing third parties, in either case to the extent properly incurred in connection with the performance by the Operator and/or the Delegates of their obligations and duties under this Agreement, including value added tax thereon to the extent that the Operator and/or the Delegates shall be unable to obtain payment thereof or credit therefore from H M Customs & Excise. Fees and expenses reimbursing third parties shall for this purpose only be regarded as "properly incurred" to the extent they relate to the performance of functions by third parties in the circumstances provided for in clauses 3.1.1, 3.1.5 and 3.1.7.

10 ASSIGNMENT AND DELEGATION

- 10.1 This Agreement shall be binding upon, and enure for the benefit of, the successors of the General Partner as general partner of the Partnership. The Operator may only assign the benefit of this Agreement to an Associate of the Operator and only then if:
- 10.1.1 the identity of the assignee (including all relevant shareholders) is approved by the General Partner, such approval not to be unreasonably withheld or delayed;
 - 10.1.2 the assignee is authorised under the FSMA to operate a collective investment scheme such as the Partnership;
 - 10.1.3 the assignment shall cease to take effect and shall cease to be recognised immediately the assignee ceases to be an Associate of the Operator or authorised under the FSMA to operate a collective investment scheme such as the Partnership; and
 - 10.1.4 the assignee shall enter into a deed with the General Partner in a form and substance reasonably satisfactory to the General Partner to observe and perform all the obligations, covenants and duties on the part of the Operator contained in this Agreement to the intent and effect that the assignee shall assume precisely the responsibilities of manager and operator of the Partnership as they are set out in this Agreement for the purposes of the FSMA.
- 10.2 Subject to and without prejudice to the provisions of clause 5.1, the Operator undertakes that the functions, duties, obligations, discretions, rights and powers of the Operator contained in this Agreement will be performed and exercised by the Operator save (but subject then to the prior approval of the General Partner which shall not be unreasonably withheld or delayed) in circumstances which in the reasonable opinion of the Operator necessitate the use of external professional advice or services not of the kind possessed or available to those persons engaged, employed or seconded to the Operator provided always that, subject to the provisions of this Agreement, the Operator shall remain liable in respect of its obligations and duties under this Agreement so delegated.

11 CONFLICT OF INTEREST AND LIABILITY

- 11.1 The functions and duties which the Operator undertakes on behalf of the Partnership shall not be exclusive in that the Operator and any Associate of the Operator may act as general partner, manager or operator in or of other investment vehicles provided the Operator continues properly to observe and perform all of its obligations and duties in relation to this Agreement.
- 11.2 The Operator shall be deemed not to have notice of, and shall be under no duty to disclose to the Partnership or any Partner, any fact or thing which may come to the notice of it or any servant or agent of it in the course of it rendering services to others or in the course of its business in any other capacity or in any manner whatsoever otherwise than in the course of carrying out its obligations and duties under this Agreement.
- 11.3 For the avoidance of doubt in respect of any period prior to the date of this Agreement the Operator shall not be liable in respect of any breach by Capita (as former operator of the Partnership) or any former operator of the Partnership (the "Former Operators") of any regulatory

requirements (including but not limited to any failure to comply with the applicable provisions of the FSA Rules or the FSMA) or any breach by the Former Operators of the duty of care owed to the Partnership, General Partner or Asset Manager.

- 11.4 The Operator shall be under no liability on account of anything done or suffered by it in good faith in accordance with or in reliance upon any instructions, request, advice or information given to it by or on behalf of any General Partner.
- 11.5 The Operator will not be responsible in respect of the fraud, gross negligence, wilful misconduct, bad faith or reckless disregard of the obligations and duties of any third person, firm or company to whom any duties or services are delegated pursuant to this Agreement provided that (i) the Operator has exercised reasonable care and good faith in selecting such third party and (ii) the Operator shall remain liable when the delegate is an Associate.
- 11.6 The Operator will not be liable for any loss arising from errors of fact or judgement or any action taken (or omitted to be taken) by it howsoever arising except to the extent that such error or action (or the omission thereof) is due to (i) the Operator's fraud, gross negligence, wilful misconduct, bad faith or reckless disregard of its obligations and duties or that of its employees or Associates or their employees or (ii) the Operators failure to comply with the applicable provisions of the FSA Rules or the FSMA.

12 **INDEMNITY**

- 12.1 The Operator and its directors, officers, agents and employees ("Indemnified Persons") shall be entitled to be indemnified by the Partnership, General Partner and the Asset Manager against any and all liabilities, actions, proceedings, claims, costs, demands, damages and expenses (including reasonable legal fees) which may be incurred by or recovered against the Indemnified Persons by third parties by reason of it carrying out any of its/their duties hereunder (including without limitation as a result of the exercise by the General Partner of the veto referred to in clause 4 and any acts/omissions made by Capita during the period that they were appointed as operator of the Partnership), save in respect of any matter resulting from (i) a breach by the Indemnified Persons of its/their obligations or duties under this Agreement, (ii) any breach of any applicable duties or obligations under the FSA Rules or the FSMA by the Indemnified Persons; or (iii) the fraud, gross negligence, wilful misconduct, bad faith or reckless disregard of the obligations and duties of the Indemnified Persons under this Agreement.

13 **BOOKS AND RECORDS**

- 13.1 The Operator shall keep or cause to be kept records of all the assets of the Partnership of which the Operator is aware or ought reasonably to be aware and of transactions undertaken by it or with its knowledge on behalf of the Partnership in accordance with proper accounting practices together with all necessary receipts and vouchers.
- 13.2 The Operator shall maintain a record (prepared by the Partnership's solicitors) of the location of all certificates and other documents of title relating to the assets of the Partnership of which the Operator is aware.
- 13.3 The books of account and other records relating to the Partnership or its assets shall remain the absolute property of the Partnership and shall at all reasonable times be open for inspection and

copy by the Partners and any person authorised by a Partner providing reasonable notice of such inspection is given to the Operator.

14 **ACKNOWLEDGEMENTS**

14.1 It is acknowledged that:

14.1.1 the Operator has no responsibility to the Partnership for the underlying investment decisions made by the Partnership;

14.1.2 the Operator shall be entitled to rely on the audited accounts produced by the Auditors and/or any determination of income return on Contributions for the purposes of discharging its obligations pursuant to this Agreement and the Partnership Agreement without further enquiry and it is acknowledged that the Operator shall, where any such determination of income return on Contributions is required, not be required to make a distribution to the Partners if such determination has not been made;

14.2 The General Partner hereby severally represents and warrants to the Operator as follows:

14.2.1 that it has full corporate power and authority and has taken all necessary corporate action to enable it effectively to enter into or perform its obligations under this Agreement;

14.2.2 that this Agreement, when executed by all parties, will create obligations on the General Partner which are valid and binding on it and enforceable in accordance with its terms; and

14.2.3 that it does not require the consent, approval or authority of any other person to enter into or perform its obligations under this Agreement and its entry into and performance of this Agreement will not constitute any breach of or default under any contractual or legal obligation binding upon it at the date of this Agreement.

15 **WAIVERS**

15.1 A failure by any party to exercise and any delay, forbearance or indulgence by any party in exercising any right, power or remedy under this Agreement shall not operate as a waiver of that right, power or remedy or preclude its exercise at any subsequent time or on any subsequent occasion. The single or partial exercise of any right, power or remedy shall not preclude any other or further exercise of that right, power or remedy or the exercise of any other right, power or remedy. No custom or practice of the parties at variance with the terms of this Agreement shall constitute a waiver of the rights of any party under this Agreement. The rights, powers and remedies provided in this Agreement are cumulative and not exclusive of any rights, powers or remedies provided by law.

16 **PROPER LAW**

16.1 This Agreement is governed by and is to be interpreted and construed in accordance with English law and each of the parties hereby irrevocably agree that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with this

Agreement and that accordingly, any suit, action or proceedings arising out of or in connection with this Agreement shall be brought in such courts.

17 NOTICES

17.1 Any notice or other communication to be given under, or in connection with the matters contemplated by, this Agreement shall be in writing and shall be served by delivering it personally or sending it by pre-paid first class post, by facsimile or e-mail or other electronic communication to the address and for the attention of the relevant party set out below (or as otherwise notified by that party hereunder). Any such notice shall be deemed to have been received;

17.1.1 if delivered personally, at the time of delivery;

17.1.2 in the case of pre-paid first class post, 48 hours from the date of posting; and

17.1.3 in the case of fax, at the time of transmission (evidenced by a transmission report);

17.1.4 in the case of by e-mail or other electronic communication, at the time of the electronic communication (evidenced by an electronic communication report),

provided that if deemed receipt occurs before 9am on a business day the notice shall be deemed to have been received at 9am on that day and if deemed receipt occurs after 5pm on a business day, or on a day which is not a business day, the notice shall be deemed to have been received at 9am on the next business day. For the purpose of this Clause 17.1, "business day" means any day which is not a Saturday, a Sunday or a public holiday in the place at or to which the notice is left or sent.

17.2 The addresses and facsimile numbers of the parties for the purposes of Clause 17.1 are:

General Partner:	Connaught Administration Services Limited
Address:	●
For the attention of:	●
Fax number:	●
Operator:	Blue Gate Capital Limited
Address:	18-22 Lloyd Street, Manchester, M2 5WA
For the attention of:	Tamlyn Stone
Fax number:	0161 832 8379
Partnership:	The Guaranteed Low Risk Income Fund, Series 1
Address:	●
For the attention of:	●
Fax number:	●
Asset Manager:	Connaught Asset Management Limited
Address:	●
For the attention of:	●
Fax number:	●

or such other address or facsimile number in the United Kingdom as may be notified in writing from time to time by the relevant party to the other party.

18 **GENERAL**

- 18.1 All amounts payable pursuant to this Agreement shall, unless otherwise stated, be exclusive of any value added tax which shall be charged in addition as applicable.
- 18.2 No party shall be entitled to make or permit or authorise the making of any press release or other public statement or disclosure concerning this Agreement without the prior written consent of the other parties hereto (except as required by the UK Listing Authority, by a court of competent jurisdiction or by any other competent authority when such party shall first supply a copy of such statement release or disclosure to the other parties and shall incorporate any amendments or additions reasonably required by such other parties thereto).
- 18.3 This Agreement (together with all agreements and documents referred to herein or executed contemporaneously herewith) constitutes the entire Agreement between the parties in relation to the subject matter hereof and supersedes all prior agreements and understandings (whether oral or written) with respect thereto.
- 18.4 In the event that any term, condition or provision of this Agreement is held to be a violation of any applicable law, statute or regulation the same shall be deemed to be deleted from this Agreement and shall be of no force and effect and this Agreement shall remain in full force and effect as if such term, condition or provision had not originally been contained in this Agreement. Notwithstanding the foregoing in the event of any such deletion the parties shall negotiate in good faith in order to agree the terms of a mutually acceptable and satisfactory alternative provision in place of the provision so deleted.
- 18.5 Nothing in this Agreement shall be deemed to constitute a partnership between the Partnership, its Partners and the Operator.

IN WITNESS WHEREOF this Agreement has been executed as a deed the day and year written above.

EXECUTED as a DEED and DELIVERED by **Blue**)
Gate Capital Limited acting by one director)
in the presence of:)


.....
DIRECTOR

Witness Signature: .....
Witness Name: Darren Bradburn.....
Witness Address: 58 Rylands.....
Drive Warrington.....
WA2 7DR.....
Witness Occupation: BOB.....

EXECUTED as a DEED and DELIVERED by)
Connaught Administration Services)
Limited acting by one director in the presence)
of:


.....
DIRECTOR

Witness Signature: .....
Witness Name: James PITT.....
Witness Address: 352 Archer Hunt.....
Smethley City, Leicestershire.....
SN16 1FL.....
Witness Occupation: Fuel Manager.....

EXECUTED as a DEED and DELIVERED by)
Connaught Asset Management Limited)
acting by one director in the presence of:)


.....
DIRECTOR

Witness Signature: 
Witness Name: John Kelly
Witness Address: 872 Archer Road
Smethwood Way, London
SW16 1R
Witness Occupation: Fund Manager

EXECUTED as a DEED and DELIVERED by The)
Guaranteed Low Risk Income Fund, Series 1)
acting by **Connaught Administration**)
Services Limited, general partner, acting by
[LP John Kelly], a director in the presence
of:


.....
DIRECTOR

Witness Signature: 
Witness Name: John Kelly
Witness Address: 872 Archer Road
Smethwood Way, London
SW16 1R
Witness Occupation: Fund Manager

Appendix 1

GRADE	CHARGE OUT RATE PER HOUR (excl VAT)
	£
Director	250
Administrator & Support	60
Supervisor, Cashier/ Book keeper	60
Compliance Manager	90