

The Connaught Income Fund, Series 3

“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 3 (the 'Fund'), which consists of a Limited Partnership and associated Exempt Unit Trust. The Operator of the Limited Partnership will be Dunadd Asset Management Limited who are authorised and regulated in the UK by the Financial Services Authority (the 'FSA').

The Operator has appointed Connaught Asset Management Limited to act as Asset Manager in relation to 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 CONNAUGHT ADMINISTRATION SERVICES LIMITED AND IS ONLY BEING DISTRIBUTED TO, AND IS ONLY DIRECTED AT (I) 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 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 performances.

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.

Throughout this document, reference is made to 'low risk'. This term is the opinion of the Asset Manager and should not be relied upon as having a generic meaning.

The Participations in the Limited Partnership 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.

In addition to the other information contained in this Information Memorandum, the risk factors set out under the heading 'Risk Factors' on page 23 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

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Notice to Residents of the United States

The Interests described in these materials have not been, and will not be registered under the US Securities Act, or any state or other securities laws, and may be offered and sold for investment only to qualifying recipients of these materials pursuant to the exemption from the registration requirements of the US Securities Act provided by Regulation D and Regulation S promulgated there under, and in compliance with any applicable state or other securities laws. The fund will not be registered as an investment company under the US Investment Company Act. The interests have not been recommended by any US federal or state, or any non US securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of these materials. Any representation to the contrary is a criminal offence.

These materials do not constitute an offer to sell, or the solicitation of an offer to buy, any securities in any state or jurisdiction where, or to or from any person to or from whom, such offer or solicitation is unlawful or not authorised. These materials are being furnished on a confidential basis solely to selected qualified investors and may not be reproduced or distributed to others without prior written consent of the Asset Manager. Each recipient agrees to keep all the information contained herein confidential (except as provided in the following sentence) and to use these materials for the sole purpose of evaluation a possible investment in the Fund described herein.

Notwithstanding the foregoing, each investor (and each employee, representative or other agent of the investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of an investment in the Fund and all materials of any kind (including opinions or other tax analyses) that are provided to the investor relating to such tax treatment and tax structure. By accepting these materials, each recipient agrees to the foregoing.

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.

References in this Information Memorandum to statutory or regulatory provisions shall be construed as references to those provisions as amended or re-enacted from time to time and the subordinate legislation made thereunder.

References to the singular include the plural and vice versa and references to one gender include all genders. References to a month are to a calendar month.

Executive Summary

The success of The Connaught Income Fund, Series 1 has highlighted the inherent demand for short term finance. Continued uncertainty in the world markets and a cautionary return to the lending markets by the banking community, despite government intervention, has driven the quest for many specialist lenders to source finance other than from banks to secure stable lending lines to build their businesses.

In markets where the ability to secure short-term finance quickly is paramount, higher interest rates can be demanded but with the security of any loan charged against an independently valued asset. Connaught Asset Management has reviewed and evaluated numerous alternative models in the secured lending market and believes that The Connaught Income Fund Series 3 offers a potentially very attractive non-correlated investment opportunity.

In December 2009 the Bank of England reported secure lending in the UK agricultural market at £11.149 billion emphasising the size of the market for which this Fund will secure a minority holding in short term 'bridging' finance. UK Acorn Finance Limited specialises in this market and this Fund has been created to lend investors' money with a legal first charge against agricultural assets paying an annualised income quarterly in arrears to Investors from 8.5% to 9.0%.

Bridging loans charge an interest rate up to 1.75% per calendar month which is based on the speed of the loans required by the borrower and not only on the risk profile of the loan itself. The loan is designed to be a very low to low-risk investment as the borrower is subjected to an assessment of their personal status, the security is independently valued, there is a charge over a property, and loans are restricted to a conservative maximum average loan to value (LTV) of 65%.

Initial interest costs and charges made on the 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 be underwritten by the Specialist Partner to the Limited Partnership.

The combination of relatively high income from the Fund, 30 days notice to withdraw, and with the whole funding line secured against tangible assets, makes this a potentially very attractive investment proposition for the investor market.

The Connaught Income Fund, Series 3

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 the Operator at its discretion reserves the right to close and re-open the Fund to new monies. 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 and Unit Trust Manager: | Dunadd Asset Management Limited 26 New Street, Paisley, PA1 1YB |
| General Partner: | Connaught Administration Services Limited Ground Floor, Hill Place House, 55a High Street, Wimbledon Village, London, SW19 5BA |
| Specialist Partner: | UK Acorn Finance Limited Acorn House, Hoopers Close Isleport Business Park, Highbridge Somerset, TA9 4JT |
| Asset Manager: | Connaught Asset Management Limited Ground Floor, Hill Place House, 55a High Street, Wimbledon Village, London, SW19 5BA |
| Trustees to the Exempt Unit Trust: | Capita Trust Company Limited Phoenix House, 18 King William Street, London EC4N 7HE |
| Auditors to the Fund: | Hillier Hopkins Charter Court, Midland Road, Hemel Hempstead, Herts. HP2 5GE |
| Administrator to the Fund | Primagtius Administration Services Limited 39 Isaac Square, Great Baddow Chelmsford, Essex, CM2 7PP |
| Solicitors to the Fund: | Lupton Fawcett LLP Yorkshire House East Parade Leeds. LS1 5BD |

Role of Main Parties

Dunadd Asset Management Limited

The Operator

Dunadd Asset Management Limited specialises in developing and operating Limited Partnerships and has a very close affinity to the Fund 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 unregulated collective investment schemes and is regulated by the FSA in the conduct of its regulated activities.

Connaught Asset Management Limited

The Asset Manager

The Asset Manager has been appointed by the Operator.

The Asset Manager has been specifically created to provide services which cater for the institutional, experienced and sophisticated investor markets.

For The Connaught Income Fund, Series 3 (the Fund), the Asset Manager will be using the professional services of UK Acorn Finance Ltd (Acorn), as the Specialist Partner. Acorn will use the revolving credit facility supplied by the Fund to provide short-term lending to the UK agricultural sector, secured on agricultural land and buildings.

Key roles as Asset Manager:

- Approve all proposed loan applications recommended by the Specialist Partner
- Review the independent valuations on any assets before accepting applications
- Ensure that the loan security is registered to the Fund
- Ensure that the correct amount of interest monies is paid to each Investor in the Fund
- Review progress on each loan
- Ensure that, after the Fund has been operating for at least 6 months, no single loan exceeds 15% of the total monies raised for the Fund
- Ensure that all monies are repaid to the Fund following completion of any loan
- Report to the Operator on the performance of the Fund
- Prepare quarterly Management reports

UK Acorn Finance Ltd

The Specialist Partner

UK Acorn Finance Ltd (UKAFL) has been established to offer short term loans to the UK agricultural market. The loans range from £30,000 to £5,000,000 in value and are secured by a legal first charge basis against, for example, farmhouses, rural and country properties, agricultural buildings and land.

UKAFL's management and personnel have a strong background in the agricultural sector and short term finance through UK Farm Finance and UK Country Capital and are ideally placed to take advantage of the current squeeze in lending from traditional bank sources. Their strict credit controls, firsthand experience in the market and strong links to access the most favourable borrowers enables them to charge the premium rates that drive the returns to the Fund's Investors.

Much of the board's experience has been gained from working within the agricultural sector in the short term finance market and also with UK Country Capital Ltd which had a highly successful and profitable track record of providing agricultural bridging finance up until the global collapse in the financial system in September 2007 which halted new lending. The fact that a market gap still exists is evidenced by enquiries over the last six months totalling in excess of £100m. This represents a good level of business enquiries particularly as they have been received without any promotion taking place.

Key roles as Specialist Partner

- Through existing client contacts, advertising presence and its broker network Acorn will source loan applications from borrowers who meet the Fund criteria.
- To lend monies raised in the Fund through a revolving credit facility secured by a first charge on selected assets.
- Provide the Asset Allocation Committee (AAC) with all documentation regarding a proposed loan
- Ensure a thorough credit vetting process has been undertaken
- Provide an independent RICS valuation, from an agricultural specialist, on the market value of each property
- Ensure a subordinated legal charge in favour of the Fund in respect of each security is registered with the Land Registry.
- Provide a monthly progress and activity report on all loans relating to the monies raised by the Fund

Lending Record

UKAFL is a new company that has been established for the sole purpose of accessing the revolving credit facility provided by the Fund. However there are two other existing companies; UK Farm Finance Ltd and UK Country Capital Ltd that share a number of the same key personnel.

*In the period between May 1999 to May 2005 UK Farm Finance made 180 loans to a value of £11,401,000 at an average of £63,000 per loan and a Loan to Value (LTV) of 65%. They did not incur a single loss on this loan book.

*In the period between August 2005 to August 2007 UK Country Capital made 326 loans to a value of £113,825,000 at an average of £349,000 per loan and at an average LTV of 65.2%. The default rate on this loan book was 3.3%. On 1st charge agricultural lending, the lending that is acceptable to the Fund, there were 159 loans to a value of £78,895,000 at an average of £496,000 per loan and at an average LTV of 65.2%. The default rate on this part of the loan book was 1.1%.

*Source UKAFL May 2010

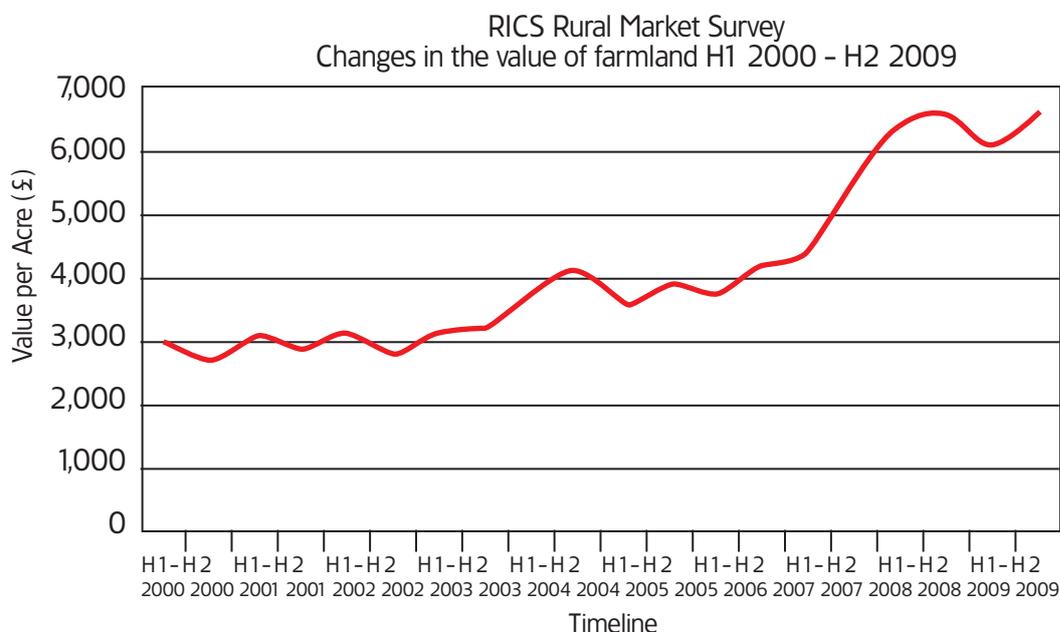
Why invest in the short term agricultural lending market?

Lending by UKAFL will be strictly on the basis of a 1st charge against the asset. With very few exceptions, the maximum average Loan to Value is 65% and the average loan term will be 9 months.

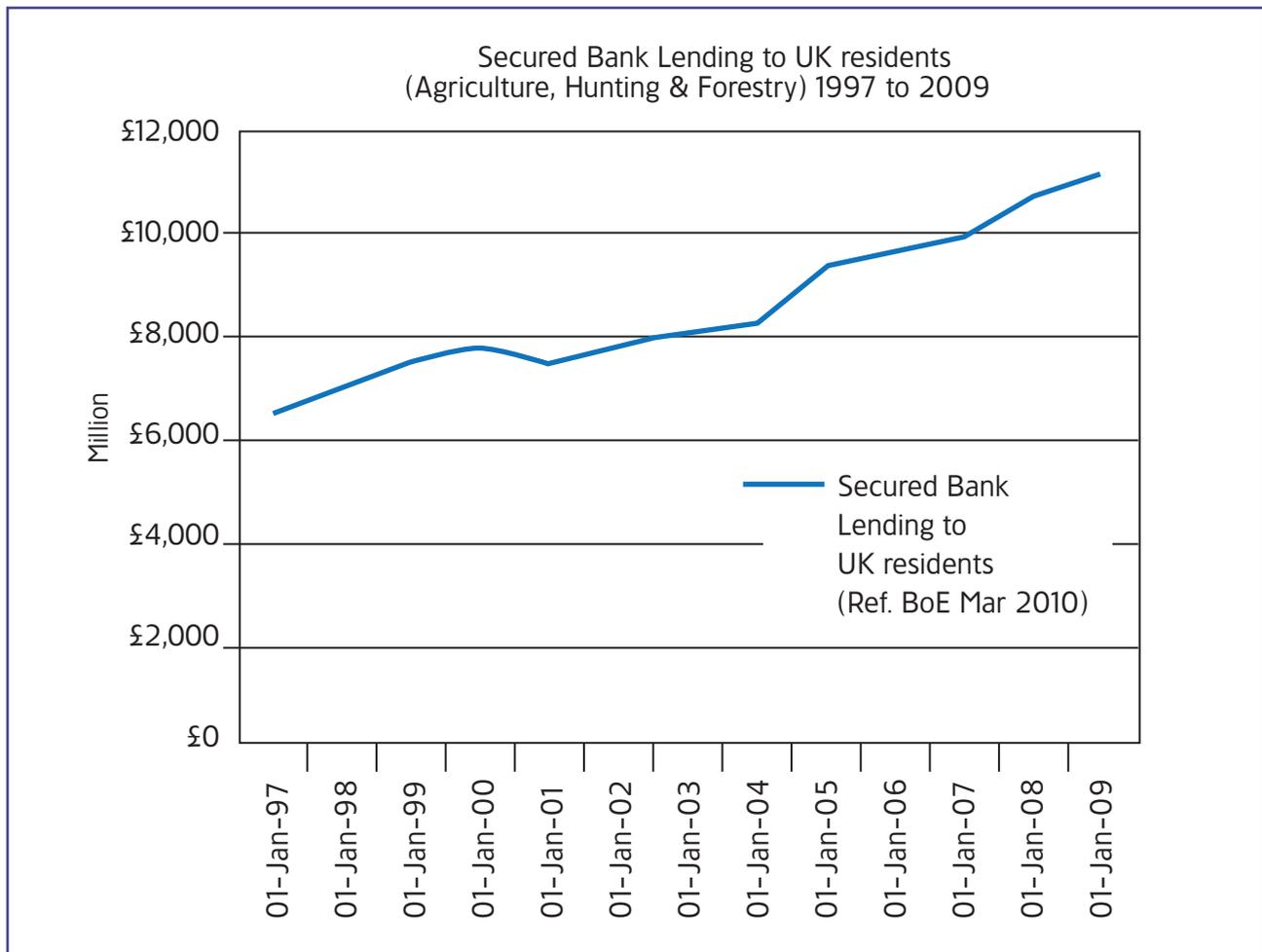
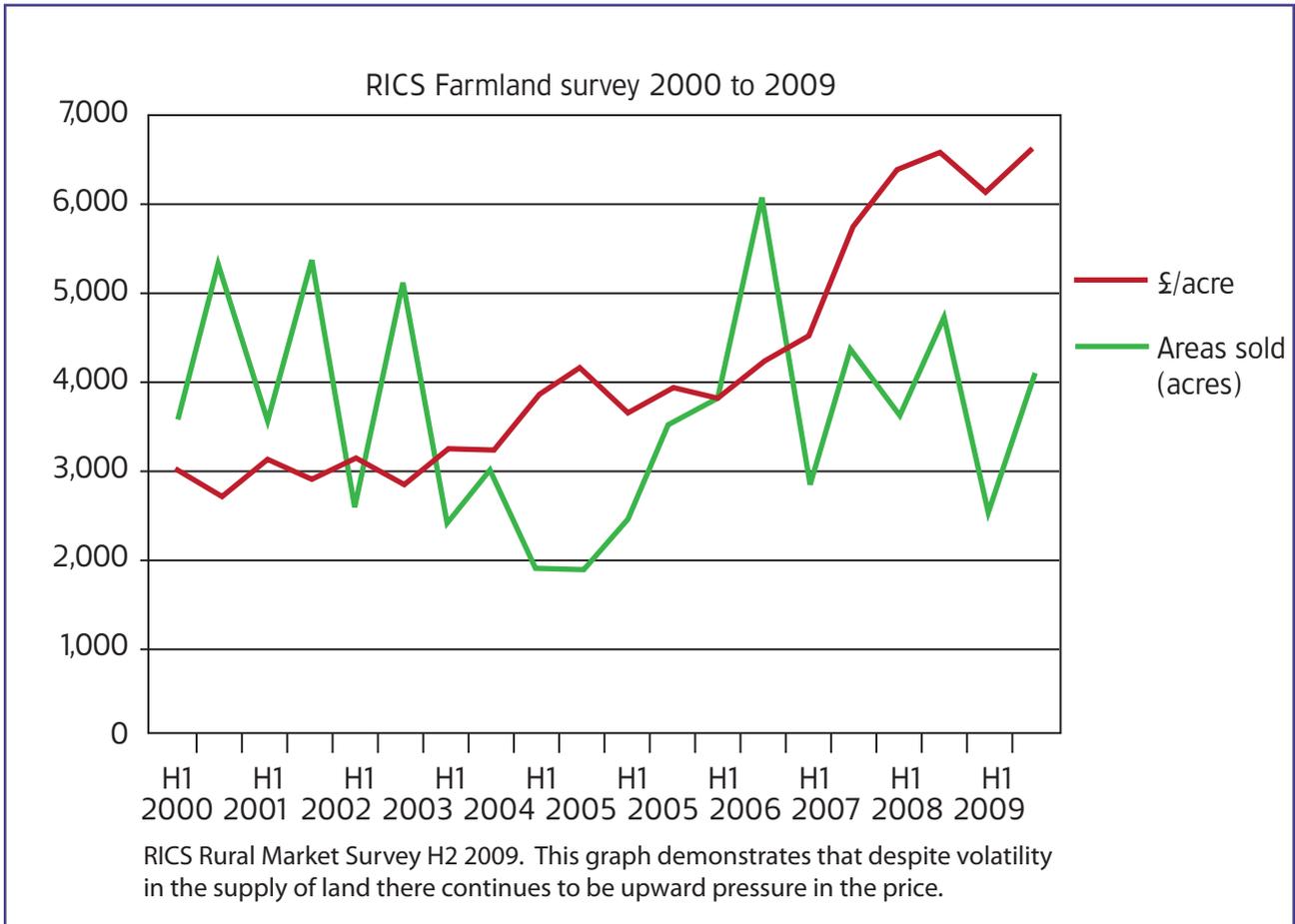
Given: the lack of volatility in the agricultural land market (see the table below); the low target LTV; historically low default rates; the Fund will be no more than 1% of the total Secured Lending in this sector; the full amount of any defaulting agricultural loan has

always been recovered*; the Fund is asset backed by being wholly secured against a maximum average loan to value of 65% – together with a charge over the deposit account into which the interest for the term of the loan has been deposited; and, the regular turnover in security. The Asset Manager would classify this Fund as low risk.

*Source UKAFL May 2010



RICS Rural Market Survey H2 2009. This graph illustrates the upward trend of farmland values during the past 10 years.



Fixed Returns

Fund distributions range from 8.5% to 9.0%, dependent upon the cash subscription by an individual Investor.

The annualised interest rates are paid quarterly in arrears within 21 days of the first working day of January, April, July and October to Investors and are fixed as follows:

| Cash Subscription | Annualised Interest Rate | |
|------------------------|--------------------------|------------|
| £20,000 up to £49,999 | 8.5% | 8.77% AER* |
| £50,000 up to £249,999 | 8.7% | 8.99% AER* |
| Above £250,000 | 9% | 9.31% AER* |

*AER means Annualised Equivalent Rate and assumes that the interest is paid quarterly in arrears and immediately reinvested.

All fees and charges are covered by the General Partner so the Investor will receive 100% participation and will receive interest calculated on the total amount of their investment.

Keeping Investors Appraised

Quarterly

Interim management report includes 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 Operator/Administrator, as well as being available to view on www.connaughtam.com.

Annually

There will be a full management report incorporating the audited accounts for the Fund.

Liquidity

Investment in the Fund should be considered medium-term, but Investors may apply to withdraw from the Fund at any time with 30 days notice from the initial monies being drawn down by the Operator. The interest will be paid quarterly in arrears to Investors within 21 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 from the date the funds are drawn down into the Fund for investment.

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 midpoint or the last working day of any calendar month and the investment return will commence immediately after that drawdown.

Upon investment redemption Investors will be returned 100% of their initial investment, subject to Temporary Deferral of Redemptions and Suspension of Calculation of Net Asset Value and Dealings in Units and/or Participations on page 10. Investors can request withdrawals from the Fund providing the minimum remaining investment is set at £20,000.

Temporary Deferral of Redemptions

In order that existing Investors are protected from untimely redemptions, the Administrator may defer redemptions of Units and/or Participations if, on any Dealing Day, the value of Units and/or Participations to be redeemed (including those for which redemption has already been deferred) exceeds 5% of the total Net Asset Value. Upon exercising its power to defer, the Administrator will determine the value of Units and/or Participations which it can redeem without prejudicing the interests of the Fund or the interests of continuing Investors and will then effect such redemptions on a pro rata basis, except that the Administrator shall give priority to Investors whose redemption requests have already been deferred, in date order that such

redemption requests would otherwise have been effected. The Administrator will then notify the remaining affected Investors not later than ten Business Days after the relevant Dealing Day of the number of their Units and/or Participations in respect of which it proposes to defer redemption. An Investor who is notified of a deferral may withdraw his redemption request (in whole or in part) by request in writing submitted within 15 Business Days of such notice. Redemptions will be deferred until the next Dealing Day where the procedures may be repeated. Payment will be at the Unit price calculated for the Dealing Day on which the Units and/or Participations are actually redeemed.

Suspension of Calculation of Net Asset Value and Dealings in Units and/or Participations

The Investment Manager may, at any time with the approval of the Trustee, suspend the calculation of the Net Asset Value of the Fund and the issue and redemption of Units and/or Participations in the following circumstances:

- (i) when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Investment Manager or the Trustee or the Administrator, including (without limitation) delays in settlement or registration of securities transactions, the disposal of the assets of any investment is not reasonably practicable without materially and adversely affecting and prejudicing the interests of Investors, or if, in the opinion of the Investment Manager, a fair price cannot be calculated for the assets of any material investment;
- (ii) in the case of breakdown of the means of communication normally used for the valuing of any investment or if for any reason the value of any investment which is material in relation to the Net Asset Value of the Fund (as to which the Investment Manager shall have sole discretion) may not be determined as rapidly and accurately as required; or

Any suspension declared by the Investment Manager shall take effect immediately and there shall be no dealing in Units and/or

Participations until the Investment Manager shall declare the suspension at an end. A suspension shall terminate in any event on the day following the first Business Day on which the circumstances giving rise to the suspension shall have ceased to exist and there is no other circumstance which would permit further suspension.

During any suspension an Investor or prospective Investor may withdraw any application for the redemption or subscription of Units and/or Participations by notice in writing to the Administrator. If no such notice is received, the Administrator will process any such outstanding applications at the next Dealing Day following the termination of such suspension.

The Investment Manager will take all reasonable steps to bring any period of suspension to an end as soon as possible.

In addition, the Administrator may postpone any Dealing Day for up to 10 Business Days without the requirement to give notice to Investors when, in the opinion of the Investment Manager, a significant proportion of the Fund cannot be valued on an equitable basis and such difficulty is expected by the Administrator to be overcome within that period.

Interest on Loans

For UKAFL's short-term lending facilities, typically;

- interest accrues at a rate of 1.75% per month;
- interest is paid in advance for the term of the loan (it is deducted from the advance and held in a deposit account and the Fund has an additional charge over this sum);
- the borrower pays in arrears a further interest payment that creates an interest reserve in the event of default. This will be at 3.5% pa over Coutts Bank Base Rate subject always to a minimum of 3% pa therefore the minimum rate payable is 6.5% pa.

UKAFL's unique selling proposition to clients includes industry specialism, speed of completions and face to face meetings with no upfront fees taken prior to the provision of funding. It is these attributes that enable UKAFL to command relatively high interest rates.

How does the UKAFL model work?

The UKAFL model is best explained with an example. Let us assume that a borrower has a farm, valued at £400,000 by a Royal Institution of Chartered Surveyors (RICS) valuer, which has no other charges against it and wants to borrow £200,000 to expand the size of their farm. Their normal finance providers are not prepared to advance the money for the land purchase until the farmer has shown he can produce sufficient income from the investment to service the loan. The LTV is only 50% so it's within the 65% target average LTV for the Fund. Subject to meeting all lending criteria, this loan could be advanced.

Of the £200,000 requested, £31,500 would be deducted from

the loan up front which equates to 9 months interest at 1.75% per month. There is a further deduction of 4% in fees, £8,000, in this case. That leaves a total of £160,500 with which the borrower can purchase the extra land.

Once the borrower has held the asset for 9 months and can demonstrate sufficient income generation, he is in a strong position to source funding from a mainstream lender such as a high street bank or the Agricultural Mortgage Corporation and redeem the initial loan. If this proves to be unachievable, then by mutual agreement or as a last resort enforcement the asset will be sold repaying the loan.

Who can apply?

Limited Partnership

- Any individual over 18 years of age who is a suitable investor as defined in COBS 4.12
- 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 (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 scheme.

<http://www.fsa.gov.uk/pubs/hb-releases/rel75/rel75cobs.pdf>

Individual investors will only be accepted in the Limited Partnership and not the Exempt Unit Trust.

Why a Limited Partnership Structure?

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

The first charge on all properties which are loaned against will be registered to the Fund, as will the Debenture from the Specialist Partner for the interest income and the original investment

amount will be registered to the Limited Partnership.

As a result Investors into the Fund will have the added security of beneficial ownership in a Limited Partnership structure but will not have any responsibilities for the operation and management of the Limited Partnership, which rests with the Operator and the General Partner.

Investment Objective

The Connaught Income Fund, Series 3 will seek to capitalise on the shortfall in available funding within the agricultural sector by raising money in the Fund for the Specialist Partner to access through a revolving credit facility.

This revolving credit facility will invest in agricultural assets using strict lending criteria as set out on page 13 (or below) of this document. Investors will receive a fixed annualised interest rate, paid quarterly in arrears, of between 8.5% and 9.0% paid by the Specialist Partner.

The Lending Strategy

The Specialist Partner will lend to a range of customers who fit the Fund criteria and who are looking to utilise short term funding. The fully documented loan proposal will be submitted to the Asset Manager. If the proposed loan is approved by the Asset Manager an approved facility letter will be submitted to the Operator of the Fund, together with a copy of the loan pack, for final approval against the Fund criteria, as set out in this Investment Memorandum, and the release of the monies to the Specialist Partner. The Specialist Partner transfers the funds to its solicitor to be held until a signed legal charge and Solicitors Certificate of Title is received prior to the release of the loan monies to the borrower.

The majority of loans will be to fund agricultural land purchases and to release equity in order to expand or renovate existing assets. No loans will be made unless at least 60% of the property, by area, is used for business purposes. All loans will be secured with a first legal charge over the assets which will be registered to the Fund 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.

The Fund will not lend to anyone: under the age of 21; suspected of damaging a previous mortgage security; found guilty of fraud or defrauding any lender or insurance company; currently serving any prison sentence or awaiting trial; previously party to a leasehold security which has subsequently resulted in a forfeiture of lease; who cannot demonstrate an ability and willingness to repay the advance; or, non-UK residents.

Loan to value (LTV) is the amount of total secured lending expressed as a percentage of the property market value. The normal maximum LTV is 65%. In exceptional cases where the applicant's covenant is very good quality and the repayment plan is by way of property sale rather than refinance, then a higher LTV can be considered, up to a maximum of 75%, but will be subject to Asset Allocation Committee approval and provided the overall weighted LTV for the Fund does not exceed 65% at any time.

Loan sizes range from £30,000 to £5,000,000 will be considered but must always fall within the ratios of LTV defined in the Funds lending rules. The loan terms are of a minimum of 6 months and a maximum of 12 months.

Lending Review Process

Asset Allocation Committee

The Committee consists of members of the senior management team of the Asset Manager, who will also have access to a chartered surveyor on the Connaught Asset Management team with agricultural land experience. The Committee meets at least monthly and has a number of specialist functions including:

Discussing the economic, political and market considerations applicable to the Fund's strategies and their risk levels.

Review of the performance of the loan book.

Approving the implementation of internal procedural changes to respond to external factors discussed.

Taking decisions on lending strategy 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 13. Criteria will be constantly updated in response to market conditions.

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

Debenture

The Fund holds a fixed and rolling debenture over UKAFL to underwrite any potential losses through defaults. The lending team at UKAFL have an exceptionally good track record in recovering the full amount of all capital lent for agricultural loans that have fallen into default. However, in the event of a default

the Fund can call upon this debenture to recover the full amount of the defaulted loan directly from UKAFL.

UKAFL is a new company which has £3,750,000 of new equity and loan capital and 10% of that equity will be held on a deposit account to provide additional security for the Fund's Investors. The deposit will hold an initial sum of £375,000 minimum which will increase proportionately to 2.5% of the total Participations in the Fund. The additional equity and loan capital will be used to provide loans which will also improve the strength of the debenture by providing increased cash flow for UKAFL.

Underwriting Criteria

The Specialist Partner will source borrowers, who meet the Fund criteria, and manage the underwriting legal work and administration relating to each loan.

If the borrower and the security meet the preliminary requirements then the loan is fully underwritten using the criteria as agreed in this Investment Memorandum and the lending sanctioned at a meeting of the Specialist Partner's credit committee.

A request is then submitted to the Asset Manager for approval outlining the details of the case and attaching a copy of the independent RICS valuer's 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 funds and once the Operator has also agreed to the request, the monies will be released by the Operator to the Specialist Partner. The subordinated legal charge is then registered 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. Where a loan has been agreed subject to staged drawdown (possibly for development purposes), each tranche will only be released upon receipt of a re-inspection carried out by a RICS valuer. Funds are released up to the agreed loan to value (LTV). These stage payments continue until the full loan has been drawn down or the property has been sold or re-financed.

Each loan has an agreed contractual term. Throughout the duration of this term the Specialist Partner will manage loan documentation, the collection of interest and fees and work closely with the borrower to ensure redemption is achieved on time. The progress of each loan will be presented at the monthly Asset Allocation Committee meetings and will be included in the quarterly investor reports. The Asset Allocation Committee will review each of the loans through to redemption period and will make investment and loan decisions in the best interest 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 borrower will not be recovered in the future; the percentage of the market value of the asset lent against, the length of the loan and the likelihood of a fall in asset value.

The loans that will be completed by the Fund will have been assessed as having a very high chance of redeeming capital, 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 mitigation of each loan based on the extensive experience of the legal, surveying and financial specialists and the

resultant underwriting criteria are designed to be conservative. The Asset Manager will not approve any applications that do not meet the investment criteria.

A member of UKAFL's management team will be engaged to make a personal visit prior to commencement of underwriting. This visit will involve a full business appraisal and interview to ensure that they fully understand the applicant's trading history and requirements to accept the loan application. A selection of information requested would be:

- full name and address of applicant, and ownership of the land/property;
- business and personal objectives;
- outstanding finance i.e.; mortgages, loans, overdraft, credit card debts etc;
- full banking information to include relationship manager;
- full understanding of the farm business i.e.: beef, sheep, dairy, arable etc;
- past accounts and trading history;
- list of current trade debtors and creditors;
- future profitability and viability;
- funding requirement;
- proposed exit route.

Upon receipt of the agreed redemption monies UKAFL's solicitor will be informed that they have received full and final settlement. A DS1 form will be prepared for signature by two directors of UKAFL so that the Fund's charge can be removed from the property's registered title.

Arrears and Repossessions

Every effort will be made by the Fund and the Specialist Partner to avoid arrears or repossessions, however outlined below are the steps taken prior to or up to a repossession. There is up to a further 5 months of interest (called an interest reserve) built into every loan agreement, repayable to the borrower upon completion, which acts as a buffer in the event of default; the Fund also has a charge over the monies held in this account.

With regards to arrears, if no payment is received from the borrower by the due date, they will be contacted within 7 days through an initial letter; a UKAFL representative or case manager will make contact with the borrower and arrange an immediate visit if deemed necessary; 7 days thereafter, if no response has been received, a further letter is sent which informs the borrower that the matter will be passed to UKAFL's solicitors without further notification if payment has not been received by return; if the arrears position has not been rectified, UKAFL's solicitors will then deal with the matter through the Court until such time as either the arrears are brought up to date (prior to possession being taken) or possession is granted and the property is sold through local agents.

UKAFL reserve the right to appoint an LPA receiver in certain circumstances; any decision will be at the discretion of UKAFL's credit committee although such action can also be instigated by

the Asset Allocation Committee. Prior to a possession hearing, UKAFL will require all the interest held in the deposit account to be applied to the loan to reduce the balance.

With regards to loan repayment dates, the borrower will be monitored throughout the term of the loan and the case manager will ensure all pre-determined negotiations/arrangements for repayment have been addressed. If there is any likelihood of an 'over run' being requested by the borrower, the file will be re-presented to the Specialist Partner's Credit Committee by a member of the underwriting team to discuss options i.e. extension, renewal or repossession action.

In the event of an extension being permitted, a charge for the extension may be made which the borrower should pay in full immediately. The borrower must also pay interest at the full rate of 1.75% per month. Failure to pay full monthly interest will result in immediate action being taken to recover the loan. Renewal of loans will be considered in exceptional circumstances and in all

cases treated as a new application. Where recovery action is necessary, formal demand will be made and if repayment is not forthcoming at the end of 7 days then solicitors will be instructed immediately.

If, following issue of formal demand, repayment is not been made within 7 days, solicitors will be instructed to obtain possession. Possession can automatically be taken over land and unoccupied premises through the appointment of an LPA receiver. Once possession has been granted the property will be sold at auction through local agents. Any fees and charges including in-house administration costs will be added to the borrowers account and deducted from the sale proceeds.

Key Personnel



Mike Davies
Chairman and Director -
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 technical director of a regulatory compliance consultancy, 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, Bank of Ireland UK regulated subsidiary company. He is currently the Chairman of Connaught Asset Management and Compliance Officer for a short term lender. His particular specialist areas 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.



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 25 years he has worked within Compliance. He was 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 has been for many years, Chairman of an independent discussion group of asset management compliance professionals, Deputy Chairman of the Institute for Securities and Investment Compliance Forum and a member of the CISI Integrity and Ethics Committee where he was asked to help project manage the production of a booklet on ethics within the financial services industry. He has been 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 holds several Non-Executive Directorships at other financial institutions as well as being a Freeman of the City of London and a Liveryman of the Worshipful Company of international Bankers. He is an Associate of the Chartered Institute of Bankers and a Chartered Fellow of both the Chartered Institute for Securities and Investment and the Chartered Institute of Personnel and Development. When not in the City he acts as a Justice of the Peace within Essex.



Matt Bedding
Managing Director – Connaught
Administration Services Limited

Matt is responsible for the operation of Connaught Asset Management and its subsidiary companies. Since 1990 Matt has worked with some of the highest profile investment houses and financial services companies in London. Prior to joining Connaught he was business development director for Capita Financial Group's specialist funds business, specialising on onshore/offshore real estate and private equity structures. Previously he was at Merrill Lynch where he was responsible for client services and operations in London and Dublin for their largest and most profitable brokerage office outside of the United States. He has held senior relationship management and operational management positions at RBC Dexia Investor Services, Gartmore Investment Management, Barclays Global Investors, and Legal & General Investment Management. He started his financial career with Royal Bank of Scotland Trustees.



James Bromhead
Chairman – Asset Allocation
Committee

James has spent the past 10 years working in rural property and the development industry for Knight Frank, The Buccleuch Group and private investment companies. He has worked primarily in the asset management and planning promotion of extensive residential and commercial property portfolios with market values in excess of £80 million.

James is the Property Director for the Group coordinating the delivery and management of land and property funds launched by Connaught. As Chairman of the Asset Allocation Committee, James will ensure the review of each loan application recommended by UK Acorn Finance Ltd will comply with the investment procedures and rules. He will continue to liaise with the Specialist Partner and assess the balance of loans throughout the life of Fund.

James will use his extensive contacts in the rural land industry to manage the asset allocations and bring forward new investor groups to the Fund. James is a member of The Royal Institution of Chartered Surveyors.



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 organizations. He has worked for Friends Provident, Flemings, Save & Prosper, Royal and Sun Alliance, and Abbey over the last 20 years. He has spent the last three years 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.



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.

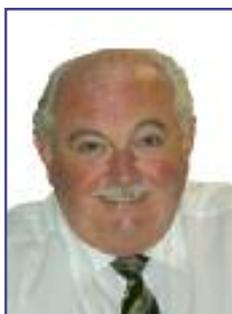


Peter Sobey
Chairman and Director –
UK Acorn Finance Ltd

As well as having been a consultant with an international sales consultancy, Peter has a background in commercial banking spanning three decades.

Having previously been an Area Director for Lloyds TSB Corporate Banking, Peter became head of Lloyds TSB Agriculture. In this role he was responsible for leading a team of 130 people across England and Wales, growing the franchise safely through a mix of successful business development and organic growth. In addition, Peter was a member of the Executive Committee of the Agricultural Mortgage Corporation Plc. Currently, he is Chairman of UK Acorn Finance Ltd and Chairman of the Credit Committee to which he brings his extensive banking experience.

Peter has also had considerable experience in marketing in which he has gained a postgraduate Diploma from the Chartered Institute of Marketing and an MA in marketing with distinction. Currently, he lectures on a number of marketing programmes at graduate and post graduate level. Peter is a fellow of the Chartered Institute of Marketing, a Chartered Marketer and an Associate of the Chartered Institute of Bankers.



Des Phillips
Consultant

Des has successfully formed and led a number of different enterprises throughout his long business career spanning over 40 years.

Much of his focus has been on the agriculture sector including the provision of consultancy services to help farmers maximise their opportunities and help restructure their farming businesses. Realising that restructuring needed readily available finance to see it through, Des has also established a successful bridging finance model. Now employed as a consultant, he brings his wealth of experience to UK Acorn Finance Ltd by evaluating potential lending opportunities as well as making his considerable farming and financial experience available to the Credit Committee.

Des is still an active farmer today and maintains a high profile in farming circles. He is a director of his own brokerage, UK Farm Finance Ltd, which will bring quality prospects to UK Acorn Finance Ltd for consideration.



Derek Wills
Finance Director – UK
Acorn Finance Ltd

An experienced and fully qualified Finance Director, Derek brings first hand experience in acquisitions, disposals, turnarounds and start up businesses.

Over the last decade, Derek has worked at senior level in various industries including manufacturing and financial services. He has also gained extensive experience within bridging loan companies, successfully managing the finances and financial relationships.

Through his participation on the UK Acorn Finance Credit Committee he will use his financial expertise to help ensure that customer business plans are properly drawn up and assessed.



Mark Sanders
Non Executive Director – UK
Acorn Finance Ltd

Mark is a founding partner in Carver Knowles, a property consultant formed in 1997 and now with 3 offices and 6 partners/directors.

With extensive valuation experience gained over two decades, particularly in the agricultural sector, Mark is registered with the UK Register of Expert Witnesses. Recent cases in which Mark has accepted expert witness instructions include issues relating to banking matters and loan security, agricultural tenancies, farm partnerships, milk quota, boundaries, professional and medical negligence damages claims and valuation issues.

With MA (Cantab) gained in Land Economy and also in English Literature, Mark is a member of the Royal Institution of Chartered Surveyors (RICS) and an Associate of the Chartered Institute of Arbitrators.

Mark is also Chairman of the RICS Agricultural Tenancies Monitoring Group, RICS APC Assessor and Chairman, the RICS representative of the Tenancy Reform Industry Group (TRIG) and a member (and former Committee Member) of the Agricultural Law Association.

Mark still farms with his wife on Exmoor and will contribute considerable farming and valuation expertise when assessing loan applications as a member of the UK Acorn Finance Credit Committee.

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 months notice to Investors. All applications will be treated on a strictly first come first served basis.

Prior to the Opening Date, subscription monies will be held by the Administrator's banker within a Client Money Bank Account. On the Launch Date, such amounts will be drawn down into the Limited Partnership in their entirety.

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

Funds held in the Client Money Bank Account may be drawn down more frequently if the Specialist Partner's funding requirements dictate it but will be at the sole discretion of the Asset Allocation Committee.

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 26 New Street, Paisley, PA1 1YB.

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

Dunadd Asset Management Limited is authorised and regulated by the FSA and is appointed by the Limited Partnership to act as the Operator as well as the 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 Operator 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.

The Connaught Income Fund, Series 3

All fees and costs in relation to the operation and administration of the Fund will be met by the General Partner and not debited from the Fund. All Investors will receive annual interest of between 8.5% and 9.0%, depending on the size of the Cash Subscription as detailed on page 9 of the Information Memorandum, on 100% of the monies invested. Interest payments will be made to Investors quarterly in arrears within 21 days of 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 pro rata using a 365 day year. In the case of withdrawal of funds by Investors 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 or the next business working day after the 30 day notice is required to withdraw monies and will be from the date a written instruction has been received by the Operator.

The Operator will be paid an annual fee by the General Partner in relation to their appointment as Operator of the Limited Partnership and 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. The Operator will pay the Administrator from the Operator's annual fees.

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.

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 Partnerships.

The General Partner may be removed as General Partner of the Limited Partnerships by written consent or resolution of Limited Partners who's 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 3

The Limited Partnership in respect of The Connaught Income Fund, Series 3 will be perpetual and have no fixed closing date.

Auditors

The Operator shall appoint Hillier Hopkins LLP 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 General Partner will bear all fees and 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 Trust will be established as an exempt unauthorised unit trust by the Trust Deeds. Capita Trust Company Limited have been appointed as the trustee of the Exempt Unit Trusts. Dunadd Asset Management 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 into the Partnership.

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 Administrator deals with subscriptions, administers receipt and payment of monies, and admits Unit holders. The General Partner 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 Administrator.

Subscriptions

If Subscriptions in respect of the Exempt Unit Trust is less than £1,000,000 six months after 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 General Partner will bear all fees and 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 served 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. Where, however, no such commission is payable to a financial intermediary in respect of an Investor, the net investment will be increased by 1%.

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 Partnership

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 countries 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 ICTA 1988, 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 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 a tax deduction certificate annually 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 complaint should be made to the Operator and sent to Dunadd Asset Management Limited, 26 New Street, Paisley, PA1 1YB.

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 short term lending in the agricultural sector 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 short term lending in the agricultural sector. 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.

Definitions and Terms

| | |
|----------------------------|---|
| Asset Allocation Committee | The Committee consists of members of the senior management team of the Asset Manager and General Partner. The Committee meets at least once a month. |
| Asset Management Agreement | The agreements between the Operator and the Asset Manager appointing the Asset Manager as Asset Manager to the Fund |
| Asset Manager | Connaught Asset Management Limited (registered number 6058768), the Asset Manager of the Fund |
| Auditors | Hillier Hopkins LLP or such other United Kingdom recognized auditors as may be selected by the Operator |
| Bank | Royal Bank of Scotland or any other UK bank appointed by the Operator |
| Business Day | Any day (excluding Saturdays and Sundays or public or bank holidays in England) during which banks are generally open for the transaction of normal business |
| 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 Money 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 |
| General Partner | Connaught Administration Services Limited (registered number 6081018), the General Partner of the Fund |
| Dealing Day | The day on which Units are issued to, or redeemed by, Investors |
| Debenture | A legally binding agreement between the Specialist Partner and the Limited Partnership. 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 legal first charge over the properties which form the security for the loans |
| Deposit Account | £375,000 minimum or the proportional value at 2.5% of the total Participations in the Fund with the joint signatories of the Asset Manager and the Specialist Partner |

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|------------------------------------|---|
| 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 a Limited Partner |
| 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 |
| FSA | The Financial Services Authority of 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 3 |
| HMRC | Her Majesty's Revenue & Customs |
| ICTA 1988 | The Income & Corporation Taxes Act 1988 (as amended) |
| Independent Valuer | The Royal Institution of Chartered Surveyors Valuer appointed to independently value the assets a loan will be secured against |
| Information Memorandum | This confidential Information Memorandum |
| 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 3 (the Fund) |
| Limited Partnership Agreement | The Limited Partnership Agreement to be entered into between the General Partner and the Limited Partnership |
| 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 Participation |
| Low Risk | In the context of this investment describes 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 Fund invests in short term loans secured against agricultural 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 medium or high risk assets |

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|---------------------------------------|--|
| Manager | The manager of the Exempt Unit Trust, being Dunadd Asset Management Limited |
| 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 |
| Opening Date | 13th July 2010 or such other date as determined by the Operator (in consultation with the General Partner), after receipts of applications exceed £1m |
| Operator | Dunadd Asset Management Limited |
| Operator Agreement | In relation to the Limited Partnership, the agreement made between Connaught Administration Services Ltd and the Operator |
| Participation Contribution and a Loan | A participation of £1.00 or fractions thereof in a Limited Partnership, in the form of a Capital |
| Short Term | A period of time usually up to 12 months but sometimes longer |
| SIPP | Small Self Invested Pension schemes approved pursuant to ICTA 1988 |
| SSAS | Small Self-Administered pension Scheme approved pursuant to ICTA 1988 |
| Specialist Partner | UK Acorn Finance Limited |
| 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 Deed | The Trust Deeds of the Exempt Unit Trust |
| Trustee | Capita Trust Company Limited |
| UK | United Kingdom |
| Units | Units of £1.00 or fractions thereof 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 |

