

# The Connaught Income Fund, Series 2

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

English Proverb

These Scheme Particulars (the "**Listing Document**" and/or the "**Scheme Particulars**") include particulars given in compliance with the Listing Rules (the "**CISX Listing Rules**") of the Channel Islands Stock Exchange, LBG (the "**CISX**") for the purpose of giving information with regard to The Connaught Income Fund, Series 2 (the "**Fund**"). The directors of Connaught Asset Management (Guernsey) Limited (the "**Investment Manager**") accept full responsibility for the information contained in the Listing Document and confirm, having made all reasonable enquires, that, to the best of their knowledge and belief, the information contained in the Listing Document is in accordance with the facts and there are no other facts, the omission of which would make any statement in the Listing Document misleading.

Application has been made to the CISX for an unlimited number of units of GBP 1.00 each (the "**Units**") to be admitted to the Official List of the CISX. No application has been made for listing of the Units in the Fund on any other Stock Exchange. It is expected that admission of the Units to the Official List of the CISX will become effective, and that dealings shall commence, on or about 29th October 2010.

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## The CONNAUGHT INCOME FUND, SERIES 2

(an open-ended unit trust established in Guernsey)

### SCHEME PARTICULARS

relating to an offer for subscription for  
an unlimited number of units of GBP1.00  
These Scheme Particulars are dated 12th October 2010

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Neither the admission of the Units to the Official List of the CISX nor the approval of the Listing Document pursuant to the CISX Listing Rules shall constitute a warranty or representation by the CISX as to the competence of the service providers to, or any other party connected with, the Fund, the adequacy and accuracy of the information contained in the Listing Document or the suitability of the Fund for investment or any other purpose.

**The Scheme Particulars are based on information, law and practice as at the date shown above. The Investment Manager cannot be bound by an out-of-date information document when it has issued a revised version and investors should check with the Investment Manager that this is the most recently published version of the Scheme Particulars for the Fund, if they are in any doubt. The Scheme Particulars will be revised to reflect any significant change which occurs in the matters stated in it and such revision may take the form of a complete substitution of the previous document or of a supplement to that document.**

Fund identification codes are as follows:

SEDOL: B3S4YM4

ISSUER: Connaught Asset Management(Guernsey)Ltd

DESCRIPTION: Connaught Income Fund 2

ISIN: GG00B3S4YM48

BLOOMBERG: CONINS2 GU

## Connaught Income Fund, Series 2

This document constitutes the Scheme Particulars for The Connaught Income Fund, Series 2, a Guernsey open-ended unit trust. The Scheme Particulars have been prepared in accordance with the Collective Investment Schemes (Class B) Rules 1990 (the "**Class B Rules**") as issued by the Guernsey Financial Services Commission pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (the "**POI Law**").

The Guernsey Financial Services Commission (the "**Commission**") has authorised the Fund as a Class B Collective Investment Scheme under the POI Law. It must be distinctly understood that in giving this authorisation the Commission does not vouch for the financial soundness or the correctness of any of the statements made or opinions expressed with regard to the Fund. Investors in the Fund are not eligible for the payment of any compensation under the Collective Investment Schemes (Compensation of Investors) Rules 1988 made under the POI Law.

The distribution of the Scheme Particulars and the offering of Units in the Fund in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. Prospective investors should inform themselves as to (a) the legal requirements within their own countries for the purchase or holding of the Units, (b) any foreign exchange restrictions which they might encounter and (c) the income and other tax consequences which may apply in their own countries relevant to the purchase, holding or disposal of Units. The Scheme Particulars do not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

No person has been authorised to give any information or make any representations, other than those contained in the Scheme Particulars, in connection with the offering of Units and, if given or made, such information or representations must not be relied on as having been authorised by the Investment Manager. Neither the delivery of the Scheme Particulars nor the issue of Units hereunder shall imply that there has been no change in the affairs of the Fund since the date hereof.

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

Investment in the Fund is not intended to be a complete investment programme for any investor. Prospective investors should carefully consider whether an investment is suitable for them in light of their circumstances and financial resources. Buying Units in the Fund may expose the individual to a significant risk of losing all the amounts invested. Any individual who is in any doubt about such investment should consult an authorised person specialising in advising on investments of this kind. Investors' attention is drawn to the risk warnings which appear in the section headed "**Section 3 – Risk Considerations**" on page 8.

The offer is not being made and Units will not be sold, directly or indirectly, in or into the United States, Canada, Australia,

or Japan or their respective territories or possessions, and documents should not be distributed forwarded or transmitted in or into such territories and any other territories in which such distribution may be illegal.

The Units have not been and will not be registered under the United States Securities Act of 1933 (as amended) and, except in a transaction which does not violate the United States securities laws, may not be directly or indirectly offered or sold in the United States of America (including its territories and possessions, any State of the United States and the District of Columbia), its possession, and all areas subject to its jurisdiction, or to or for the benefit of U.S. Persons and U.S. Citizens. The Fund will not be registered under the United States Investment Company Act of 1940, as amended, and investors will not be entitled to the benefits of that Act.

The Fund is established under the laws of Guernsey and is constituted under the trust instrument dated on or about the date of these Scheme Particulars and made between the Investment Manager and the Trustee (the "**Trust Instrument**").

In the event of any conflict between the contents of the Scheme Particulars and the terms of the Trust Instrument, the terms of the Trust Instrument shall prevail.

Copies of the Trust Instrument may be inspected at the office in Guernsey of the Investment Manager and the Trustee during normal business hours and may be obtained from them at a reasonable charge with 72 hours written notice.

Table of Contents	Page
Section 1 – Key Parties	5
Section 2 – Principal Features and Definitions	6
Section 3 – Risk Considerations	8
Risk Factors of The Fund	8
Risk Factors of The Authorised Investments Statement	9
Section 4 – Management and Administration of The Fund	10
The Investment Manager	10
The Trustee	11
The Administrator	11
The Investment Advisor	11
The Auditor	12
Section 5 – Summary of The Fund	13
Overview	13
Summary of the Investment Flow from the Trustee to LuxCo	14
Summary of the Investment Flow from LuxCo to the Specialist Partner	14
Summary of Cost, Fees and Interest	14
Key Parties in relation to the Fund	15
Short Term Finance	17
Medium Term Finance	18
Guaranteed Returns	18
Section 6 – The Investment Objective	19
The Lending Strategy	19
Lending and Underwriting Policy	20
Section 7 – Valuation, Application, Transfer And Redemption Of Units	21
Valuation of Units and Unit Price	21
Qualified Holders	21
Application for Units	21
Admission to Trading and Dealing Arrangements	22
Transfer of Units	22
Redemption of Units	22
Compulsory Redemption of Units	
Subsequent Issues	22
Temporary Deferral of Redemptions	22
Suspension of Calculation of Net Asset Value and Dealings in Units	23
Section 8 – Charges, Fees and Expenses	24
Section 9 – Taxation	25
General	25
Guernsey	25
Luxembourg	25
United Kingdom	25
Section 10 – General Information	27
Trust Instrument	27
Investment Powers	27
Borrowing	27
Minimum Holding	27
Minimum Subsequent Application	27
Consolidation and Sub-Division of Units	27
Minimum Redemptions	27
Reports and Accounts	27
Distribution Policy	28
Holder Meeting Procedure	28
Variation of Rights	28
Indemnities	28
Termination of The Fund	28
Restrictions – Offering, Sale and Holding of Units	29
Preliminary Expenses	29
Payments to Holders	29
General	29
Material Contracts	29
Conflicts of Interest	32
Documents Available For Inspection	32

## Section 1 – Key Parties

Investment Manager:	Connaught Asset Management (Guernsey) Limited Dorey Court Admiral Park, St Peter Port Guernsey, GY1 3BG
Trustee:	Kleinwort Benson (Guernsey) Limited PO Box 44, Dorey Court Admiral Park, St Peter Port Guernsey, GY1 3BG
Administrator and Registrar:	Kleinwort Benson (Channel Islands) Fund Services Limited PO Box 44, Dorey Court Admiral Park, St Peter Port Guernsey, GY1 3BG
Investment Advisor:	Connaught Asset Management Ltd Hill Place House 55A High Street Wimbledon Village SW19 5BA
Auditors:	PKF (Guernsey) Limited PO Box 296 Sarnia House, Le Truchot, Peter Port Guernsey, GY1 4NA
Principal Bankers:	Kleinwort Benson (Channel Islands) Limited, Guernsey Branch PO Box 44, Dorey Court Admiral Park, St Peter Port Guernsey, GY1 3BG
Guernsey Legal Adviser:	Mourant Ozannes 1 Le Marchant St, St Peter Port Guernsey, GY1 4HP
LuxCo:	CAM (Luxembourg) S.ar.l 6 Rue Adolphe L-1116 Luxembourg
Sponsor for CISX:	Mourant Ozannes Securities Limited 1 Le Marchant St, St Peter Port Guernsey, GY1 4HP
Specialist Partner:	Tiuta Development Finance Limited 21 Ely Place, London, EC1N 6TD
Tax Advisers:	Lupton Fawcett LLP 35 Townhead Street Sheffield, S1 2EB,

## Section 2 – Principal Features and Definitions

### Connaught Income Fund, Series 2

The Fund is a new open-ended collective investment fund in the form of an Authorised Class B Guernsey unit trust constituted by the Trust Instrument.

The following is a summary of the principal features of the Fund and should be read in conjunction with the full text of the Scheme Particulars.

#### Accounts

Audited accounts in respect of the accounting period ended 31 October (with the first annual audited accounts being for the period ending 31 October 2011) and interim unaudited accounts for the six month period ending on 30 April (with the first interim accounts being for the period ending 30 April 2011).

#### Administration Agreement

The agreement made between the Investment Manager, the Administrator and the Trustee pursuant to which the Investment Manager delegates the performance of certain administrative duties relating to the Fund to the Administrator.

#### Administrator and Registrar

Kleinwort Benson (Channel Islands) Fund Services Limited.

#### Admission

The admission of the Units to the Official List of the CISX.

#### Annualised Interest Rate Payment

The annual interest rate payment made to Holders quarterly in arrears within 14 days from the first working day of January, April, July and October which are fixed in accordance with the distribution policy on page 28.

#### Application Form

An application form for Units, in the form appended to these Scheme Particulars.

#### Asset Allocation Committee

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

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

#### Authorised Investments

A security or other investment of the Fund. The market value of

authorised investments forms part of the Net Asset Value.

#### Available Amount

On or in relation to a Dealing Day means the Gross Available Amount less known Redemption Requests for the next Dealing Day.

#### Business Day

Any day (excluding Saturdays and Sundays or public holidays in England and Wales and Guernsey) on which banks are generally open for business in England and Wales and Guernsey for the transaction of normal business.

#### CISX

The Channel Islands Stock Exchange, LBG.

#### Class B Rules

The Collective Investment Schemes (Class B) Rules 1990, as amended from time to time.

#### Clear Days

In relation to a period of notice, means that period excluding the day when notice is given or is deemed to be given and the day for which it is given or on which it is to take effect.

#### Commission

The Guernsey Financial Services Commission.

#### Currency of Units

Pounds Sterling.

#### Dealing Day

Monthly dealing on the last Business Day of any month, unless otherwise determined by the Administrator, being the day on which Units are issued to investors or redeemed by Holders.

#### Dealing Day Plus 1

The next Business Day after the Dealing Day.

#### Dealing Day Plus 2

The second Business Day after the Dealing Day.

#### Dealing Day Plus 3

The third Business Day after the Dealing Day

#### Distribution Policy

Distributions are in the form of a guaranteed fixed rate of interest, paid quarterly within 14 days of the first Business Day of January, April, July and October and which may be distributed or reinvested at the Holders discretion. See page 39.

#### Expenses Agreement

An agreement between the Investment Manager, the Trustee, the Administrator, the Investment Advisor and LuxCo in respect of fees and costs in relation to the Fund.

#### Extraordinary Resolution

A resolution proposed and passed as such at a meeting of the Holders convened and held in accordance with the Trust Instrument and the Class B Rules and carried, whether on a show of hands or on a poll, by a majority consisting of 75% of the total votes cast for and against such resolution.

#### FSA

The Financial Services Authority of the United Kingdom or any successor.



### FSMA

The United Kingdom Financial Services and Markets Act 2000, as amended.

### Fund

The Connaught Income Fund, Series 2, an open-ended unit trust established under the laws of Guernsey.

### Gross Available Amount

In respect of a Dealing Day means the total amount of new investments received by the Fund on that Dealing Day.

### Guarantee

The guarantee and indemnity given by Tiuta PLC to LuxCo in relation to obligations of the Specialist Partner to LuxCo.

### Guernsey

The Bailiwick of Guernsey.

### Holders

The persons for the time being entered in the Register as the holders of Units and includes persons so entered as joint holders.

### Investment Advisor

Connaught Asset Management Limited, a company registered in England and Wales (registered number 06058768) having its registered office at Hill Place House, 55A High Street, Wimbledon Village, SW19 5BA.

### Investment Manager

Connaught Asset Management (Guernsey) Limited, a company registered in Guernsey (register number 51939) having its registered office at Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 3BG.

### Life of the Fund

The Fund is an open ended vehicle and may be closed by the Investment Manager to new investment at any time and terminated by the Investment Manager and/or Trustee giving not less than six months notice to Holders.

### Loan Pack

The loan pack prepared in accordance with the LuxCo Loan Facility Agreement but to include a minimum of: facility letter setting out the terms of the loan to the underlying borrower; facility letter setting out the terms of the loan to any intermediate short term lender (if applicable), underlying legal mortgage, security assignment of underlying legal mortgage (if applicable); copy Offer of Advance; valuation report prepared by an independent, RICS qualified, surveyor; and Certificate of Title prepared by a solicitor; to be provided by the Specialist Partner to LuxCo in relation to each drawdown request that the Specialist Partner shall make to LuxCo.

### Loan Request

A request for the drawdown of funds by LuxCo from the Trustee, in the form appended to the Trustee Loan Facility Agreement.

### LuxCo

CAM (Luxembourg) S.a.r.L, a company incorporated and registered in Luxembourg having its registered office at 6, rue Adolphe, L-1116 Luxembourg and wholly owned by the Fund.

### LuxCo Account

The account at Norden Bank S.A. in the name of LuxCo, into which funds under the Trustee Loan Facility Agreement shall be

deposited or such other account approved by the Trustee over which security (in form and substance satisfactory to the Trustee) has been granted by LuxCo).

### LuxCo Loan Facility Agreement

The loan agreement between LuxCo and the Specialist Partner relating to the provision of a revolving credit facility.

### Minimum Holding

£20,000 (twenty thousand pounds Sterling).

### Minimum Redemption

5% of the individual account balance (which may be taken as the monthly equivalent of 5% per annum).

### Minimum Subsequent Application

£20,000 (twenty thousand pounds Sterling) or at the Investment Manager's discretion.

### Net Asset Value

The net asset value of the Fund determined as at a Valuation Point in accordance with the Trust Instrument.

### Offering Arrangements

Units may be applied for on any Business Day and will be created at £1 on each Dealing Day which is a Business Day.

### POI Law

The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended

### Prohibited Persons

- a) Any person in breach of the law or requirements of any country or governmental authority, including within the limitation of the foregoing any exchange control regulations applicable thereto;
- b) Any person or persons in circumstances (whether directly or indirectly affecting such person or persons and whether taken alone or in conjunction with any other person or persons connected or not, or any other circumstances appearing to the Administrator or the Trustee to be relevant) which, in the opinion of the Administrator or the Trustee might result in the Fund incurring any liability to taxation or suffering any other pecuniary disadvantages which the Fund might not otherwise have incurred or suffered.
- c) U.S. Citizens.

### Redemption Request

A written request for the redemption of Units from a Holder [in the form appended to these Scheme Particulars].

### Redemptions

Holders may apply to withdraw from the Fund at any time by giving a minimum of 30 Clear Days' written notice to the Administrator. Redemptions will be made on the Dealing Day following the expiry of the 30 day notice period.

### Register

The register of Holders maintained by the Administrator.

### RICS Surveyor

An independent chartered surveyor who is a member of the Royal Institution of Chartered Surveyors, appointed by the Specialist Partner.

#### Specialist Partner

Tiuta Development Finance Limited, a company registered in England and Wales with company number 05710518 and having its registered office at 21 Ely Place, London, EC1N 6TD, a wholly owned subsidiary of Tiuta PLC.

#### Sterling, £, penny and pence

The lawful currency of the United Kingdom.

#### Subscription Proceeds

The gross proceeds of subscription for Units received by the Trustee in accordance with the Trust Instrument.

#### Tiuta PLC

The parent company of Tiuta Development Finance Limited, being a company incorporated in England and Wales (registered number 04974070) and having its registered office at 21 Ely Place, London, EC1N 6TD. Regulated by the Financial Services Authority, Register Number 430956.

#### Trustee Loan Facility Agreement

The loan agreement between the Trustee as lender and LuxCo as borrower.

#### Trust Fund

All assets for the time being held or deemed to be held by the Trustee upon and subject to the terms of the Trust Instrument.

#### Trust Instrument

The instrument dated on or about the date of these Scheme Particulars made between the Trustee and the Investment Manager, constituting the Fund.

#### Trustee

Kleinwort Benson (Guernsey) Limited, regulated by the Guernsey Financial Services Commission.

#### Unit

An undivided share in the Trust Fund created pursuant to the Trust Instrument to which a Holder is entitled rounded at the discretion of the Investment Manager to the nearest whole Unit.

#### Unit Price

The price of a Unit determined as at a Valuation Point in accordance with the Trust Instrument but which in the ordinary course should be £1.00 per Unit.

#### UK or United Kingdom

The United Kingdom of Great Britain and Northern Ireland.

#### U.S. Person

The meaning set out in Regulation S, as amended from time to time, of the United States Securities Act of 1933.

#### Valuation Point

The time at which Units are valued and shall be the close of business, Guernsey time, on the Business Day immediately preceding each Dealing Day.

Capitalised terms used in these Scheme Particulars and not otherwise defined in these Scheme Particulars, have the meanings ascribed to them in the Trust Instrument.

References in these Scheme Particulars 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.

## Section 3 – Risk Considerations

### Risk Factors of the Fund

The Trust Fund is a single pool of assets and creditors of the Fund may enforce claims against all assets of the Fund.

An investment in the Fund is only suitable for investors capable of evaluating the risks and merits of such an investment and who have sufficient resources to bear any loss which may result from the investment. Investors must be able to accept the risk that such an investment is of an illiquid nature and it may be difficult to redeem Units or get accurate information about how much they are worth.

Authorised Investments will be made at the discretion of the Investment Manager, who will rely on the advice of the Investment Advisor. While the Investment Manager intends to make, and the Investment Advisor intends to recommend, investments on behalf of the Fund which have estimated returns commensurate with the risks undertaken, there can be no assurance of success. In addition, no assurance can be made that any or all of the key executives will remain employed by the Investment Advisor.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political

and diplomatic events and trends, tax laws and other factors can substantially and adversely affect the Authorised Investments and, therefore, the Fund's prospects.

The Trustee, Administrator and the Investment Advisor and their respective affiliates may be involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest.

### Risk Factors of the Authorised Investments

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 Fund involves a degree of risk and investment results may vary over time. When reviewing historical performance data in these Scheme Particulars, prospective investors should bear in mind that such information is not indicative of future performance.

Certain information in the Scheme Particulars represents or is based upon forward looking statements or information. The

Investment Manager 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.

### Compensation

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

### Indemnity

In certain circumstances, more particularly referred to in details of the material contracts located in section 10 of these Scheme Particulars, the Investment Manager, the Trustee and the Administrator 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. All such expenses in relation to the Fund are payable in the first instance by LuxCo under the Expenses Agreement, but reimbursed by the Specialist Partner, in accordance with the LuxCo Loan Facility Agreement. Expenses payable by the Specialist Partner are underwritten by Tiuta PLC as per the Guarantee. However, in the event that Tiuta PLC fails to pay under the Guarantee, the Fund could become liable for such costs and expenses.

### Guarantee and Security

The guarantee given by Tiuta PLC for the payment of sums due to LuxCo from the Specialist Partner pursuant to the Guarantee is limited to the financial strength of Tiuta PLC which may have significant obligations and liabilities to other parties and in the event of its insolvency, amounts due under the Guarantee may not be recovered fully or at all.

Where the Fund exercises its rights under its security to realise the individual short term loans made by the Specialist Partner, the net proceeds recovered from such realisation may not be sufficient to discharge the loans made by the Fund.

### Loan Type

The loans which form the assets of the Fund are 'Bridging Loans' or short term loans and should be considered high risk. The successful redemption of these loans is entirely dependant upon an appropriate exit route, which will typically be through refinancing on to a longer term product or sale of the property. Whilst the Specialist Partner 'stress tests' the loan applicants proposed exit strategy there is no guarantee that a suitable exit process will be available at the end of the term; in which case the Fund will have to rely on the Specialist Partner's defaulting borrower process and the value of the security.

### Lack of Investor control

Holders will have no opportunity to control the day to day operations, including investment and disposal decisions, of the Fund.

### Market Factors

The performance of the Fund may be affected by a variety of market factors, such as a change in demand for short to medium

term loans or adverse changes in political, economic or social conditions.

### Valuations

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

### Tax Considerations

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

### Track Record

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

### Investment/Trading

The Fund may be involved in investment and/or trading activities which may result in different tax treatment to Holders.

### Banks

The Fund holds investments with one bank as opposed to several banks. Accordingly, Holders' investments are at risk should the bank get into financial difficulty.

### Redemption of funds & payment of Annualised Interest Rate Payment

The Fund may not hold sufficient funds to pay out requests for Redemptions from Holders or the Annualised Interest Rate Payment. However, the Fund has the right to make demand on LuxCo, who in turn shall seek to enforce the security granted to it by the Specialist Partner, and/or the Guarantee given by Tiuta PLC. In addition, Tiuta PLC, in respect of Redemptions, has an obligation to buy back the loans made to the Specialist Partner from LuxCo, if necessary, to meet the liquidity requirements of the Fund. The ability of Tiuta PLC to make such payments depends on the solvency and/or liquidity of Tiuta PLC and accordingly, should there be an issue with the solvency and/or liquidity of Tiuta PLC, acceptance of Redemption Requests or payment of the Annualised Interest Rate Payment may be at risk.

### Statement

Each recipient of these Scheme Particulars must make his or her own independent assessment of an investment in the Fund after making such investigations and taking such advice as may be deemed necessary. Potential investors must consult and rely upon their own investment, accounting, legal and tax representatives and advisors as to the legal, tax and related matters concerning their investment in the Fund and evaluate independently the risks, consequences and suitability of investment. In particular, any estimates or projections or opinions contained herein involve significant elements of subjective judgement, analysis and assumptions and each recipient should satisfy himself in relation to such matters.

## Section 4 – Management and Administration of the Fund

### The Investment Manager

The Investment Manager, Connaught Asset Management (Guernsey) Limited, is a company incorporated in Guernsey with registered number 51939 whose registered office is at Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 3BG. The Investment Manager holds a licence under the POI Law for (amongst other things) the management of collective investments schemes and is regulated by the Commission.

The Investment Manager will be responsible for the overall investment management of the Fund's affairs. The Investment Manager will set the investment criteria of the Fund after considering the Investment Advisor's advice. At a board meeting of the Investment Manager it was agreed as per the Investment

Advisors' advice to make loans to LuxCo as an investment with the restrictions set out in this document. The Investment Manager will repurchase all Units redeemed by investors and will also be responsible to procure the preparation of the Fund's interim audited accounts and annual audited accounts. The Investment Manager is entitled to deal in Units for its own account without accounting for profits, and may deal in Trust Fund to the extent permitted by, and subject to, the Rules. Neither the Investment Manager nor any of its associates is under any obligation to account to the Trustee or to the Holders for any profit made by the Investment Manager on the issue of Units or on the reissue or cancellation of Units which have been redeemed.

The directors of the Investment Manager at the date of these Scheme Particulars are:



Michael Anthony Davies  
Chairman -  
Connaught Asset Management  
Director -  
Connaught Asset Management  
(Guernsey) Limited

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

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

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



Mike de Jersey  
Director -  
Connaught Asset Management  
(Guernsey) Limited

Mr de Jersey was born and is resident in Guernsey and has over 34 years experience in the offshore finance industry. He qualified as an Associate of the Chartered Institute of Bankers in 1979.

Commencing his banking career with National Westminster Bank in 1973, he moved to Kleinwort Benson (Guernsey) Limited in 1981 where as Banking Manager was responsible for the Investment Bank's banking, credit and settlements business. In 1990, he joined BSI (Channel Islands) Ltd / BSI-Banca della Svizzera Italiana and was appointed Vice President and Deputy Manager where he added an international flavour to his growing banking experience.

In 1998, he was appointed Managing Director of EFG Private Bank (Channel Islands) Limited and Business Head of the Guernsey Branch of the Swiss Bank, EFG International. In addition, he acted as Managing Director of the Guernsey subsidiary of the Greek Bank, EFG Eurobank Ergasias S.A. He was responsible for a substantial lending portfolio involving UK Residential/Commercial property and leverage loans to certain external Funds. Mr de Jersey was the Director responsible for the Bank's Compliance and Risk training and reporting.

His past directorships include a broad range of private equity vehicles and associated management companies.

Mr de Jersey retired from the EFG Bank Group on 31 December 2007.



Johan Gouws  
Director -  
Connaught Asset Management  
(Guernsey) Limited

Johan Gouws has a wide range of experience within the Investment Banking and Funds industry. After 11 years in the City of London, with pedigree names such as Credit Suisse Group and Cazenove Private Bank, Johan relocated in 2008 to the Channel Islands to concentrate on alternative asset investment.

As a certified investment manager with the Chartered Institute for Securities & Investment, he currently brings his expertise to Kleinwort Benson in Guernsey and Jersey. Originally a student at the University of Stellenbosch (South Africa), Johan also holds an MBA at Bordeaux Management School (a Grande École in Bordeaux, France). With Michel Rolland as his mentor, Johan's thesis focused on investment in alternative assets.

## The Trustee

The Trustee, Kleinwort Benson (Guernsey) Limited, was incorporated with limited liability in Guernsey (registered no. 670) on 11 June 1963 and is licensed under the POI Law to undertake certain restricted investment activities in relation to collective investment schemes in Guernsey. The Trustee's issued share capital is £1,000,000 divided into 1,000,000 ordinary shares of £1 each all of which have been issued credited as fully paid with a £4 premium per share. Its principal business activity is the provision of trustee services as well as acting as custodian/trustee for collective investment schemes. The ultimate holding company of the Trustee is RHJ International S.A., whose headquarters is at Avenue Louise 326; 1050, Brussels, Belgium.

The Trustee is responsible for the custody of the assets of the Fund and all documents of title to such assets, but has no responsibility for selecting the investments of the Trust or for the information contained in these Scheme Particulars. The Trustee is also under a duty to take reasonable care to ensure that the methods used by the Administrator in calculating prices at which Units are issued is in accordance with these Scheme Particulars and the Trust Instrument. The Trustee may appoint sub-custodians, nominees and agents to perform its duties as set out in the Class B Rules.

## The Administrator

The Administrator, Kleinwort Benson (Channel Islands) Fund Services Limited, was incorporated with limited liability in Guernsey (registered no. 6946) on 11 May 1978 for the purpose of supplying offshore fund administration services. The Administrator holds a licence under the POI Law for the conduct of fund services business and is regulated by the Commission. The ultimate holding company of the Administrator is RHJ International S.A., whose headquarters is at Avenue Louise 326; 1050, Brussels, Belgium.

The Investment Manager has delegated to the Administrator responsibility for the general administration of the Fund, including the calculation of the Net Asset Value and the issue, repurchase and cancellation of Units. The Administrator will also provide registrar services to the Fund.

The Register is maintained by the Administrator and may be inspected at the offices of the Administrator in Guernsey during normal business hours upon 72 hours written notice.

## The Investment Advisor

The Investment Advisor has been appointed (pursuant to an investment management agreement dated on or about the date of these Scheme Particulars and made between the Investment Manager and the Investment Advisor (the "Investment Advisory Agreement")) to provide investment advisory services to the Investment Manager.

The terms on which the Investment Advisor is engaged and the advice to be provided by the Investment Advisor to the Investment Manager on behalf of the Fund are set out in the Investment Advisory Agreement and summarised under the heading "Material Contracts" in Section 10 – General Information below.

The Investment Advisor is also appointed by LuxCo, as set out in the investment adviser services agreement to carry out a review of all Loan Packs on its behalf and to advise LuxCo on whether a Loan Pack meets the requirements of these Scheme Particulars.

The Investment Advisor was incorporated on 19 January 2007 under the laws of England and Wales (registered number 6058768), with its registered office and principal place of business at Hill Place House, 55A High Street, Wimbledon Village, SW19 5BA.

The Investment Advisor specialises in developing a number of bespoke funds with wealth management companies.

The Investment Advisor has an authorised share capital of £10 divided into 10 shares at nominal value of £1 each, fully paid.

The directors of the Investment Advisor at the date of these Scheme Particulars are:

### Michael Anthony Davies – Chairman

Michael Davies is also a director of the Investment Manager and information about his expertise is set out in the section relating to the Investment Manager.



Christopher David Taylor  
Vice Chairman &  
Non-Executive Director  
Connaught Asset Management

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

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

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

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

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



Alistair James Mawdsley  
Director -  
Connaught Asset Management

Alistair joined Connaught Asset Management as Sales Director in March 2007 from Scottish Provident International (SPILA), which at the time was a subsidiary of Santander Bank, and helped to re-launch them back into the UK in 2005, securing new business sales of in excess of £100m in his final year.

Alistair has an extremely successful sales track record and brings to the team over 20 years experience of the Intermediary sales marketplace in the UK, as well as gaining valuable knowledge of the Offshore market whilst at SPILA. Prior to joining SPILA he worked for a variety of well known organisations such as Royal & Sun Alliance, Flemings Save & Prosper and he started his career at Friends Provident.

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

## The Auditor

PKF (Guernsey) has been appointed as auditor to the Fund. The Auditor is a member of the Institute of Chartered Accountants in England and Wales and its registered office is at PO Box 296, Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 4NA.

## Section 5 – Summary of the Fund

### Overview

The Fund will invest substantially all of its assets, through the provision of loans to LuxCo, secured by a pledge over the LuxCo Account. LuxCo will then lend to the Specialist Partner pursuant to a revolving credit facility agreement. The Specialist Partner will grant security over its assets to LuxCo. The Specialist Partner is a subsidiary of Tiuta PLC, the largest short term lender in the UK residential property investment market, and who also provides finance as a 'wholesaler' to other short term lenders suffering from the continuing shortage of funding in the UK residential and commercial property investment lending market. Tiuta PLC will guarantee the obligations of the Specialist Partner to repay the loan to LuxCo. The benefit of the security granted by the Specialist Partner to LuxCo, the benefit of the loan repayment obligations owed by the Specialist Provider to LuxCo, and the benefit of the Guarantee, will be assigned by way of security by LuxCo to the Trustee. The Specialist Partner will use the revolving credit facility to fund residential and commercial property investment loans either directly or through a short term lender who is on a panel of third party lenders approved by the Investment Advisor. The Loans made by the Specialist Partner (or, if applicable, the third party short term lender) will be advanced within the terms of these Scheme Particulars and approved by both the Specialist Partner and the Investment Adviser.

The assets of the Specialist Partner that will be provided as security for its borrowings from LuxCo will include (i) the benefit of payment obligations owed by the underlying borrowers (or the third party lenders, if applicable) and (ii) the benefit of any security granted by such underlying borrowers (or third party lenders) in favour of the Specialist Partner. The Fund will be granted security by LuxCo over the LuxCo Account, being the account into which LuxCo shall receive repayments from the Specialist Partner (such security being subject to the laws of Luxembourg).

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

The continuing difficulties in the long term lending market have resulted in lengthy delays in the time it takes to obtain a mortgage. Some of the pre-2008 lenders have exited, and not returned to, the marketplace and those lenders still available to a potential borrower are restricting the volume of lending or using more complex underwriting criteria before approving a loan. All of which mean that it can take longer to obtain a mortgage. In the residential property investment market, which is Tiuta PLC's area of specialisation, borrowers may have to carry out remedial or refurbishment work before the lender will accept the property as security. In fact, it is quite common for a long term lender in the

buy to let market to require a potential borrower to have owned an investment property for 6 months, refurbished it and tenanted it, before considering an application for long term finance. There is also considerable potential in auction properties, which frequently sell at below market value in the current climate, and require the successful bidder to complete more quickly than it takes to process a traditional mortgage application.

This has resulted in growth in demand in the short to medium term finance market and the Fund has been developed to offer investors the opportunity to invest money into the loan market through the provision of secured funds to LuxCo and the provision of a revolving credit facility by LuxCo to the Specialist Partner, with an annualised income paid quarterly in arrears from 7.15% to 7.5%, depending on investment levels. Any monies lent by LuxCo to the Specialist Partner will be secured by a debenture in favour of LuxCo over the assets of the Specialist Partner. Tiuta PLC will also guarantee the repayment obligations of the Specialist Partner. The benefit of this security and the guarantee will be assigned by way of security to the Trustee by LuxCo as described above.

Short and medium term loans charge a premium interest rate typically 10% APR which is based on the speed the loans are required by a third party and not only on the risk profile of the loan itself. The loans to be made to property developers by the Specialist Partner and an approved third party lender are designed to be a very low or low-risk investment, based on strict investment rules. Medium term loans attract a lower rate of interest than that charged to short term loans but, in view of the shortage of mortgage products in the UK market, the fixed rates available through the Specialist Partner are still sufficient to fund the interest rates offered on the Fund, meet the fees and charges of LuxCo and provide an attractive profit margin to the Specialist Partner.

The plausibility of the underlying borrower's exit route and loan affordability is stress tested, which further reduces the lending risk. In addition, the interest payable on the loans made available by LuxCo to the Specialist Partner will also be guaranteed by Tiuta PLC.

The combination of a relatively high income from the Fund, 30 Clear Days' notice to withdraw monies, and with all loans secured makes this potentially a very attractive investment proposition for the investor market.

Internet searches suggest that the best rates achievable from a short term fixed rate savings accounts are 3.3% (Source: Moneyfacts.co.uk (28/05/2010)).

All distributions will be paid to investors quarterly in arrears and will be paid within 14 days from the first working day of January, April, July and October. Investors can withdraw their money from the Fund by giving a minimum of 30 Clear Days' notice in writing, with the redemption being paid on the dealing day following the expiry of the notice period.

In relation to the underlying loans, short to medium term finance is offered as a percentage of the market value on which it is secured and will be lent to a maximum of 80% of the market value of a property at the time of release of the funds to ensure that the monies are protected in the event of any loan default.

### Summary of Investment Flow from the Trustee to LuxCo

Prior to each monthly Dealing Day, an investor wishing to acquire Units will be required to complete and submit an Application Form to the Administrator, and complete the relevant Customer Due Diligence requirements. Subject to receipt of a correctly completed Application Form and satisfactory Customer Due Diligence, upon receipt of funds from the prospective investor into the Fund's account, the relevant number of Units will be issued to the investor on the relevant Dealing Day.

On Dealing Day Plus 1, the Trustee shall inform LuxCo via email of the Gross Available Amount for the Dealing Day less known Redemption Requests for the next Dealing Day. That Gross Available Amount shall constitute the theoretical amount available for lending to LuxCo in that month. However, an amount equal to known Redemption Requests shall be retained by the fund and not lent to LuxCo.

On Dealing Day Plus 2, LuxCo shall serve a Loan Request on the Trustee, which shall inform the Trustee of the amount that LuxCo wishes to drawdown under the Trustee Loan Facility Agreement in that month. It is anticipated that this amount will generally be the full Available Amount.

By or on Dealing Day Plus 3, the Trustee can authorise the drawdown and transfer funds to the LuxCo Account. The amount deposited by the Trustee into the LuxCo Account shall be used by LuxCo only for the purpose of funding loans to the Specialist Partner, save that no funds shall be withdrawn from the LuxCo Account otherwise than in accordance with the terms of the Trustee Loan Facility Agreement. Until LuxCo makes loans to the Specialist Partner, the funds remain in the LuxCo Account.

### Summary of Investment Flow from LuxCo to the Specialist Partner

The Specialist Partner shall provide a Loan Pack to LuxCo in relation to each amount that the Specialist Partner wishes to borrow from LuxCo. LuxCo may, at its discretion, delegate responsibility for authorisation of the Loan Pack to the Investment Advisor. Assuming such discretion is exercised, the Investment Advisor will then either recommend acceptance or rejection of the Loan Pack to LuxCo. LuxCo will consider the recommendation of the Investment Advisor and, if appropriate, make a request to the Trustee to use the funds borrowed from the Fund to satisfy the request made from the Specialist Partner. The request will contain a Loan Pack and a copy of the Investment Advisors confirmation that the loan meets the Fund criteria (including

liquidity) for acquisition as a Fund asset. The Trustee will then have 3 Business Days to comment on the Loan Pack. Under the terms of the LuxCo Loan Facility Agreement, LuxCo will not approve the release of monies from the LuxCo Account to the Specialist Partner until it has received confirmation of a satisfactory review of the Loan Pack by the Investment Advisor and positive authorisation from the Trustee to withdraw the relevant funds from the LuxCo Account.

### Summary of Costs, Fees and Interest

LuxCo is primarily liable for the costs, fees and expenses of itself and pursuant to the Expenses Agreement, the Fund. The Specialist Partner has agreed to pay all such costs, fees and expenses under the LuxCo Loan Facility Agreement. The Specialist Partner, via LuxCo, will provide funds for such costs, fees and expenses to the Investment Manager, who will be responsible for distributing such payments to the relevant third parties. The Specialist Partner's obligation is guaranteed by Tiuta plc under the Guarantee. In the event that Tiuta PLC fails to pay for such costs, fees and expenses pursuant to the Guarantee, the Fund may become liable for its own costs, fees and expenses.

The Specialist Partner shall pay interest on the Gross Available Amount on the basis that this amount represents the total amount available for drawdown by the Specialist Partner in the absence of known Redemption Requests. LuxCo will inform the Specialist Partner of the total amount of interest payments payable from the Specialist Partner plus an amount equivalent to 1/8% of the total amount of principal payable, LuxCo shall deduct the 1/8% of the principal payment payable on receipt of the distribution payment from the Specialist Partner and remit to the fund the balance representing 100% of the distribution due to the investors.

Amounts held on deposit in the LuxCo Account (comprising amounts received from the Trustee and the amounts received from the Specialist Partner by way of capital repayment, in each case where such amounts have not yet been loaned or reloaned to the Specialist Partner) will accrue interest. An amount equal to the net interest after payment of tax in Luxembourg will be paid by LuxCo to the Investment Manager as a fee.



# Key Parties in Relation to the Fund

## Investment Advisor

The Investment Advisor has been appointed by the Investment Manager to provide it with investment advice on the investments of the Fund. The Investment Advisor routinely provides services to fund operators who cater for the institutional and sophisticated investor markets.

## Key roles as the Investment Advisor

These will comprise of:

- advise the Investment Manager on the Fund's investments;
- an appointment by LuxCo to review all proposed Loan Packs received by LuxCo from the Specialist Partner;
- review progress on each loan from LuxCo to the Specialist Partner;
- ensure the investment approval process is adhered to;
- review the independent valuations and certificates of title on any properties as part of the loan applications;
- make decisions on any changes to LuxCo's lending strategy to respond to changes in the market place;
- ensure no single loan from LuxCo exceeds 10% of the total funds raised by the Fund, with a cap of £25 million per any single loan facility advanced during the life of the Fund;
- ensure that the total loans from LuxCo where the terms exceed 36 months do not exceed 10% of the Net Asset Value;
- ensure that all monies are repaid to the Fund by LuxCo, and to LuxCo by the Specialist Partner following the repayment of any underlying loan;
- ensure that the correct amount of distributions are paid to each investor in the Fund; and
- report to the Investment Manager and the Trustee on the performance of the Fund.

## LuxCo

CAM (Luxembourg) S.ar.L, is a company incorporated and registered in Luxembourg and having its registered office at 6, rue Adolphe, L-1116 Luxembourg. LuxCo has been created especially to manage the drawdown and loan authorisation processes for the Fund and is wholly owned by the Fund.

## Key roles of LuxCo

The Directors of LuxCo are responsible for:

- serving a Loan Request on the Fund on Dealing Day Plus 2 in order to draw down from the Fund under the terms of the Trustee Loan Facility Agreement;
- reviewing, authorising, instructing or rejecting each Loan Pack submitted by the Specialist Partner after having reviewed the recommendations of the Investment Advisor;
- managing the loans to the Specialist Partner including staged drawdowns; and
- holding all funds paid over to LuxCo by the Specialist Partner in respect of redeemed loans and to be used to fund further loans authorised in accordance with the investment objectives and strategies of the Fund, subject to any investment restrictions, or to be repaid to the Fund under the terms of the Trustee Loan Facility Agreement.

## The Specialist Partner and Tiuta PLC

The Specialist Partner will offer short to medium term loans ranging from £25,000 to £10 million and secured by way of legal charges on property solely in England, Wales and Scotland or, as applicable, on a charge granted by the relevant third party lender over its interest in similar security.

The parent company and guarantor, Tiuta PLC began trading in March 2004 and is based in Central London. Tiuta PLC is a member of the Council of Mortgage Lenders, a Founder Member of the Association of Short Term Lenders and is FSA regulated.

Tiuta PLC's management and personnel have a strong background in both property and finance and thus are ideally placed to service the loan market. They will work closely with the Specialist Partner to ensure the Specialist Partner's ability to make lending decisions quickly whilst adhering to its strict credit controls and risk management procedures, enabling it to charge premium rates and achieve high levels of repeat business.

Tiuta PLC has a diversified client base of property developers, investors, individuals and companies. Clients are introduced by mainstream lenders, brokers, auction houses, solicitors and other professionals. Tiuta PLC currently utilises subordinated debt to fund its loan book and holds lending facilities with:-

- Clydesdale Bank
- Bank of Ireland
- Bank of Scotland
- Marfin Popular Bank.
- Connaught Income Fund Series 1

Tiuta PLC is authorised and regulated by the Financial Services Authority for the arranging and administration of regulated mortgage contracts, with an FSA Register Number of 430956. Tiuta Development Finance Limited is not an FSA authorised entity and, therefore, will act as the originating lender for non-regulated loan contracts such as commercial mortgages.

#### The key roles of the Specialist Partner are to:-

- provide LuxCo, which will, in turn, provide the Investment Advisor and the Trustee with a Loan Pack regarding a proposed loan;
- ensure a thorough credit vetting process has been undertaken, where the loan exit requires an assessment of an ultimate underlying borrower's personal status;
- provide an independent valuation on each property which is prepared in accordance with the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards ('The Red Book') by an RICS Surveyor;
- ensure legal mortgages over property are registered at the land registry;
- where the ultimate loan is made through a third party lender, ensure the charge granted by that third party lender over the loan receivables and the benefit of the mortgage/legal charge over property is registered at Companies House to the Specialist Partner;
- provide a monthly progress and activity report on all loans funded by the monies raised by the Fund and lent to it by LuxCo;
- credit vetting and approving the loan application;
- reviewing and approving the independent valuation report;
- providing credit management services to the loan, including debt management services should the loan fall into arrears; and
- ensure any intermediate short term lender is on the approved list.

## Tiuta Plc: Lending Record

To March 2010 Tiuta PLC and its subsidiaries have made 1262 loans (of which 237 are currently active). Tiuta PLC is currently making approximately 250 loans a year with a gross value of £90m. Last year in response to market conditions Tiuta tightened lending parameters with loan to value ratios across new lending in the last 12 month averaging under 62%.

A history of Tiuta PLC's lending over the last 3 years is shown below (figures derived from April 1st to March 31st – Tiuta's financial year). The average loan to value for new lending is currently 65.2% and average loan length of redeemed loans is

169 days (two years to March 2010). The default rate (being when the loan is unable to be repaid and Tiuta PLC has commenced its default procedures) remains at less than 8%, which has been pleasing during recent economic conditions

As the property market stabilises Tiuta PLC are again increasing lending levels all be it at reduced loan to value ratios, 2010/11 is forecast to see the growth and recovery of lending return to and surpass the levels of 2007/08 with new resource added and capital expenditure made to ensure that the credit process is not compromised as numbers increase.

Data	2007/08	2008/09	2009/10
No of loans	394	239	241
Value of loans	118,768,749	72,198,832	91,931,955
Average LTV	74.88%	69.54%	61.57%

### Short Term Finance

#### Low Risk

Short term finance is typically utilised for funding property mortgages to bridge between the need to complete on purchase and the availability of a loan from a long term lender. Lending is secured by a charge or mortgage over one or more properties.

However, even long term loans rarely last longer than 5 to 6 years before redemption (usually through refinancing) and the most popular term to fix interest rates on a new loan is 3 years; which means a typical fixed term borrower will seek to refinance at the end of the 3 year term and this pattern is gradually reducing the typical long term loan period. The Fund seeks to provide funding through LuxCo and the Specialist Partner to meet the shorter term loan market but to also match the medium term requirements of a growing number of borrowers seeking a fixed interest rate.

Despite cyclical economic conditions in the UK, property as an investment or as a security in the UK has consistently grown in value in any 5 year period since the mid 1990s. (Source: Halifax House Price Index, January 2010).

The performance of property when compared to shares shows that although over the long term the two show comparable growth, the fluctuations of the FTSE 100 are far greater, leaving investors in shares exposed to greater short-term risk. Since 1990 there have been 5 separate years in which the FTSE 100 has fallen more than 10% year on year, the index has fallen by 3.7% in the 3 months to 31 January 2010 (FTSE UK Performance Analysis); Property in comparison is less volatile in the short to medium term, average values increasing by 0.6% in the same 3 month period, with increases in each of the preceding seven

months and an increase of 3.6% for the preceding 12 months (Halifax House Price Index).

Short to medium term finance is a lower risk lending business as lending is rarely at more than 75% of the valuation for mortgage purposes of a property. In relation to the underlying loans made by the Specialist Partner, short to medium term finance is offered as a percentage of the market value on which it is secured and will be lent to a maximum of 80% of the valuation for mortgage purposes. Property values would need to fall by more than 20 to 25% on average in the corresponding period for the loan to the Specialist Partner not to be secured against a receivable that is ultimately secured against a tangible asset. The regular turn-over of loans in the Fund portfolio, with new lending against current valuations, reduces the risk to a level significantly lower than that experienced in the long term mortgage market. Therefore, in a worst case scenario where the property relating to the underlying loan is repossessed, the full amount of the underlying loan should still be recovered. If, for some unexpected reason the full amount is not recovered, and as a result, the Specialist Partner is unable to meet its payment obligations to LuxCo under the loans from LuxCo, Tiuta PLC has a legal obligation under the Guarantee to meet such repayment obligations, which should ensure that LuxCo can repay its loan to the Fund. This should also ensure that the Fund has sufficient cash resources to make distributions. To date Tiuta PLC and its subsidiaries have made over 1200 loans and has never failed to reclaim the capital value or been forced to physically repossess a property.

From an investment perspective, the relatively high rates of interest charged reflect the speed of the loan as well as the risk profile of the loan.

Medium term lending has been severely affected by the lack of liquidity in the UK and, despite low base rates, a medium term lender can charge interest rates typically from 10% APR because demand, particularly in the refinance market, significantly outstrips supply.

The income in the Fund varies between 7.15% (7.32% AER\*) and 7.5%, (7.70% AER\*) depending on the amount invested, which is favourable when compared to other fixed rate products such as saving accounts and bonds available from high street and internet providers. Government bonds being the most secure, are currently providing a coupon of 5% per annum, other bond based product and savings accounts offer rates of anywhere up to 3.3%. (Moneyfacts March 2010)

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

### Medium Term Finance

The most popular medium to long term products are medium term fixed rate mortgages, which offer a fixed rate of interest for a

term between 1 and 5 years, with 3 years being the product in most demand. At the end of the fixed rate the borrower will revert to a variable rate that can be significantly higher than the fixed rate they have enjoyed and, being variable, can fluctuate as base rates move down or up. The majority of fixed rate borrowers will seek to refinance on to a new fixed rate and, most commonly, will do so by applying to another lender.

In 2006/7 the mortgage market was booming and fixed rate borrowers were being offered some very attractive terms but with less attractive reversionary rates at the end of the fixed rate term. Unfortunately for those boom time fixed rate borrowers, their fixed rate terms are coming to an end at time of significant shortages of credit funding and very few new products to which they can refinance.

In addition, new purchasers of residential and commercial properties still seek the certainty of a fixed rate mortgage but these products are equally in short supply.

The Fund seeks to exploit this market opportunity by offering loan terms that match the demands of those seeking refinance and new purchase products.

### Guaranteed Returns

Investment	Interest Rate	Aer*
£20,000 to £99,999	7.15%	7.34%
£100,000 to £499,999	7.25%	7.45%
£500,000 and over	7.5%	7.71%

\* AER stands for Annual Equivalent Rate and reflects the notional rate of interest received if interest was paid quarterly and compounded annually.

The Fund cannot reduce the annualised interest rate payment paid to Holders as a distribution regardless of the Bank of England base rate being reduced below the current rate. However, the Fund will increase the Annualised Interest Rate Payment paid to investors as a distribution to ensure that investors receive a minimum of 1.5% additional annualised interest than the Bank of England base rate, should the base rate increase.

The Annualised Interest Rate payment which is paid quarterly in arrears within 14 days from the first working day of January, April, July and October to Holders is fixed as above, dependant upon the amount of money invested by an individual Holder.

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

Investors may also roll-up any interest payments due from their initial investment and re-invest this money into the Fund and receive additional Units (such additional Units shall form a single class with existing Units) by selecting this option on the Application Form for Units or by written request to the Administrator. Investors shall receive a new contract note with respect to additional Units issued to them.

### Guarantee from Tiuta PLC

Tiuta PLC guarantees the payment of sums due to LuxCo from the Specialist Partner and undertakes to pay or discharge all monies and liability which shall be duly owing or incurred by the Specialist Partner to LuxCo. The Fund will be granted security by LuxCo over the LuxCo Account (such security being subject to the laws of Luxembourg). The benefit of the security granted by the

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

All fees and costs for the Fund are in the first instance for the account of LuxCo under the Expenses Agreement, but will be paid by the Specialist Partner in accordance with the LuxCo Loan Facility Agreement, ensuring, therefore that the Fund should have no day to day fees and costs in the ordinary course. The intended Unit Price is £1.00, although the price may fluctuate dependant upon any time difference between the payment of certain fees and costs and their reimbursement by the Specialist Partner. For administrative purposes an arrangement has been made that these fees will be distributed by the Investment Manager out of funds provided through LuxCo by the Specialist Partner to the Investment Manager. The fees and costs of LuxCo (including the fees of the Investment Advisor for reviewing the Loan Packs) are also paid by the Specialist Partner in accordance with the LuxCo Loan Facility Agreement. Tiuta PLC guarantees the payment of LuxCo's fees and costs by the Specialist Partner.

Specialist Partner to LuxCo will be assigned by LuxCo to the Trustee (on behalf of the Fund), as will the right of LuxCo to enforce the Guarantee.

The obligations of Tiuta PLC under the Guarantee are those of primary obligor and not merely as a surety. A copy of the Guarantee is available on request from the Investment Manager.

## Section 6 – The Investment Objective

The Fund will seek to exploit the current market conditions and the general market requirement for short and medium finance by providing funds under a secured loan to LuxCo. LuxCo will lend substantially all of its assets, through the provision of a spread of short to medium term loans to the Specialist Partner. These loans to the Specialist Partner will be drawn down on a loan by loan basis and secured by a debenture over all of the Specialist Partner's assets (being either property or security over the benefit of loan receivables and related security from a third party lender). Holders will receive a fixed annualised interest rate, paid quarterly in arrears, of between 7.15% and 7.5%.

### The Lending Strategy

#### Breakdown of Loan book

The Specialist Partner will lend to a range of customers, being its own existing customers, those of Tiuta PLC and its subsidiaries and those of selected third party lender partners who are looking to utilise short to medium term funding, within the parameters of the investment criteria.

The loans will be ultimately used to fund a property purchase with a short completion deadline, to fund a short term renovation or development project, refinance to raise capital or to refinance good quality loans reaching the end of a fixed mortgage term. All underlying loans will be secured with a legal charge over one or more properties that will be registered to the Specialist Partner (or relevant third party lender, as applicable) for the duration of the loan.

Where the loan is made by a third party lender, that lender will grant security to the Specialist Partner over the loan receivables

and the lender's interest in any mortgage or charge over the underlying property (the "Third Party Lender Security").

The Specialist Partner will grant security over all its assets in favour of LuxCo, including loan receivables and the benefit of security from underlying borrowers or the benefit of Third Party Lender Security held by it. Similarly, LuxCo will grant security to the Trustee on behalf of the Fund over the LuxCo Account into which it receives repayments from the Specialist Partner. This charge over its bank account granted by LuxCo will be registered in, and subject to, the laws of Luxembourg. LuxCo will also assign to the Trustee on behalf of the Fund the benefit of the debenture granted to LuxCo by the Specialist Partner, and the right to enforce the Guarantee. This assignment will be governed by English law.

The Investment Manager will seek to reduce risk by ensuring that not more than 10% of the funds lent to LuxCo is utilised in any single loan by LuxCo after the first six months of the Fund opening date, with a cap of £25 million for any single loan facility advanced during the life of the Fund. The target average loan term for loans by LuxCo to the Specialist Partner will be 36 months, although the fund will consider loans with terms of between 37 and 60 months subject to those loans comprising no more than 10% of the gross value of the assets in the Fund. Only underlying loans in England, Wales, Scotland, will be considered, however exposure to any one geographical area will be managed. The Specialist Partner and the Investment Advisor will assess the property market and avoid areas in which there is a perceived risk of a material fall in property value during the loan period.

Areas in which property prices are expected to remain most stable such as the South East of England and areas of Scotland will be looked upon more favourably. Property types are also assessed as part of the lending decision. Loan size ranges from £25,000 to £25,000,000, but must always fall within the ratios of loan to value defined in the Fund lending rules.

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

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

The targeted risk profile of the Specialist Partner is for up to 90%

of the available monies to be invested in Very Low or Low Risk loans and up to 10% in Medium Risk loans. The risks associated with this profile will be reflected in the risks associated with loans made by LuxCo and the Fund.

The maximum average Loan to Value allowable in respect of loans made by the Specialist Partner will be 75% of the market

value confirmed by the independent valuer and will not include 'hope value' in respect of planned works or development. However, the Loan to Value allowable on purely commercial property will be restricted to 75% of the 180 Days Restricted Valuation in each deal.

### Lending and Underwriting Policy

Each loan to be made by the Specialist Partner must meet the strict lending and underwriting criteria set out in these Scheme Particulars which has been formulated by the Investment Advisor and Specialist Partner. This criterion will be constantly updated and reviewed by the Investment Advisor in response to market conditions. This will be presented to the Investment Manager at least once a year at the Investment Manager's annual general meeting.

Before a loan is proposed to LuxCo, a current valuation of the property over which security will be granted for the loan, such valuation being addressed to or capable of being relied on by the Specialist Partner must be provided by an RICS Surveyor.

The Specialist Partner, through extensive client contacts, broker and wholesaler contacts of Tiuta will attract borrowers and manage the underwriting, legal work and administration relating to each loan.

From enquiries received through these various channels, an initial assessment regarding the suitability of each case will be made, taking into account the characteristics of the borrower seeking the loan and the property offered as security.

If the Specialist Partner wishes to borrow funds from LuxCo, a Loan Pack must be sent to LuxCo. LuxCo may, at its discretion, delegate responsibility for reviewing the Loan Pack to the Investment Advisor. Assuming such discretion is exercised, the Investment Advisor will then either approve acceptance or recommend rejection of the Loan Pack to LuxCo. LuxCo will consider the recommendation of the Investment Advisor and, if appropriate, make a request to the Trustee to use the funds borrowed from the Fund to satisfy the request made from the Specialist Partner. The request will contain a Loan Pack and a copy of the Investment Advisors confirmation that the loan meets the Fund criteria (including liquidity) for acquisition as a Fund asset. The Trustee will then have 3 Business Days to comment on the Loan Pack. Under the terms of the LuxCo Loan Facility Agreement, LuxCo will not approve the release of monies from the LuxCo Account to the Specialist Partner until it has received confirmation of a satisfactory review of the Loan Pack by the Investment Advisor and positive authorisation from the Trustee to withdraw the relevant funds from the LuxCo Account.

Once funds are lent by LuxCo, the Specialist Partner will manage the day-to-day administration of the loan.

If the underlying loan includes a facility to be used for refurbishment or renovation of a project, then this money will be held by LuxCo and released in agreed stages following an inspection by the Specialist Partner and written confirmation regarding the successful completion of the staged works has been sent to LuxCo.

Each loan made by LuxCo using money loaned by the Fund will have an agreed contractual term, with a target average term of 36 months or less. Under the agreed lending criteria, the Investment Advisor can accept loan deals with a term in excess of 36 months

but after the first 6 months from the date of the fund launch the aggregate value of loans with terms in excess of 36 months will not exceed 10% of the total value of the Fund. Throughout the duration of this term the Specialist Partner will manage the underlying loan documentation, the obtaining of interest and fees and redeem the underlying loans through liaising with the underlying borrower. The progress of each loan made by LuxCo using money loaned by the Fund will be presented at the monthly Asset Allocation Committee meetings and will be included in quarterly investor reports. The Investment Advisor will review each of the loans through to the redemption period and will make loan and investment decisions in the best interests of investors.

The Investment Advisor will not recommend a Loan if making such a Loan would mean that the Liquidity Requirement would not be met.

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

LuxCo will not lend to the Specialist Partner if the underlying loan to be made by the Specialist Partner to the underlying borrower is secured on the following property types at the outset. Any changes to this policy must be tabled by the Investment Advisor to the Investment Manager for approval. The Investment Manager will in turn request the Trustee's approval of a change to the investment criteria of the Fund. This will ensure that all loans meet the low risk investment criteria set out in this document:

- Land only without planning permission
- 100% Timber construction
- Properties deemed as unacceptable security by the appointed valuer
- Less than 10 years old without NHBC/Zurich Municipal guarantees or architects certificate or Commercial Warranties
- Not wholly owned by the borrower (shared ownership)
- Mobile homes, house-boats and caravans
- Freehold flats or maisonettes
- Nightclubs
- Golf Clubs
- Churches
- Adult entertainment
- Equestrian centres with or without residential accommodation
- Kennels/catteries without residential accommodation
- Properties with agricultural restrictions

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

## Section 7 – Valuation, Application, Transfer and Redemption Of Units

### Valuation of Units and Unit Price

The Administrator will determine the Net Asset Value of the Fund as at each Valuation Point. The Valuation Point for calculation of the Net Asset Value will be at close of business Guernsey time on the Business Day immediately preceding the relevant Dealing Day.

The Net Asset Value will be calculated in accordance with the valuation rules set out in the Trust Instrument. The Net Asset Value of the Fund is determined by deducting the value of the total liabilities of the Fund from the value of the total assets of the Fund. However, as the Fund should have no liabilities (as all fees and expenses of the Fund shall be paid or reimbursed by the Specialist Partner via LuxCo) the Net Asset Value of the Fund is intended to equal the Subscription Proceeds and therefore, in the ordinary course, the Unit Price should always be £1.00. The Unit Price may fluctuate if there is any delay or failure by the Specialist Partner to reimburse LuxCo in relation to any fees and expenses and pursuant to the Expenses Agreement, any fees and expenses not met by LuxCo as a result of the failure by Tiuta PLC to reimburse them under its Guarantee can become liabilities of the Fund.

The Net Asset Value and Unit Price will be made available on Bloomberg and the CISX's Reuters page.

### Qualified Holders

Units may not be offered or sold to or held by a Prohibited Person.

If it shall come to the attention of the Administrator or the Trustee that any Units are held or owned directly or beneficially by Prohibited Person, the Administrator may take action as soon as described under the section "Compulsory Redemption" below.

A Holder who becomes aware that he holds Units in contravention of the above shall forthwith, unless he has already received a notice as described under the section "Compulsory Redemption" below, transfer all of his Units to a person qualified or permitted to own the same or submit a redemption request for all of his Units.

### Application for Units

Initial applications for a minimum of £20,000 (twenty thousand pounds Sterling) and subsequent applications for Units of at least £20,000 (twenty thousand pounds Sterling) should be made to the Administrator. The Investment Manager with the approval of the Trustee has discretion to permit investments in the Fund outside of these limits should it so desire. The Administrator also has a discretion to accept or reject any application for the issue of Units (in some cases the approval of the Trustee may be required).

The Administrator will accept investments in any freely convertible currency and, upon receipt of cleared funds, the Administrator will arrange the necessary currency exchange transaction on behalf of and at the cost of the Holder.

Applications for Units should be received by the Administrator in Guernsey no later than close of business Guernsey time on the

Business Day at least two Business Days before the relevant Dealing Day. Applications received later than this deadline may be held over to the next Dealing Day.

Applications must be made on the Application Form with all Customer Due Diligence documentation and should be submitted to the Administrator and subscription monies paid by electronic transfer to the Administrator by close of business Guernsey time on the Business Day at least two Business Days before the relevant monthly Dealing Day but may be submitted on any earlier Business Day prior to that monthly Dealing Day. As a result of anti-money laundering regulations, the Administrator will require documentation to support any applications for Units. Failure to provide documentation will result in the rejection of any application for Units or the withholding of redemption proceeds. The Administrator will issue a contract note or other confirmation advice upon receipt of subscription monies, all Customer Due Diligence documentation and the full subscription amount net of transfer costs.

The Units will be listed on the CISX. The CISX, which is based in St Peter Port, Guernsey was formed as a company limited both by guarantee and by shares. Management and operation is vested in the Market Authority. The CISX provides a listing facility and screen based trading within a European time zone. The CISX provides high visibility for its listed securities and sponsors through its website. This service is in addition to the market data and price quotations distributed world-wide through the CISX Reuters pages. For further information on the CISX, please see [www.cisx.com](http://www.cisx.com).

### Admission to trading and dealing arrangements

This Listing Document includes particulars given in compliance with the listing rules of the CISX for the purpose of giving information with regard to the Fund. The directors of the Investment Manager accept full responsibility for the information contained in this Listing Document and confirm, having made all reasonable enquires, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Application has been made for Admission in respect of the Units. It is expected that Admission will become effective and dealings in the Units will commence at 6.00 pm on 29th October 2010. Unit certificates will not be issued.

Except for the application being made to the CISX, no application is being made for the Units to be admitted to listing or to be dealt in on any other exchange.

A Register of Holders will be kept by or under the control of the Administrator. The name and address of each Holder will be entered upon the Register. Units are not issued in bearer form. The Administrator will issue Units in inscribed form so that entitlement thereto will be evidenced solely by an entry on the Register.

## Transfer of Units

Subject to the following, some or all of the Units of a Holder may be transferred at a price as may be agreed between the Holder and the transferee. A Holder may transfer his Units by an instrument in writing in common form (or in such form as the Trustee may approve). No transfer of part of a Unit will be permitted.

The Administrator may, in its absolute discretion and without assigning any reason, decline to register a transfer of Units and shall decline to register any transfer of Units if:

- (i) it appears that the transferee is not a Qualified Holder;
- (ii) the transfer would result in the transferor or the transferee being the holder of less than the Minimum Holding;
- (iii) the transferee fails or refuses to furnish the Administrator with such information or declarations as the Administrator, in compliance with applicable anti-money laundering regulations or otherwise, may require;
- (iv) the transfer would result in a violation of any applicable law or any term or condition of the Trust Instrument; or
- (v) it would cause the Fund to be disqualified or terminated as a unit trust, including for applicable tax purposes or otherwise result in an increase in the tax payable by the Fund.

Each transferee will be required to represent or, by its acquisition of a Unit, will be deemed to have represented, that it is a Qualified Holder. Any transfer of a Unit to a person who is not a Qualified Holder is subject to compulsory transfer or redemption provisions as provided herein and in the Trust Instrument.

A Holder who wishes to Transfer any of its Units should note that, for the purposes of allocating and distributing Fund income, where the name of a transferee Holder has been entered in the Register in respect of Units, the transferee Holder shall be treated as having held those Units for the whole of the relevant period.

## Redemption of Units

Investment in the Fund should be considered medium-term, but Holders may apply to withdraw from the Fund at any time giving a minimum of 30 Clear Days' written notice to the Administrator. The Administrator will not normally accept an application to redeem Units from Holders for less than 5% of the capital value of the Holder's unit holding (which may, however, be taken as the monthly equivalent of 5% per annum of the capital value of the Holder's unit holdings.)

Holders will receive 100% of the redemption amount applied for back. Holders can request up to two withdrawals from the Fund in any one calendar month providing the minimum remaining investment is at least £20,000 at all times. Monies withdrawn from the Fund by a Holder during any quarterly payment period will forfeit any interest accrued during that quarterly payment period.

The redemption of Units will normally take place by the cancellation of the relevant Units and the payment out of the Trust Fund of the Unit Price (or the transfer of such part of the Trust Fund in lieu of the Unit Price) applicable on the relevant Dealing Day but may also (at the absolute discretion of the Investment Manager) be purchased by the Investment Manager at a price not

lower than the Unit Price applicable on such Dealing Day or partly by cancellation and partly by purchase.

Holders wishing to redeem Units should send a Redemption Request in writing to the Administrator in Guernsey.

## Compulsory Redemption of Units

If it shall come to the notice of the Administrator that following a request for redemption of Units, the value of the Units held by a Holder falls below the Minimum Holding or that any Units are owned directly or beneficially by a Prohibited Person, the Administrator may give notice to such person requiring him to apply for additional Units to be issued at the following Dealing Day so that his holding remains above the Minimum Holding threshold; or transfer such Units to a person who is a qualified or permitted to own the same or to give a request in writing for the redemption of such Units.

If any person upon whom such a notice is served does not, within thirty calendar days after the date of such notice, give notice of compliance or establish to the satisfaction of the Administrator (whose judgement shall be final and binding) that the condition for compulsory redemption no longer applies, he shall be deemed to have given a request in writing for the redemption of all his Units.

The Administrator will have the right to compulsorily redeem a holding of Units if it shall come to the notice of the Administrator that the Holder has been untraceable for a period of 6 years. The Administrator shall issue a written notice to the Holder's last known address giving the Holder thirty calendar days from the date the written notice was issued to contact the Administrator, failing which the Administrator is entitled to redeem all his Units.

## Subsequent Issues

There are no pre-emptive rights given to Holders in respect of subsequent issues of Units.

## Temporary Deferral of Redemptions

In order that existing Holders are protected from untimely redemptions, the Administrator may defer redemptions of Units if, on any Dealing Day, the value of Units 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 which it can redeem without prejudicing the interests of the Fund or the interests of continuing Holders and will then effect such redemptions on a pro rata basis, except that the Administrator shall give priority to Holders 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 Holders not later than ten Business Days after the relevant Dealing Day of the number of their Units in respect of which it proposes to defer redemption. A Holder 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, provided that a request for redemption may not be deferred for more than one year from the original redemption request. Payment will be at the Unit price calculated for the Dealing Day on which the Units are actually redeemed.



## Suspension of Calculation of Net Asset Value and Dealings in Units

The Investment Manager may, at any time with the approval of the Trustee, or the Trustee acting by itself may, suspend the calculation of the Net Asset Value of the Fund and the issue and redemption of Units 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 Holders, 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
- (iii) if, as a result of currency exchange restrictions or other restrictions affecting the transfer of funds, any necessary exchange or transfer of currency cannot be effected at the normal rates of exchange.

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

Each declaration by the Administrator shall be consistent with the Class B Rules and any other applicable regulatory requirements and, to the extent not inconsistent with the Class B Rules or other regulatory requirements, the declaration of the Investment Manager shall be conclusive. During any suspension a Holder or prospective Holder may withdraw any application for the redemption or subscription of Units 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 Holders when, in the opinion of the Administrator, a significant proportion of the Trust Fund cannot be valued on an equitable basis and such difficulty is expected by the Administrator to be overcome within that period.

## Section 8 – Charges, Fees and Expenses

All other fees and expenses incurred in relation to the Fund and LuxCo including the Investment Manager's fees, the Administrator's fees and the Trustee's fees and expenses incurred in relation to the dealing, servicing and holding of investments (including the fees and expenses of any sub-custodian), audit fees, legal fees, expenses of any Administrator's agent and any distributor, costs of collecting income and determining taxation are all payable in the first instance by LuxCo (in relation to Fund costs and expenses, pursuant to the Expenses Agreement) but will be paid or reimbursed by the Specialist Partner, via LuxCo under the LuxCo Loan Facility Agreement. These fees are underwritten by Tiuta PLC as per the Expenses Agreement and the Guarantee. In the event Tiuta PLC fails to pay under the Guarantee, the Fund may become liable for its own fees and expenses.

### Investment Manager

The Investment Manager will receive an initial fee calculated as 2% per annum of all investments into the Fund, of which 1% will be paid to introducers and financial intermediaries by way of an annual trail commission paid quarterly in arrears, and an annual fee of 1.5% of total monies invested into the Fund, paid monthly in arrears. From month 13 of an investor's cash subscription the annual management charge will increase by an additional 1% per annum where an introducer or financial intermediary receives a trail commission. In all cases trail commission is calculated with reference to investor positions as at the end of each quarter.

### Trustee:

By the terms of the Trust Instrument, the Trustee will receive an annual fee calculated as 0.03% per annum of the Net Asset Value of the Fund subject to a minimum of £17,500 per annum, payable quarterly in arrears. The annual fee is subject to a time cost override. The Trustee is also entitled to a fee of £500 for each loan transaction made between LuxCo and Tiuta.

The Trustee is also entitled to recover all legal, travel and other out-of-pocket expenses incurred in carrying out its duties under and accordance with the Trust Instrument.

### Administrator:

By the terms of the Trust Instrument and the Administration Agreement, the Administrator will receive an annual fee calculated as 0.07% per annum of the Net Asset Value of the Fund subject to a minimum of £50,000 per annum, payable quarterly in arrears. The annual fee is subject to a time cost override.

The Administrator is also entitled to the following fees when the Fund has greater than 50 Holders:

- Subscription Fee – £50/transaction
- Redemption Fee – £50/redemption
- KYC Fee – £25/Holder

The Administrator is also entitled to recover all legal, travel and other out of pocket expenses incurred in carrying out its duties under and in accordance with the Administration Agreement.

Holders will be given at least three months' written prior notice of any increase of the Investment Manager's, Administrator's or Trustee's fees within the respective maximum fees permitted coming into effect.

### Investment Advisor:

The fees of the Investment Advisor will be met solely by the Investment Manager out of its management fee.

### CISX and Sponsorship Fees:

An initial fee of £1,000 and an annual fee of £1,000 are payable to the CISX in respect of the listing of the Units on the CISX. An initial fee of £5,000 and an annual fee of £1,500 are payable to Mourant Ozannes Securities Limited for acting as sponsor in respect of the listing of the Units on the CISX.

On the annual accounting date of 31 October, there may be excess money held by the Fund but not forming part of any Holders' investment. Holders will receive 100% of their initial investment back, but any excess money left in the Fund will be paid annually as an additional fee to the Investment Manager.

## Section 9 – Taxation

This summary is based on the Investment Manager's understanding of the taxation law and practice in force at the date of this document, but prospective investors should be aware that the relevant fiscal rules and practice or their interpretation may change, sometimes retrospectively. The following information does not constitute legal or tax advice and prospective investors should consult their own professional advisers as to the implications of their subscribing for, purchasing, holding or disposing of Units in the Fund under the laws of any jurisdictions in which they may be subject to tax. The comments below are of a general nature, are not a full description of all relevant tax considerations, and may not be applicable to certain categories of investor.

Prospective Investors are advised to consult their professional advisers concerning possible taxation or other consequences of purchasing holding selling or otherwise disposing of Units under the laws of their country of incorporation, establishment, residence or domicile.

These Scheme Particulars do not purport to offer taxation advice to Holders. The following information is based on the law and practice currently in force and is subject to change. The law and practice may change to the detriment of Holders. An investment in the Fund involves tax considerations which may differ for each investor and each investor is strongly advised to consult their own tax advisers in relation to the tax consequences of you investing in the Fund and the taxation effect of purchasing, holding and disposing of Units in the Fund.

### General

The taxation of income and capital gains of both the Fund and Holders is subject to the fiscal law and practice of Guernsey and of the jurisdictions in which Holders are resident or otherwise subject to tax. The following is a summary of the anticipated tax treatment in the UK, Luxembourg and Guernsey. It does not constitute legal or tax advice and applies only to persons holding Units as an investment.

Prospective investors are strongly advised to consult their own professional advisers on the implications of making an investment in, holding or disposing of Units and the receipt of distributions (whether or not on redemption) with respect to such Units under the laws of the countries in which they may be liable to taxation.

### Guernsey

Under current law and practice in Guernsey, the Fund is eligible for exemption from Income Tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 (the "Ordinance"). Under the provisions of the Ordinance, the Fund will pay an annual fee to the States of Guernsey Income Tax Office which is currently fixed at £600, but the Fund will not be liable to income tax in Guernsey save in respect of income arising in Guernsey (other than bank deposit interest). It is the intention of the Investment Manager to conduct the affairs of the Fund so as to ensure it retains such exempt status which is granted on an annual basis.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exception of a dwelling profits tax), gifts, sales or

turnover, nor are there any estates duties save for an ad valorem fee for the grant of probate or letters of administration. No stamp duty is chargeable in Guernsey on the issue, transfer or redemption of Units.

Holders other than residents for income tax purposes in Guernsey, Alderney or Herm are not subject to any tax in Guernsey in respect of any Units owned by them. Guernsey income tax will not be deducted from any distributions payable in respect of Units held by or on behalf of residents for income tax purposes in Guernsey, Alderney, or Herm.

However, particulars of any such distributions will be furnished to the Administrator of Income Tax in Guernsey. No other deductions will be in respect of tax.

In response to the review carried out by the European Union Code of Conduct Group, the States of Guernsey abolished exempt status for the majority of businesses with effect from January 2008 and introduced a zero rate of tax for businesses carrying all but a few specified types of regulated business. However, the States of Guernsey Administrator of Income Tax has advised that because collective investment schemes were not one of the regimes in Guernsey that were classified by the EU Code of Conduct Group as being harmful, it is intended that collective investment schemes will continue to be able to apply for exempt status for Guernsey tax purposes.

The Policy Council of the States of Guernsey has stated that it may consider further revenue raising measures in 2011/2012, including possibly the introduction of a goods and services tax, depending on the state of Guernsey's public finances at that time.

Whilst Guernsey is not part of the European Union, States of Guernsey agreed to implement some of the legislation to the EU Directive on the taxation of savings income. No withholding tax or deduction will be made on interest payments made by the Fund in respect of Units issued by the Fund.

### Luxembourg taxation

LuxCo will be liable to tax in Luxembourg on any profits made (at an effective rate of 28.59%) and subject to an annual tax of 0.5% calculated on the net wealth of the company.

A ruling has been received from the Luxembourg authorities confirming that the amount of anticipated margin to be made by LuxCo will be at an acceptable level and, accordingly, that interest payable by LuxCo will be tax deductible as an expense.

Interest payments made by LuxCo to the Fund should be exempt from Luxembourg withholding tax.

## United Kingdom Taxation

### Taxes on income (UK resident Holders)

The Fund is set up as a tax transparent entity for tax purposes and will constitute an 'offshore fund' for the purposes of the UK Offshore Funds legislation.

The Fund will be treated as distributing all income arising in the Fund (less a deduction for trustee's and management expenses) to UK resident Holders regardless of whether it is actually distributed to the Holders who will then be taxed on the appropriate proportionate share of this income at their marginal rate.

### Taxes on capital gains (UK resident Holders)

UK tax legislation treats investors in an offshore unit trust as if they were holding shares in a non-UK company for chargeable gains tax purposes. Any chargeable gains arising on the disposal by a UK resident Holder should therefore be charged to capital gains tax (subject to their annual allowance and any available reliefs).

In certain circumstances, gains on the sale of units in the Fund by UK resident Holders may be chargeable to UK income tax. On the basis of the distribution policy of the Fund, it is not anticipated that any such circumstances should arise.

## Taxation of UK resident but non-UK domiciled Holders

Where an individual is not domiciled in the UK and the remittance basis applies to the individual for that particular tax year then any amount of income arising from the Fund in that tax year should be treated as relevant foreign income of the individual and only become liable to income tax to the extent remitted to the UK.

The definition of remittance is very wide and if any Holders have any questions with regard to the remittance basis and the taxation consequences of investment in the Fund he should consult with his own tax advisor.

## Taxation of non-UK resident and non-UK domiciled Holders

There should be no UK income tax or capital gains tax liability for those Holders who are neither resident nor domiciled in the UK for tax purposes provided no investments are made directly into the UK by the Fund.

## Stamp duty / stamp duty land tax

On the assumption that the Trustees are non-UK resident and the register of Holders is not kept in the UK no stamp duty or stamp duty reserve tax should be payable in the UK on the transfer of Units.

## Section 10 – General Information

### Trust Instrument

The Fund is established under the laws of Guernsey and is constituted by a Trust Instrument dated on or about the date of these Scheme Particulars and made between the Investment Manager and the Trustee.

Copies of the Trust Instrument may be inspected at the offices in Guernsey of the Investment Manager and the Trustee during normal business hours, and may be obtained from them at a reasonable charge upon 72 hours prior written notice.

The Register is open to inspection by Holders at the offices of the Administrator in Guernsey upon 72 hours' prior written notice.

The Trust Instrument contains provisions for its modification by supplemental agreement.

The Trust Instrument contains provisions for the appointment of a new trustee or administrator and for the designation of the proper law of the Fund as other than Guernsey.

Under the terms of the Trust Instrument the Trustee may either be removed by the Investment Manager or may retire on the appointment of a new trustee. The Investment Manager may either be removed by the Trustee or may retire in favour of a new investment manager approved by the Trustee.

### Investment Powers

The Trust Instrument confers on the Investment Manager wide investment powers but in exercising its powers thereunder the Investment Manager must have regard to the investment policy and restrictions or limitations on investments set out in any document offering Units from time to time. Any material addition to or amendment of such investment objectives and restrictions or limitations (but not investment policies) from time to time shall be subject to the Trustee having first obtained all necessary regulatory consents and shall be notified by the Administrator or Trustee to Holders by not less than fourteen days' notice in writing given prior to the implementation of such addition or amendment.

It is a requirement of the listing on the CISX that material changes to the Fund's investment objective and policy may only be made with the approval of a majority of Holders for a minimum of three years from the date of Admission to the CISX.

### Borrowing

The Fund is not permitted to enter into any borrowing arrangements for any purpose except the £15,000 loan for the shares in LuxCo.

### Minimum Holding

The minimum holding is £20,000 (twenty thousand pounds Sterling). A Holder may not request redemption of part only of his Units if thereafter he would hold Units of a value less than £20,000 (twenty thousand pounds Sterling). The Administrator will not register a transfer of Units if as a result the transferor or the transferee will hold Units of a value less than £20,000

(twenty thousand pounds Sterling). The Investment Manager has discretion to make exceptions should it so desire with the approval of the Trustee.

### Minimum Subsequent Application

The Trustee will not normally accept applications for Units from existing Holders for less than £20,000 (twenty thousand pounds Sterling).

### Consolidation and Sub-Division of Units

The Investment Manager may, with the approval of the Trustee and upon the Investment Manager and the Trustee giving each Holder not less than 21 days' previous notice in writing determine that Units shall be consolidated into Units of a higher value than the existing Units or that each Unit shall be sub-divided into more than one Unit.

### Minimum Redemptions

The Administrator will not normally accept an application to redeem Units from Holders for less than 5% of the balance held in the Holders Fund account (which may be taken as the monthly equivalent of an annual redemption of 5%).

### Reports and Accounts

The Investment Advisor will publish a quarterly report on the 1st January, 1st April, 1st July and 1st October, which will: confirm the Unit Price; detail the activity in the Fund; and provide a commentary on the Fund and the market from which its assets are derived. The reports will be published on the Investment Advisor's website but will also be sent to advisers and investors on request.

The Investment Manager will procure the preparation of annual audited accounts including a list of the Fund's investments and income and capital statements. The first annual audited accounts will be for the period ending 31 October 2011 and thereafter 31 October in each subsequent year. The Investment Manager will also procure the preparation of interim unaudited accounts including a list of the Fund's investments and income and capital statements. The first interim unaudited accounts will be for the period ending 30 April 2011 and subsequently 30 April in each subsequent year.

Annual audited accounts and interim accounts will be sent to Holders by the Administrator and the CISX within six months of the end of the relevant annual or interim period and within three months of the relevant interim period.

The financial statements, books and records of the Fund will be prepared and maintained in accordance with International Financial Reporting Standards and denominated in Pound Sterling

Holders should contact the Administrator for copies of the latest accounts of the Fund including a list of the Fund's investments and income and capital statements.

## Distribution Policy

Whilst the Trustee retains the power to distribute, it is currently intended that distributions take the form of guaranteed Annualised Interest Rate Payments. The Annualised Interest Rate Payment is fixed and is determined with reference to the amount invested by the individual Holder. The annualised interest rate is determined as follows:

Investment	Interest Rate	Aer*
£20,000 to £99,999	7.15%	7.34%
£100,000 to £499,999	7.25%	7.45%
£500,000 and over	7.5%	7.71%

\* AER stands for Annual Equivalent Rate and reflects the notional rate of interest received if interest was paid quarterly and compounded annually.

The Fund cannot reduce the interest rates paid to Holders regardless of the Bank of England base rate being reduced below the current rate. The Fund will increase the interest rate paid to investors to ensure that investors receive a minimum of 1.5% additional annualised interest than the Bank of England base rate, should the base rate increase.

Any monies invested within a quarterly period of January, April, July and October will have the first interest payment made on a pro rata basis.

The Annualised Interest Rate Payment is made to Holders quarterly in arrears with 14 days from the first working day of January, April, July and October.

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

All unclaimed payments shall not be invested or otherwise made use of by the Investment Manager for the benefit of the Fund but shall be retained in an income account for the benefit of the intended recipient absolutely and all interest arising on such unclaimed balances of income shall accrue for the benefit of the intended recipient except any payments remaining unclaimed after six years from the date of termination of the Fund may be forfeited and shall be applied by the Trustee for such charitable purposes as the Trustee shall in its discretion determine.

## Holder Meeting Procedure

The Investment Manager may convene a meeting of Holders whenever it thinks fit. The Investment Manager is obliged to call a meeting of Holders if requested to do so in writing by Holders holding not less than 10% of the relevant Units in issue.

Fourteen clear calendar days' notice of every meeting shall be given to relevant Holders and the quorum shall be two or more Holders present in person or by proxy representing 20% of the Net Asset Value of the Fund.

At any meeting of Holders, resolutions may be passed by a show of hands at the meeting unless a poll is demanded by the chairman of the meeting or one or more Holders present in person or by proxy and representing at least 20 per cent of the Net Asset Value of the Fund (at the time of the meeting).

On a show of hands every Holder has one vote and on a poll every Holder who is presents in person (or represented if a corporation) or by proxy shall have one vote for every Unit registered in his name. A person who holds more than one vote need not use all his votes or cast them in the same way

Where the Investment Manager or any associate of them has an interest in a matter which is the subject of a vote of Holders, they shall not be entitled to vote on that matter.

A Holder may appoint a proxy to attend any meeting of the Holders. An instrument appointing a proxy shall be in writing and executed by or on behalf of the appointor. Such Instrument shall give the proxy power to vote as he thinks fit on behalf of the appointor on any matters coming before the meeting. Such instrument and the power of attorney or other authority (if any) under which such instrument is executed shall be delivered to the Investment Manager at its registered office not less than 48 hours before the time appointed for the holding of the meeting.

## Variation of Rights

Subject to the Class B Rules, the rights attaching to a Unit may only be altered with the sanction of an Extraordinary Resolution passed at a meeting of the Holders of those Units. For the avoidance of doubt, changes for administrative purposes to aid in the efficient operation of the Fund will not require the prior approval of Holders of the Fund so long as the Trustee determines in good faith that such change does not materially adversely affect the Holders of the Fund as a whole and is in the best interests of such Holders. The rights conferred upon the holders of Units shall not be deemed varied by the creation of any new class of Units or by the creation, allotment or issue of further Units ranking *pari passu* with or subsequent to them.

## Indemnities

The Trust Instrument contains provisions, the effect of which is to indemnify the Investment Manager and the Trustee and their respective officers, employees, agents and delegates out of the Trust Fund in respect of all liabilities, costs, claims, damages, awards, penalties and expenses which arise in the discharge of their powers and duties other than that resulting from their own respective fraud, gross negligence or wilful default.

## Termination of the Fund

The Trustee and the Investment Manager may terminate the Fund on giving six months' written notice to Holders. The Trustee and the Investment Manager may close the Fund to new Holders at any time. The Trustee and the Investment Manager may re-open the Fund to new Holders at any time.

The Fund may also be terminated if the authorisation of the Fund is revoked by the Commission (unless the Commission otherwise directs); if an Extraordinary Resolution is passed by Holders resolving that the Fund shall be wound up; if any law is passed which renders it illegal or impractical to continue the Fund, or in the event that the Investment Manager or Trustee wishes to retire or is removed and no replacement can be found.

On termination the investments comprised in the Fund will be liquidated and the net proceeds distributed to Holders in proportion to their respective interests in the Fund.

### Restrictions - Offering, Sale and Holding of Units

The Trust Instrument contains provisions requiring Holders to realise their Units if the holding is in breach of applicable restrictions or could otherwise result in prejudice to the Fund.

### Preliminary Expenses

The preliminary expenses of establishing the Fund are the cost of legal expenses for setting up the Fund and payment of the statutory fees payable to the Commission are estimated at £200,000 and will be paid by the Specialist Partner via Luxco.

### Payments to Holders

Payments of redemption proceeds will be made in Sterling (unless the Administrator agrees to make payment in any other freely convertible currency) by bank transfer, in accordance with the instructions and at the cost of the Holder.

### General

The Trust Instrument contains provisions exempting the Investment Manager and the Trustee from liability in the discharge of their duties other than those resulting from their own fraud, gross negligence or wilful default.

The nature of the rights represented by Units in the Fund is that of a beneficial interest under a trust.

The terms of the Trust Instrument permit the Trustee to appoint sub-custodians to hold assets of the Fund provided the Trustee is satisfied the sub-custodian is a fit and proper person and subject to certain other conditions being satisfied in accordance with the Class B Rules.

The Trustee and the Investment Manager or any group company of either of them may derive financial benefit from entering into financial, banking or other transactions as permitted by the Trust Instrument with the Fund or any Holder (but for the avoidance of doubt, this shall not include dealing as principals in relation to the assets of the Fund).

The Investment Manager and the Investment Advisor may in the normal course of business enter into financial banking or similar transactions with the Trustee (when acting other than as Trustee of the Fund) or an associate of the Trustee, any Holder or any company whose securities are held by the Trust.

It is not anticipated that income equalisation will be operated for this Fund.

### Material Contracts

In addition to the Trust Instrument, the following material contracts have been entered into in respect of the Fund:

- (a) an investment advisory agreement, under which the Investment Manager has appointed the Investment Advisor to provide Investment Advice services to the Investment Manager;
- (b) an administration agreement with the Administrator, under which the Investment Manager has appointed the Administrator to provide administration and registrar services to the Investment Manager in respect of the Fund;
- (c) a sponsor agreement, under which the Fund has appointed Mourant Ozannes Securities Limited to act as the sponsor of the Fund in connection with the listing of the Units on the CISX;
- (d) the Trustee Loan Facility Agreement, under which the Fund has agreed to make available to LuxCo a revolving credit facility;
- (e) a share sale agreement, under which the entire issued share capital of LuxCo is transferred from the Investment Advisor to the Fund in consideration for the sum of £15,000, which shall remain outstanding as an interest bearing loan;
- (f) an assignment by way of security from LuxCo to the Fund; and
- (g) a pledge over the LuxCo Account in favour of the Fund.

Other material contracts which relate to the Fund, but which the Fund is not actually a party to, are as follows:

- (a) the LuxCo Loan Facility Agreement;
- (b) the Expenses Agreement;
- (c) the debenture from the Specialist Partner in favour of LuxCo as security for the LuxCo Loan Facility Agreement;
- (d) the Guarantee from Tiuta PLC in favour of LuxCo in relation to the obligations of the Specialist Partner under the LuxCo Loan Facility Agreement; and
- (e) a services agreement between LuxCo and the Investment Advisor, pursuant to which responsibility for reviewing, and commenting on, each Loan Pack will be delegated to the Investment Advisor.

#### (a) Investment Advisory Agreement

The following are the main terms of the Investment Advisory Agreement:

- The Investment Manager appoints the Investment Advisor exclusively to act as the investment advisor to the Investment Manager in respect of the assets of the Fund.
- The Investment Advisor shall provide, inter alia, the following services in respect of the Fund:
  - advising the Investment Manager in relation to the exercise by the Investment Manager of its powers to determine all Investments of the Fund including sourcing such investments and negotiating the terms

for any transaction in respect of such investments including advice in relation to the Investment Manager

proposing, evaluating and keeping under review the asset acquisition and investment policies and strategies for the Fund and proposing to the Investment Manager changes in those policies and strategies as the Investment advisor considers necessary or desirable;

carrying out reviews of the Investments whenever the Investment Advisor deems it necessary, or when required to do so by the Investment Manager; and

advising the Investment Manager as to the exercise of any rights which the Fund may have in relation to the Investments.

- The Investment Advisor has also been appointed to promote the Fund. The Investment Manager has agreed not to appoint any other person to be a promoter for the Trust without the prior consent of the Investment Advisor. As sole promoter, the Investment Advisor will be responsible for preparing all relevant promotional literature, although the Investment Manager will retain responsibility for preparation of the Scheme Particulars and all other promotional material generated by the Investment Advisor
- The Investment Advisor's liability is limited to the same amount as the Investment Manager is liable for under the Trust Instrument and applicable law. The Investment Advisor shall indemnify the Investment Manager against all losses, costs and liabilities that may be suffered by the Investment Manager resulting or arising in any way from a breach of the Investment Advisory Agreement by the Investment Advisor or the fraud, negligence or wilful default of the Investment Advisor or its delegate.
- The Investment Manager shall indemnify and hold harmless the Investment Advisor against all losses, costs and liabilities that may be suffered by the Investment Advisor resulting or arising in any way from the provision by the Investment Advisor of its services except any such losses, costs and liabilities resulting from the Investment Advisor's or its delegate's fraud, negligence, wilful default or breach of the terms of the Investment Advisory Agreement.
- The Investment Advisor may terminate its appointment:
  - by giving not less than ninety days' notice in writing to the Investment Manager;
  - if the Investment Manager commits any material breach of its obligations under the Investment Advisory Agreement and fails, within ten days of receipt of notice served by the Investment Advisor requiring it so to do, to make good the breach;
  - at any time if the Investment Manager is insolvent or goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Investment Advisor) or if a receiver is appointed over any of the assets of any such other party or if any such other party makes or proposes any arrangement or composition with its creditors or class of creditors or some event of equivalent effect occurs.
- The Investment Manager may terminate the appointment of the Investment Advisor:

if the Investment Advisor commits any material breach of its obligations under the Investment Advisory Agreement and fails, within ten days of receipt of notice served by the Investment Manager requiring it so to do, to make good such breach; and

at any time without such notice referred to above, by giving notice in writing to the Investment Advisor if the Investment Advisor is insolvent or goes into liquidation (except a voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Investment Manager) or if a receiver is appointed of any over the assets of the Investment Advisor or if the Investment Advisor makes or proposes any arrangement or composition with its creditors or class of creditors or some event of equivalent effect occurs.

- The appointment of the Investment Advisor shall terminate automatically on the completion of the winding up of the Fund.

## (b) Administration Agreement

The following are the main terms of the Administration Agreement:

- The Investment Manager has delegated to the Administrator certain of its administrative duties and functions such that the Administrator is responsible for the day-to-day administration and registrar functions of the Fund. The Administrator is also responsible for performing certain duties in relation to the issue, transfer and redemption of Units, their pricing and settlement.
- The Administrator shall not be liable for any loss or damage which the Fund, the Investment Manager or any Holder may sustain or suffer as the result of or in the course of the discharge of its duties, unless such loss or damage arises directly from negligence, fraud or wilful default on the part of the Administrator and the Investment Manager and the Trustee on behalf of the Fund have agreed to indemnify and hold harmless the Administrator against all claims and demands (including costs and expenses arising therefrom or incidental thereto) which may be made against the Administrator in respect of any loss or damage sustained or suffered or alleged to have been sustained or suffered by any third party otherwise than by reason of the negligence, fraud or wilful default of the Administrator.
- The Administrator shall have the right to retire by giving not less than 90 days' notice in writing to the Investment Manager expiring at any time, provided that the Administrator may terminate its appointment immediately:
  - at any time by notice in writing to the Investment Manager following the commencement of a winding up with respect to the Investment Manager (except for a summary winding up for the purpose of reconstruction or amalgamation upon terms previously approved by the Administrator in writing) or following any other event of bankruptcy with respect to the Investment Manager; or
  - at any time by notice in writing if the Investment Manager commits any material breach of its obligations



and (if such breach is capable of remedy) fails within thirty days of receipt of notice in writing served by the Administrator on the Investment Manager requiring it to do so, to make good the breach.

- The Administrator may be removed by notice in writing of not less than 90 days' given by the Investment Manager to the Administrator expiring at any time. In addition the Investment Manager may terminate the appointment of the Administrator with immediate effect by notice in writing in the event of:
  - the Administrator failing to receive or ceasing to be the holder of a licence under the POI Law or any authorisation required under the POI Law or the Class B Rules to perform its duties;
  - the commencement of a winding up with respect to the Administrator (except for a summary winding up for the purpose of reconstruction or amalgamation upon terms previously approved by the Investment Manager in writing) or following any other event of bankruptcy with respect to the Administrator; or
  - the Administrator committing any material breach of its obligations and (if such breach is capable of remedy) failing within thirty days of receipt of notice in writing served by the Investment Manager on the Administrator requiring it to do so, to make good the breach.
- In addition, the appointment of the Administrator shall terminate automatically upon the Investment Manager ceasing to be the Investment Manager of the Fund.

### (c) Sponsor Agreement

Under the sponsor agreement, the Fund has appointed Mourant Ozannes Securities Limited to act as the sponsor of the Fund in connection with the listing of the Units on the CISX.

### (d) Trustee Loan Facility Agreement

Under the Trustee Loan Facility Agreement, the Fund has agreed to make available to LuxCo a credit facility.

The following are the main terms of the Trustee Loan Facility Agreement:

- LuxCo shall use the facility only for the purpose of funding loans to the Specialist Partner. On Dealing Day Plus 1, the Trustee shall notify LuxCo via email of the Gross Available Amount and Available Amount for that particular month. On Dealing Day Plus 2, LuxCo shall notify the Trustee of the amount that LuxCo wishes to drawdown from the facility (which shall not exceed the Available Amount). Subject to the Trustee approving the terms of the Loan Request from LuxCo, the Trustee shall approve the drawdown by LuxCo and funds shall be remitted to the LuxCo Account accordingly.
- The Specialist Partner shall provide a Loan Pack to LuxCo in relation to each amount that the Specialist Partner wishes to borrow from LuxCo. LuxCo may, at its discretion, delegate responsibility for authorisation of the Loan Pack to the Investment Advisor. Assuming such discretion is exercised, the Investment Advisor will then either recommend acceptance or rejection of the Loan Pack to LuxCo. LuxCo will consider the recommendation of the Investment Advisor and, if

appropriate, make a request to the Trustee to use the funds borrowed from the Fund to satisfy the request made from the Specialist Partner. The request will contain a Loan Pack and a copy of the Investment Advisors confirmation that the loan meets the Fund criteria (including liquidity) for acquisition as a Fund asset. The Trustee will then have 3 Business Days to comment on the Loan Pack. Under the terms of the LuxCo Loan Facility Agreement, LuxCo will not approve the release of monies from the LuxCo Account to the Specialist Partner until it has received confirmation of a satisfactory review of the Loan Pack by the Investment Advisor and positive authorisation from the Trustee to withdraw the relevant funds from the LuxCo Account.

- The facility made available to LuxCo by the Fund will be secured by way of a pledge over the LuxCo Account, such pledge to be subject to the laws of Luxembourg.
- The Specialist Partner shall pay interest on each Available Amount at a rate of between 7.15% and 7.5% (depending on the level of investments in the Fund) calculated daily and payable on the first Business Day after the end of each quarterly interest period.
- Pursuant to the terms of the Trustee Loan Facility Agreement, the Trustee shall have the right to serve a liquidation repayment request on LuxCo in circumstances where the Trustee is of the opinion that the Fund may not have sufficient liquid cash reserves to settle the redemption requests from the Holders from time to time. Upon receipt of a liquidity repayment request, LuxCo shall be obliged to either:

transfer the amount required to settle the liquidity repayment request from the LuxCo Account to the Fund; or

if LuxCo does not hold sufficient funds in the LuxCo Account to settle the liquidity repayment request, exercise its rights under the LuxCo Loan Facility Agreement in order that the liquidity repayment request can be satisfied as soon as possible.

### (e) A share sale agreement

A share sale agreement between the Fund and the Investment Advisor has been entered into, pursuant to which the entire issued share capital of LuxCo is transferred from the Investment Advisor to the Fund in consideration for the sum of £15,000, which shall remain outstanding as an interest bearing loan. The Specialist Partner will agree in the LuxCo Loan Agreement to pay to LuxCo an amount equal to underwrite any interest due under such interest bearing loan, which amount shall in turn be guaranteed by Tiuta PLC under the Guarantee. Under the Trustee loan Facility agreement, LuxCo will agree to pay an equivalent amount to the Fund.

The loan due from the Fund to the Investment Advisor shall only be repayable upon termination of the Fund. The share sale agreement between the Fund and the Investment Advisor is governed by the laws of Luxembourg.

#### (f) An assignment of security

An assignment by way of security from LuxCo to the Trustee in relation to the benefit of:

- the debenture which secures the obligations of the Specialist Partner under the LuxCo Loan Facility Agreement;
- the guarantee and indemnity from Tiuta PLC; and
- the loans made by LuxCo pursuant to the LuxCo Loan Facility Agreement.

The assignment of security is subject to English law.

#### (g) A pledge over the LuxCo Account in favour of the Fund

A pledge over the LuxCo Account in favour of the Fund from LuxCo as security for the obligations of LuxCo under the Trustee Loan Facility Agreement. LuxCo charges the benefit of the LuxCo Account (being the account into which the Specialist Partner shall make repayments of capital, interest and costs under the LuxCo Loan Facility Agreement) to the Trustee.

The pledge over account is subject to the laws of Luxembourg.

#### Conflicts of Interest

The Trustee and the Administrator are part of the Kleinwort Benson group (the "Group"). Companies in the Group may provide foreign exchange and other banking services on their usual terms and may benefit therefrom. Commissions will be paid to brokers and agents in accordance with the relevant market practice and the benefit of any commission discounts provided by brokers or agents will be passed on to the Fund. The services of Group companies will be used by the Investment Manager where it is considered appropriate to do so and provided that they make their services available to the Fund on commission and other terms on an arms length basis, which are generally comparable with those available from unassociated brokers and agents in the markets concerned. Subject to the policy described above, the Trustee and the Administrator and any of their associates and any directors of the foregoing may have an interest in the Fund or in any transaction effected with or for the Fund or have a relationship of any description with any other person which may involve a potential conflict of their respective duties to the Fund or deal with or otherwise use the services of any associate in connection with the performance of such duties; and none of them will be liable to account for any profit or remuneration derived from so doing. Joham Gouws is an employee of the group and also a director of the Investment Manager.

Micheal Davies is a director of the Investment Manager and is also the Chairman of the Investment Advisor.

#### Documents available for Inspection

Copies of the most recent Scheme Particulars, Trust Instrument and Material Contracts (including any amending documents) and the most recent annual accounts of the Fund may be inspected free of charge during usual business hours on any Business Day at the registered offices in Guernsey of the Investment Manager and the Administrator upon 72 hours written notice. Copies may be obtained on payment of a reasonable charge.



