

Connection Capital unveils first completed investment

£1.2m participation growth capital investment in the hotel sector

Connection Capital, the recently launched private client investment business today announces that it has completed its first investment in budget hotel operator Sleeperz Hotels Limited ('Sleeperz' or 'the Company').

Under terms of the deal, over 30 Connection Capital private clients have invested £1.2m alongside existing private shareholders as part of a £7m growth capital investment to fund the opening of the company's third hotel of 98 beds, in Newcastle upon Tyne city centre. Connection Capital clients have invested via a combination of equity and high interest loan notes .

Sleeperz develop and run budget hotels in prime UK city centre locations on sites owned by Network Rail. Discussions are already in place with Network Rail on numerous other city centre sites. The first Sleeperz Hotel of 74 beds opened in Cardiff in November 2008 and is already trading profitably and receiving extremely high customer ratings.

Connection Capital's investment comes at a time when the budget hotel market is experiencing significant growth. According to TRI budget hotels accounted for approximately 13% of the UK hotel market in 2008 with c£1bn of sales. Furthermore, market growth was 51% from 2001 to 2006 compared to only 12.3% for the overall UK market, with a considerable growth forecast over the next five years.

Claire Madden, Partner at Connection Capital said, "We set up Connection Capital to provide our clients with the opportunity to invest in later stage private equity investments outside a traditional fund

structure. The popularity of the investment with our clients underlines the demand for our service.”

Bernard Dale, Private Equity Partner at Connection Capital commented, “We are delighted to back Sleeperz as our first investment. The business presents a compelling proposition in a growth market. The strong management team and unique partnership with Network Rail offers our clients scope for considerable growth in their investment over the coming years.”

Sleeperz Hotels Chief Executive David Myers described the £7m investment as “a major endorsement in the Sleeperz proposition of compact lifestyle hotels in prime city centre locations offering great value for money.”

He said: “Raising finance is very tough in this market, and to secure £7m of investment via bank and equity finance is an exceptional achievement, particularly for a hotel business of our size.

The decision to involve Connection Capital in this funding round centred on its ability to diversify our shareholder base in an organised manner. This was an important consideration for the funding of further sites.”

Connection Capital’s legal advisors were Tom Durrant, Tom Rush and James Dyson of HJB Gateley Wareing. Legal advisers to Sleeperz were Anthony Turner and Helen Marie Mulligan of Farrer & Co.

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Notes to Editors

Connection Capital is a private client investment business launched at the beginning of 2010 which allows individuals to build a broad portfolio of direct private equity investments. The business provides investors with a fully managed service whereby clients have the ability to invest on a deal by basis as part of an organised syndicate. Since its launch over 160 investors with a net worth of c£2bn have become clients.

Connection Capital aims to back ambitious management teams of profitable, established UK companies to help them realise their growth plans by providing equity investments of between £1 million to £7 million to fund management buyout, growth capital and replacement capital transactions.

Investments are available to clients in tranches of £25,000, usually acquiring a combination of ordinary shares and either preference shares or loan notes, often with a coupon or yield attached. Clients can choose to invest through a variety of vehicles including corporates, trusts and pension schemes.

www.connectioncapital.co.uk

www.sleeperz.com

