

LETTERSTONE EMERGING EUROPE FUND LIMITED (LEEF)



A closed-ended investment company incorporated in Guernsey

Private Placement of Shares

slovakia budapest
croatia sofia poland bansko
czech republic bulgaria
hungary bucharest romania
bratislava

IMPORTANT NOTICE

This private placement memorandum, which is personal to the recipient, should be read in conjunction with the Memorandum and Articles of Association which together constitute the "Placing Documents". The Placing Documents have been prepared in connection with the private offer and sale of participating shares ("Participating Shares") in Letterstone Emerging Europe Fund Limited (the "Fund" or "LEEF").

The Placing Documents do not constitute an offer or solicitation by any person in any jurisdiction in which the offer or solicitation is unlawful or in which the person making the offer or solicitation is not qualified to do so or to persons to whom it is unlawful to make the offer or solicitation.

Prospective investors should not construe the contents of the Placing Documents as legal, tax or financial advice. Each prospective investor should consult its own professional advisers as to:

- a) the legal requirements within the country of its residence for the purchase, holding or disposal of Participating Shares in the Fund; and
- b) any foreign exchange restrictions that may be relevant to it and the income and other tax consequences that may be relevant to the purchase, holding or disposal of the Participating Shares.

To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Placing Documents is in accordance with the facts and does not omit anything likely to affect the import of such information. However, the Placing Documents have not been subject to independent verification and the Directors do not accept responsibility for the accuracy or completeness of the statements contained in the Placing Documents

No person has been authorised to make any representations or to give any warranties or to give any information with respect to the Participating Shares, except the information contained in the Placing Documents. Neither the delivery of the Placing Documents at any time nor any sale made pursuant hereto shall imply that information contained herein is correct as of any time subsequent to the date set forth on the cover of this document. Any reproduction or distribution of the Placing Documents or retransmission of their contents in whole or in part, without the consent of the Fund is prohibited.

Consent under The Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 to 1989, has been obtained to the issue of this document and associated raising of funds. Neither the Guernsey Financial Services Commission (the "GFSC") nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the entity or for the correctness of any of the statements made or the opinions expressed with regard to it.

Distribution of this document in the United Kingdom is restricted by section 21 of the Financial Services and Markets Act 2000 (the "Act"). This document has not been approved by an authorised person for the purposes of section 21(2)(b) of the Act.

The Fund reserves the right to refuse to accept the application of any person for the Participating Shares for any reason or no reason, and in any event, will refuse the application of any person who is not a Qualified Investor and, where the investor is a resident in the United Kingdom, a Relevant Person as defined in the Placing Documents. No application will be binding against the Fund until a subscription agreement is accepted by the Fund (as the case may be).

The Fund may, at any time, require evidence from any Shareholder or any transferee thereof that such Shareholder or transferee is not a U.S. Person and is not acquiring the Participating Shares for the account or benefit of a U.S. Person or with a view to offering or selling such Participating Shares in the United States or to a U.S. Person or that such Shareholder or transferee is a Qualified Investor.

The Fund is a Qualifying Investor Fund as defined in the Guidance Document (the "Guidance Document") issued by the GFSC dated February 2005. Participating Shares or any interests therein may only be held by Qualified Investors. Further information on Qualified Investors may be found at page 14.

UK Investors will be eligible to invest in the Fund provided that they are both Qualified Investors and Relevant Persons. "Relevant Persons" are:

1. Investment Professionals, as defined in Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 (S.I. 2001/1335) as amended, (the "UK Order") or any person acting in the capacity of a director, officer or employee of such a person when so acting involves him in that entity's engaging in investment activity;
2. Certified High Net Worth Individuals, as defined in Article 48 of the UK Order;
3. Self-certified Sophisticated Investors, as defined in Article 50A of the UK Order;
4. Certified Sophisticated Investors, as defined in Article 50 of the UK Order
5. High Net Worth Bodies Corporate, Unincorporated Associations, Partnerships or a High Value Trust, as defined in Article 49 of the UK Order or any person acting in the capacity of a director, officer or employee of such an entity when so acting involves him in that entity's engaging in investment activity; or
6. Persons to whom these Placing Documents may otherwise be lawfully issued under the UK Order or by an authorised person under the Act.

For the requirements that must be met to qualify within categories 1-5 above, please refer to the definitions set out on pages 22 to 24 of this document.

If you are a "certified high net worth individual", a "self-certified sophisticated investor" or a "certified sophisticated investor", as defined in this document, then you should note the following:

This communication is exempt from the general restriction under the Act on the communication of invitations or inducements to engage in investment activity on the ground that you are a certified high net worth individual and/or certified sophisticated investor. The content of this communication has not been approved by a person authorised under the Act; such approval would be required if you were not a certified high net worth individual and no other exemption under the Act applied. You should be aware that an investment in the Participating Shares may expose you to a significant risk of losing all of the property investment. If you are in any doubt about an investment in the Participating Shares you should consult an independent financial adviser or other person authorised under the Act specialising in advising on investments of this kind.

The advisers of the Fund named in this document act only for the Fund in connection with the placing described in the Placing Documents and will not be responsible for providing the protections offered to their clients or for advising any other person in connection with the placing.

The Placing Documents may, from time to time, be supplemented with supplements to the Placing Documents or other offering documents. In that event, the disclosures contained in such supplements to the Placing Documents or other offering documents shall supersede these Placing Documents to the extent thereof.

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Key Features of the Fund

The following information is qualified in its entirety by the detailed information included elsewhere in the Placing Documents.

- Letterstone Emerging Europe Fund Limited (“the Fund” or “LEEF”) was formed as a Guernsey limited liability company on 10 May 2005 to provide investors with a structure through which they can gain exposure to a diversified portfolio of properties held in Central European Countries.
- LEEF’s objective during its five-year term is to engage in property development and investment and is to provide investors with access to a diverse range of opportunities in Central European Countries, capitalising on the benefits of EU accession for those Countries and the region’s fast growing economies.
- LEEF will initially target leisure and city-centre locations in Bulgaria, Croatia, Hungary and the Slovak Republic and it will invest in and develop land and properties alone or with its local joint venture partners.
- Letterstone plc acts as Property Investment Adviser to the Fund.
- The initial term of the Fund will continue until the Termination Date. If the initial term of the Fund is not extended, the Directors will call an extraordinary general meeting of the Fund and will recommend to Shareholders that the Fund be voluntarily wound up.
- The Directors shall have the discretion to make distributions and to pay dividends at any time. In the event that a distribution is made, it will be payable only out of distributable profits.
- The Fund has the power to borrow an amount equal to 80% of its Net Asset Value at the time of the borrowing. The Fund intends to use special purpose vehicles to purchase individual properties in Central European Countries. Each of those special purpose vehicles will have the power to borrow an amount equal to 80% of the Gross Development Value of the property in question at the time of the borrowing.
- At all times the aggregate minimum subscription for Participating Shares that will be accepted is €100,000 inclusive of any initial charge or such other amount as the Directors may decide in their absolute discretion.
- Only persons who are Qualified Investors and, if resident in the United Kingdom, who are also Relevant Persons may invest in the Fund.

Management and Administration Directory

The Fund

Letterstone Emerging
Europe Fund Limited
Frances House
Sir William Place
St. Peter Port
Guernsey GY1 4HQ

Property Investment Adviser

Letterstone plc
8 Filmer Mews
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Directors of the Fund

Julian Edwards
Nicholas Dare
Alex Smith
Gerald Williams
Paul Duquemin
Clive Simon

Administrator

Bachmann Fund
Administration Limited
PO Box 175
Frances House
Sir William Place
St. Peter Port
Guernsey GY1 4HQ

Independent Valuer

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7 Stratford Place
London W1C 1ST

Auditors

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PO Box 180
Commerce House
Les Banques
St. Peter Port
Guernsey GY1 3LL

Bankers

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Lawyers

As to Guernsey Law
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Guernsey GY1 4BZ

As to UK Law
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London W1K 6DJ

Accountants

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London W1F 7LD

The Fund

Letterstone Emerging Europe Fund Limited was formed as a closed-ended investment company with limited liability in Guernsey on 10 May 2005 to provide investors with a structure through which they can gain exposure to a diversified portfolio of properties in Central European Countries.

The investment objectives and policies of the Fund are as set forth below.

Investment Objective

The objective of the Fund is to develop and invest in primarily residential properties and land in Central European Countries, capitalising on the benefits of EU accession and economic growth that is currently outstripping the EU average.

Investment Strategy

LEEF will invest in properties and land with a predominantly residential focus. LEEF may develop sites alone or with its joint venture local partners, and may also acquire existing developments where value can be added through active management. Subject to the investment restrictions below, the Fund may undertake development and acquire assets where the use is other than residential. The Fund may invest either directly or indirectly through special purpose vehicles and intermediary holding companies and may enter joint venture arrangements with other parties providing it retains control of such venture. The Fund may borrow to enhance returns, provided that such borrowing shall be within the gearing policy specified below.

Investment Restrictions

The Fund will observe the following investment restrictions to ensure that a reasonable spread of investments will be made, provided that the following investment restrictions shall not apply to, or prevent or restrict, the acquisition of any real estate assets prior to the first anniversary of the Closing Date and that following the first anniversary of the Closing Date the Fund may operate outside of the following investment restrictions for any period not exceeding three continuous months:

- a) The Fund will not make an investment that will result in more than 35% of the Net Asset Value of the Fund being invested in a single property. For the purpose of this restriction a single property shall be entirely self-contained and not reliant on any adjoining property owned by the Fund for access or services and all lettings within the property shall not extend beyond the property to any other properties owned by the Fund.
- b) The Fund will not make an investment that will result in more than 25% of the Net Asset Value of the Fund being invested in Mixed-Use Schemes.

- c) The Fund will not make an investment that will result in more than 10% of the Net Asset Value of the Fund being invested in land for a period greater than three months without a development of that land being planned or undertaken.
- d) The Fund will not invest more than 20% of the Net Asset Value of the Fund in collective investment schemes (as defined in the Protection of Investors (Bailiwick of Guernsey) Law, 1987) including collective investment schemes managed by the Property Investment Adviser or by any associate of the Property Investment Adviser.
- e) Cash awaiting investment shall be held by the Fund in interest bearing bank accounts or other investment trading accounts provided always that the capital held in such accounts is fully protected. The banks with whom such accounts may be held will have a credit rating at least equal to that specified by the Directors from time to time, and will be as selected from time to time by the Administrator.

Gearing Policy

The Fund may borrow (and have outstanding) amounts in aggregate of up to 80% of the Net Asset Value of the Fund at the time of the borrowing and may do so in order to further its investment policy.

The Fund will borrow in Euros, which is the base currency of the Fund, unless the Directors determine otherwise.

The Fund intends to purchase its real estate investments through special purpose vehicles. Such special purpose vehicles may borrow (and have outstanding) amounts in aggregate of up to 80% of the Gross Development Value of the real estate development in question. The special purpose vehicles will borrow either in Euro or in the local currency of the Central European Country in which the real estate investment in question is domiciled.

Life of the Fund

The initial term of the Fund is expected to continue until the Termination Date. Within 6 months of the Termination Date, the Directors shall resolve to either extend the term of the Fund for a further two terms of one year each or to call an extraordinary meeting of the Fund and recommend to Shareholders that the Fund be voluntarily wound up.

Management

Directors of the Fund

The Directors of the Fund are as follows:

Gerald Williams – Chairman

Mr Williams is Chief Executive of The Bachmann Group Limited, Managing Director of Bachmann Fund Administration Limited, and was previously a director of Coutts Fund Managers and head of private banking for Coutts offshore private bank. Mr Williams has worked in most major offshore jurisdictions including the Bahamas, Cayman, Isle of Man, and Jersey. Mr Williams has a wealth of experience in the trust field and is an associate of the Chartered Institute of Bankers.

Nicholas Dare BSc (Hons), MRICS

A qualified Chartered Surveyor since 1995, Nick has over ten years of experience in both the professional and agency sectors and has worked on the acquisition, disposal, valuation and analysis of properties for individuals and major corporations.

He has worked for real estate consultants including Richard Ellis, Cushman and Wakefield and Jones Lang LaSalle and has international experience in Europe and South America.

Julian Edwards

Mr Edwards has in excess of 25 years experience in the property markets of the United Kingdom, Europe, and the United States. He worked for Land Securities plc for 10 years, during which time he managed part of their central London portfolio. Mr Edwards was involved in the establishment of the CTEMA property fund in Portugal, the CEARA fund active in North Brazil the Tishman Linder Real Property GmbH Fund in Europe and he also set up and ran the Tishman holding company US Fund. In addition, he continues to be actively involved with the development and management of, and investment in, residential and commercial property.

Alex Smith

Mr Smith is a non-executive director and has notable experience in both the property and investment banking sectors. His career was founded on eight year's experience at NM Rothschild and Sons Ltd where he was responsible for their venture capital activities in the north of England. Mr. Smith has held various non-executive positions with a number of major companies in the United Kingdom, including Kier Baker Holdings Limited, Techman Holding Limited, UCL Press Limited and Health and Absence Limited.

For the past five years, Mr Smith has been a director of Smith Street Estates Limited, which he co-founded. Smith Street Estates Limited is a major provider of affordable housing in South West London. Mr Smith has had, and maintains, close ties with Guernsey.

Paul Duquemin

Mr Duquemin is a director of Bachmann Fund Administration Limited. Prior to joining Bachmanns in 2005, Mr Duquemin had been a director of BISYS Fund Services (Guernsey) Limited. He has over 15 years experience in offshore finance, mostly in fund administration with Rothschild Asset Management and BISYS Fund Services. He also currently sits on the Boards of several offshore funds and companies.

Clive Simon, FCA

Clive Simon is the chairman of Bachmann Fund Administration Limited and a director of The Bachmann Group Limited. Before joining the Bachmann group of companies in 1998, he was a senior partner with Coopers and Lybrand (now Pricewaterhouse-Coopers), working in London, Africa, and the Channel Islands. His business background is predominantly in the financial services sector.

Property Investment Adviser

The Property Investment Adviser was registered in England and Wales on 9 May 2003 and is a public limited company with a share capital of £50,000. The Property Investment Adviser was appointed as the investment manager of the Fund on 19 May 2005.

The Property Investment Adviser is responsible (*inter alia*) for providing property investment management services, and generally managing the portfolio of property assets held by the Fund.

The directors of the Property Investment Adviser are Jonathan Wilkes, Simon Hill and Nicholas Dare.

The Property Investment Adviser's appointment is for a fixed term of five years and shall continue thereafter for two successive fixed terms of one year unless terminated by the Fund (with the prior approval of a Special Resolution) or the Property Investment Adviser giving to the other party not less than three months notice in writing given on the expiry of the initial fixed term or on the expiry of any subsequent fixed term. The Investment Management Agreement may be terminated by either the Fund or the Property Investment Adviser forthwith in the event of insolvency or in the event that it becomes unlawful for the Property Investment Adviser to continue to act as such.

The Property Investment Adviser is not liable for any acts or omissions in the performance of its services under the Investment Management Agreement in the absence of negligence, fraud, wilful default or failure properly to perform its duties under the Investment Management Agreement. The Investment Management Agreement contains provisions for the indemnification of the Property Investment Adviser against liabilities arising in connection with the performance of its services except under certain circumstances.

The Property Investment Adviser is entitled to receive the Initial Charge and the fees in respect of its services as set out on page 9.

Administrator

Bachmann Fund Administration Limited has been appointed to act as Administrator of the Fund pursuant to an administration agreement dated 19 May 2005 (“the Administration Agreement”). The Administrator is responsible, *inter alia*, for the administration of the Fund, the determination of the Net Asset Value, and for keeping proper books and records including the register of Shareholders which may be inspected at the Administrator’s registered office.

The Administrator was registered with limited liability in Guernsey on 12 March 1993.

The Administration Agreement provides that the Administrator shall not be liable to the Fund for any error of judgement or for any loss or damage suffered by the Fund in connection with its services in the absence of negligence, fraud, or wilful default in the performance or non-performance of its obligations or duties. The Administration Agreement contains provisions for the indemnification of the Administrator by the Fund against liabilities arising in connection with the performance of its services except under certain circumstances. The Administration Agreement may be terminated by either the Fund or the Administrator on not less than six month’s prior written notice or forthwith in the event of breach by the other party or of the other party’s insolvency. The Administrator is entitled to the fees in respect of its services as set out on page 9.

Independent Valuer

King Sturge LLP Chartered Surveyors have, under a valuation fee agreement dated 17 May 2005, been appointed as the Fund’s Independent Valuer. The Independent Valuer is entitled to the fees in respect of its services as set out on page 9.

The Investment Committee

The Investment Committee will review the Fund’s investment process and will manage any conflicts of interest described below.

The members of the Investment Committee will be appointed by the Property Investment Adviser, in consultation with LEEF, and will comprise Directors of LEEF and other experienced property professionals.

Conflicts of Interest

Members of the Letterstone group of companies, including the Property Investment Adviser and the Administrator, (the “Service Providers”) and their respective affiliates, officers, employees and agents are or may be involved in other financial, investment and professional activities (such as the management of other funds, the sale of property investments, the provision of investment and management advice, trustee and custodial services, banking services and serving as directors, officers, advisers or agents of other funds or other companies) which may on occasion cause a conflict of interest with the Fund.

In particular the Property Investment Adviser may become involved in the management of other property investment funds and the Fund may invest in other investment vehicles to which the Property Investment Adviser or any other member of the Letterstone Group provides strategic management or advisory services. If the Fund invests in another investment vehicle managed or advised by any member of the Letterstone Group, the value of that investment will be disregarded when calculating the Property Investment Adviser’s annual management fee.

Each of the Service Providers will respectively endeavour to ensure that the performance of their respective duties owed to the Fund will not be impaired by any future involvement that they might have in other property investment funds.

Subscriptions and Transfers

Subscriptions

The Initial Offer

The Initial Offer Period, during which Participating Shares will be available at a fixed price of €1.00 each, will commence at 9.00am (GMT) on the date hereof and will close at 5.00pm (GMT) on the Closing Date. Subscription monies in respect of applications must be paid in Euros and must be received by 5.00pm (GMT) on the last day of the Initial Offer Period.

Only Qualified Investors or, in the case of persons resident in the United Kingdom, persons who are both Qualified Investors and Relevant Persons may subscribe for and hold Participating Shares.

Minimum Subscription

The aggregate minimum subscription for Participating Shares that will be accepted is €100,000 inclusive of any initial charge. The Directors may vary this amount but not so as to require Shareholders to increase their holdings in the Fund.

Subsequent Subscription

After the Initial Offer Period, the Directors may make further offers for subscription of Participating Shares. The price at which any such Participating Shares will be issued will be calculated by dividing the Net Asset Value of the Fund by the total number of Participating Shares then in issue to provide a Net Asset Value per Participating Share to which the Directors may add a premium.

Participating Shares will normally be allotted accurate to three decimal places.

Initial Charge

The Articles permit the Property Investment Adviser to add an initial charge of up to 4% of the subscription monies.

Transfers and Redemptions

The Participating Shares are freely transferable although the Directors will refuse to register a transfer of Participating Shares to any person who is not a Qualified Investor and may refuse to register a transfer to any person who is not also a Relevant Person. Any person to whom Participating Shares are transferred shall be required to complete the application form attached hereto and return it to the Administrator together with such information as the Administrator may require. The Directors reserve the right to reject a transfer which does not fully comply with the terms and conditions of application. Transfers of Participating Shares will also be subject to local securities laws which may impact on the ability of Shareholders to resell or otherwise transfer Participating Shares.

The Fund is a closed-end investment company and Participating Shares may only be redeemed compulsorily as described on page 15 or upon the winding-up of the Fund. On redemption, Shareholders will receive their *pro rata* entitlement to the net proceeds of liquidation of the Fund on the basis of the number of Participating Shares held by them. No redemption charge will be levied in connection with any redemption of Participating Shares. All payments will be made in Euro.

The Directors may redeem Participating Shares from time to time on a *pro rata* basis as a means of returning capital distributions received from an investment or to return cash to Shareholders following realisation of an investment. Details of the redemption procedure in this situation can be found on page 8 under 'Capital Distributions'.

Administration

Valuations

The Fund's assets will be valued half-yearly, at the Valuation Points, on the basis described on page 11. The Independent Valuer has been appointed by the Property Investment Adviser to value all the property assets of the Fund, with a full RICS Red Book valuation being undertaken on the third and fifth anniversaries of the Closing Date. Desktop valuations for properties will be undertaken for other valuations.

Financial Information and Reports

The Fund's year end will be 31 March. The first year end of the Fund will be on 31 March 2006.

The audited annual accounts of the Fund (which will be prepared in accordance with UK GAAP) will be sent to the Shareholders within 6 months of the year end to which they relate. Unaudited half yearly reports, made up to 30 June, will be sent to the Shareholders within 4 months after the end of relevant accounting period commencing from 2006. Shareholders will also receive half-yearly confirmations of holdings, such reports will be sent to Shareholders together with the financial statements.

The audited annual accounts and the half-yearly reports, together with the Memorandum and Articles, will also be available at the registered office of the Administrator. Copies of the Memorandum and Articles will be provided to investors on written request and payment to the Administrator of its reasonable costs.

Meetings

The annual general meeting of the Fund will be held in Guernsey. Notices convening the general meeting in each year will be sent to Shareholders at their registered address not later than 21 days before the date fixed for the meeting. Other general meetings may be convened from time to time by the Directors by sending notices to Shareholders at their registered addresses or by Shareholders requisitioning such meetings in accordance with Guernsey law and may be held in Guernsey or elsewhere.

Distributions

All distributions will be made to Shareholders in proportion to the number of Participating Shares held by them respectively. Payments will be made in Euro by telegraphic transfer, cheque, or banker's draft in accordance with the instructions provided by the Shareholders and net of any bank charges incurred by the Fund.

Capital Distributions

The Directors may retain for reinvestment in accordance with the Fund's investment objective, strategy and restrictions all proceeds realised from the sale of any of the Fund's assets on or before the Termination Date. After the Termination Date, the Fund shall distribute the net proceeds unless it decides provision needs to be made for future costs and expenses of the Fund.

The Directors may redeem Participating Shares from time to time on a *pro rata* basis as a means of returning capital distributions received from an investment or to return cash to Shareholders following realisation of an investment. Redemptions of Participating Shares effected by the Directors shall only be effected on the last Business Day of the relevant month following their approval by the Directors (the "**Share Redemption Date**").

In the case of a redemption of all or substantially all of a Shareholder's Participating Shares, 95% of the estimated share redemption proceeds will generally be paid within 30 days of the relevant Share Redemption Date and the remainder within 45 days after the year-end of the Fund. In the case of a redemption of less than all or substantially all of a Shareholder's Participating Shares, 100% of the estimated share redemption proceeds will generally be paid within 30 days of the relevant Share Redemption Date.

All such share redemption payments are subject to the Fund's receipt of the corresponding net liquidation proceeds from its investments.

No interest will be paid by the Fund on share redemption proceeds held pending distribution to Shareholders.

The Fund itself imposes no share redemption charges or fees. However, any fees or expenses incurred by the Fund in connection with liquidating sufficient investments to permit such share redemption may be charged to the Shareholders *pro rata* to their portion of the aggregated amounts subject to such share redemptions.

The Directors have broad discretion to restrict or suspend share redemptions in the event *inter alia* that the Directors determine that doing so is necessary or advisable for the protection of Shareholders.

Income Distributions

It is the intention of the Directors to not declare any profits available for the purpose of payment of dividends until after the second anniversary of the Closing Date. Thereafter, the Directors will consider whether there are any profits available for the purpose of the payment of dividends on an annual basis.

No dividend will bear interest against the Fund and the payment of any unclaimed dividend into a separate account will not constitute the Fund as a trustee of that account. Any dividend that goes unclaimed for a period of six years from its date of declaration will be forfeited and will revert to the Fund.

All correspondence concerning dividends and other distributions should be directed to the Administrator.

Fees and Expenses

Establishment Costs

All the costs and expenses associated with the organisation and the initial offering of Participating Shares, including the costs in connection with the preparation of this document and any registration fees, document duty and professional fees and expenses will be borne by the Fund and amortised over the Fund's first five accounting periods. It is expected that the establishment costs, including all legal, regulatory, structuring and start-up fees of the Fund will not exceed €175,000.

Property Investment Adviser's Incentive Fee

The Property Investment Adviser is entitled to the Incentive Fee ("Incentive Fee"), which is calculated by reference to the Internal Rate of Return. An accrual therefor shall be made on 31 March in each year if the Fund achieves an Internal Rate of Return in excess of 8% per annum. All accruals of the Incentive Fee may be invested by the Directors as part of the assets of the Fund until paid to the Property Investment Adviser.

If the Internal Rate of Return exceeds 8% per annum then the Incentive Fee payable will be an amount equal to 20% of the excess over 8%, plus 30% of any excess over 15%.

The Incentive Fee, together with any increase in the Incentive Fee as a result of the investment by the Directors of the accruals of the Incentive Fee, will be payable to the Property Investment Adviser upon the fifth anniversary of the Closing Date and, if applicable, the sixth and seventh anniversaries of the Closing Date.

Property Investment Adviser's Fee

For the services performed under the Investment Management Agreement, the Company will pay the Property Investment Adviser a management fee equal to 1.5% per annum of the Net Asset Value of the Fund.

The Property Investment Adviser's fee shall be payable quarterly in advance in Euro and shall be paid pro-rata for any period shorter than the quarter in respect of which such fee is payable.

Administrator's Fee

For the services performed under the Administration Agreement, the Fund will pay to the Administrator a maximum fee of £20,000 up to the first anniversary of the Closing Date. Thereafter, the Administrator shall be entitled to receive a fee calculated in accordance with the following formula, subject to a minimum annual fee of £25,000:

$$\text{Administrator's Fee} = (C \times 0.07\%) + (D \times 0.05\%)$$

Where:

C = The Gross Asset Value of the Fund up to £100,000,000; and
D = The Gross Asset Value of the Fund over £100,000,000.

The Administrator's fee shall be payable in arrears at each Valuation Point in pounds sterling and shall be paid *pro rata* for any period shorter than the period in respect of which such fee is payable. The Administrator is also entitled to receive an additional fee of £2,000 in respect of every acquisition and disposition of real property by the Fund.

The Administrator is entitled to receive a fee of £35 per share transfer processed plus out of pocket expenses to cover postage, printing, fax and copying costs. The Administrators fees are subject to annual review.

Independent Valuer

The Independent Valuer will be entitled to receive fees and reimbursement of travel expenses from the Fund.

The Independent Valuer will receive a fee equal to 0.15% of the Market Value of each property for which it completes a valuation. In addition, and where such expenses are incurred, the Independent Valuer is entitled to have any travelling expenses incurred in completing such a valuation reimbursed up to a maximum of €500 per valuation.

Where the Independent Valuer revalues a property by way of a desktop valuation, the Independent Valuer will receive a fee equal to 0.05% of the Market Value of the property in question. Where the Independent Valuer assesses the Gross Development Value of a property, the Independent Valuer will receive a fee equal to 0.02% of the Gross Development Value of that property.

Other Expenses

The following expenses are payable out of the property of the Fund:

- a) the expenses of printing and distributing reports, accounts and other circular(s) to Shareholders;
- b) the expenses of publishing details of the Fund's Net Asset Value in newspapers and other publications;
- c) the charges and expenses of legal counsel in connection with the Fund at the request of the Directors;
- d) the expenses (including without limitation, legal and accountancy fees and printing costs) incurred by the Property Investment Adviser and any delegate of the Property Investment Adviser in connection with the establishment, promotion and administration of the Fund and the expenses incurred by the Property Investment Adviser in connection with the issue of Participating Shares;
- e) all fiscal and sale or purchase charges and other costs incurred in the acquisition and disposal of investments or in relation to safe custody;
- f) all fees payable to the Guernsey Financial Services Commission and the States of Guernsey Income Tax Authority and of any regulatory authority in a country or territory outside of Guernsey in which Participating Shares are or may be marketed;
- g) all expenses properly incurred or to be incurred in the convening of meetings of Shareholders or in the preparation of amendments and/or supplements to this document and/or to the Memorandum and Articles;
- h) the fees and expenses of the Auditors;
- i) the expenses incurred in the preparation and printing of, tax vouchers, cheques, proxy cards and contract notes;
- j) any expenses, costs, charges or fees incurred in the listing of the Fund on any investment exchange; and
- k) all other charges or fees expressly authorised by the Articles, the Investment Management Agreement, the Administration Agreement or by law.

With the exception of Gerald Williams, Nicholas Dare, Paul Duquemin, and Clive Simon (who will only receive reimbursement of travel and other costs incurred in connection with their directorships), each Director of the Fund will receive a fee of £2,500 per annum plus reimbursement of travel and other costs incurred in connection therewith. Such fees may be amended from time to time by ordinary resolution of the Shareholders in general meeting.

The Fund will purchase directors and officers liability insurance for the benefit of the Directors.

Valuations

The Property Investment Adviser shall prepare, or cause to be prepared by the Independent Valuer, valuations of the Fund's property assets as at each Valuation Point. The Administrator will obtain valuations of the Fund's non-property assets as at each Valuation Point and will use such valuations, together with the valuations of the Fund's property assets prepared by the Property Investment Adviser, to calculate the Net Asset Value and the issue price of any new Participating Shares to be issued from time to time. The Net Asset Value will be calculated to two decimal places, rounded to the nearest monetary unit.

For the purposes of calculating the Net Asset Value and the issue price of Participating Shares, the following principles will apply:

- i. the value of any interest in real property will be its Market Value which will, at any time, in respect of such interest, mean the amount determined by the Independent Valuer on behalf of the Property Investment Adviser to be the best price at which the sale of such interest would have been completed unconditionally at the date of valuation in Euro, applying the assumptions contained in and as otherwise determined in accordance with the RICS Red Book, or equivalent guidelines, for the time being then current as at the date of the relevant valuation;
- ii. the value of any investment which is quoted, listed or normally dealt in on a securities market will normally be based on the middle market price (if calculable, being the mean price between the bid and offer prices) for such security as at close of business on the Valuation Point. Where such investment is listed or dealt in on more than one securities market, the price on the market on which the security was purchased will be used. If the price is not available as at the Valuation Point, the last available price will be used.
- iii. the value of any property investment which is not listed or dealt in on a securities market will be the current value of such investment as determined by the Independent Valuer on behalf of the Property Investment Adviser;
- iv. the value of any cash in hand or on deposit, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the face value thereof unless, in any case, the Directors are of the opinion that the same is unlikely to be paid or received in full, in which case the value thereof will be arrived at after making such adjustment as the Directors consider appropriate in such case to reflect the true value thereof;
- v. the value of any demand notes, promissory notes and accounts receivable will be deemed to be the face value or full amount thereof after making such adjustment as the Directors consider appropriate to reflect the true current value thereof;
- vi. certificates of deposit, treasury bills, bank acceptances, trade bills and other negotiable instruments shall each be marked to market as at the Valuation Point;
- vii. if extraordinary circumstances render a valuation pursuant to the above principles impracticable or inadequate, the Directors will determine whether alternative methodologies should be adopted and, if so, decide what these alternative methodologies should be. The relevant assets would then be valued accordingly. Notices of the Net Asset Value sent to the Shareholders will describe any such alternative methodology used which is material in the circumstances;
- viii. if in any case a particular value is not ascertainable in accordance with the above principles or if the Directors consider that some other method of valuation better reflects the fair value of the relevant investment, then in such circumstances the method of valuation of the relevant investment will be such as the Directors, in their absolute discretion, determine; and
- ix. notwithstanding the foregoing, where at the time of any valuation any asset has been realised or contracted to be realised, there will be included in the assets in place of such asset the net amount receivable by the Fund in respect thereof provided that, if such amount is not then known exactly, its value will be the net amount estimated by the Directors to be receivable by the Fund provided that if the net amount receivable is not payable until some future time after the time of any valuation the Directors will make such adjustment as they consider appropriate to reflect the true current value thereof.

Taxation

The following summary of the anticipated tax treatment in Guernsey and the United Kingdom applies to persons holding Participating Shares as an investment and the potential tax treatment, depending on the individual status of Shareholders, on investors resident in the Guernsey or the United Kingdom, as applicable. The summary does not constitute legal or tax advice and is based on taxation law and practice at the date of this document. Prospective investors should be aware that the level and bases of taxation may change from those described and should consult their own professional advisers on the implications of making an investment in, holding or disposing of Participating Shares under the laws of the countries in which they are liable to taxation.

Guernsey

The Fund qualifies for exemption from liability to income tax in Guernsey and has applied to the States of Guernsey Income Tax Authority for such exemption for the current year. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £600, provided that the Fund continues to qualify under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Fund so as to ensure that it continues to qualify. No capital gains or similar taxes are levied in Guernsey on realised or unrealised gains resulting from the Fund's investment activities.

No deduction of income tax will be made by the Company from any dividends payable to any Shareholder but the Company will provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm or who carry out business there through a permanent establishment, to the Administrator of Income Tax in Guernsey and the dividend income must be included by such Shareholders within their declared income for the purposes of calculation of their Guernsey income tax liability. In the case of Shareholders who are not resident for tax purposes in the Islands of Guernsey, Alderney and Herm and who do not carry on business there through a permanent establishment, such dividends may be paid and received free of Guernsey income tax.

No Guernsey stamp duty or stamp duty reserve tax should be payable on the issue, transfer, conversion or redemption of Participating Shares.

On 25 November 2002, the Advisory & Finance Committee of the States of Guernsey ("A&F", now the States of Guernsey Policy Council) announced the proposed framework for a structure of corporate tax reform within an indicative timescale. In the announcement, the A&F stated that any specific recommendations for change would only be placed before the Guernsey States of Deliberation after further consultation with local businesses and review of taxation in other financial centres.

The relevant parts of the announcement are as follows:

- The general rate of income tax paid by Guernsey companies will be reduced to 0 per cent in respect of the tax year 2008 and subsequent years.
- It is intended that personal income tax will be maintained at 20 per cent and VAT will not be introduced.
- The A&F has stated that there is no intention to introduce capital gains tax, inheritance, gift or other wealth taxes.

United Kingdom

As an investor you will be purchasing Participating Shares in the Fund.

United Kingdom resident investors may be liable to income tax (or corporation tax if held through a company) on distributions paid by the Fund at the rate applicable to their particular circumstances although, if such investors are not domiciled in the United Kingdom, any such liability is limited to the extent that such payments are remitted or deemed to be remitted to the United Kingdom.

Any investor of the Fund who is not resident in the United Kingdom will also not be liable to any United Kingdom taxes. However, you may be subject to local taxes in your country of residence on any distributions.

Capital Gains

A disposal of Participating Shares by a United Kingdom resident holder, or a holder who is not resident in the United Kingdom but who carries on a trade, profession or vocation in the United Kingdom through a permanent establishment, branch or agency and has used, held or acquired Participating Shares for the purposes of such permanent establishment, branch or agency, may, depending on the holder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or an allowable loss for the purposes of the taxation of capital gains. A Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident in the United Kingdom for tax purposes for a period of less than five years and who disposes of their Participating Shares during that period may also be liable on his return to the United Kingdom to tax on any capital gain realised (subject to any available exemption or relief). A disposal of Participating Shares by a non-United Kingdom resident holder will not be liable to United Kingdom taxes. However, they may be subject to tax in their country of residence.

Stamp Duty and Stamp Duty Reserve Tax

No United Kingdom stamp duty or stamp duty reserve tax ("SDRT") will be payable on the issue of Participating Shares to the initial holders.

No SDRT will be payable on an agreement to transfer Participating Shares unless it is registered in a register kept in the United Kingdom on behalf of the Company. No United Kingdom stamp duty will be payable on the transfer of Participating Shares provided that the instrument of transfer (if any) is executed outside the United Kingdom (and subsequently remains at all times outside the United Kingdom).

If United Kingdom stamp duty or SDRT is payable on the transfer of Participating Shares, it is, generally paid at the rate of 0.5 per cent of the price paid.

Any investor who is not resident in the United Kingdom should consult their own adviser with regards to their tax position.

Persons interested in purchasing Participating Shares should inform themselves as to any tax consequences particular to their circumstances arising in the jurisdiction in which they are resident or domiciled for tax purposes in connection with the acquisition, ownership, or disposal by them of any Participating Shares. Notwithstanding the tax summaries set out above, neither the Fund, the Property Investment Adviser nor the Administrator is providing any potential investor with tax advice and neither the Fund, the Property Investment Adviser, nor the Administrator will be responsible for any taxes suffered by a Shareholder as a result of their investment in the Fund.

Qualified Investors and Relevant Persons

Qualified Investors

The Fund has been authorised by the Guernsey Financial Services Commission as a Qualifying Investor Fund and, as such, only those investors who are Qualified Investors may invest in the Fund.

Qualified Investors are investors who fall within the following categories of investor, as outlined in the Guidance Notes issued by the Guernsey Financial Services Commission:

a) Professional Investor:

1. a Government, local authority, public authority or supranational body (in the Bailiwick of Guernsey or elsewhere); or
2. a person, partnership or other unincorporated association or body corporate, (whether incorporated, listed or regulated in an OECD country or otherwise) whose ordinary business or professional activity includes or it is reasonable to expect that it includes, acquiring, underwriting, managing, holding or disposing of investments whether as principal or agent, or the giving of advice on investments; or
3. an affiliate of the Fund or an associate of an affiliate of the Fund. (The terms “affiliate” and “associate of an affiliate” mean financial services businesses or financial services professionals associated, directly or indirectly, with the operation of the Fund).

b) Experienced Investor:

A person, partnership, or other unincorporated association or body corporate which has in any period of 12 months (whether on his own behalf or in the course of his employment by another person) so frequently entered into transactions of a particular type in connection with:

1. open-ended collective investment schemes and/or
2. general securities and derivatives as defined in Schedule 1 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended (in summary, that definition includes equities, bonds, participations in closed-end investment vehicles, warrants, options, futures, contracts for differences and rights on any of those investments) being transactions of substantial size entered into with, or through the agency of, reputable persons who carry on investment business, that he can reasonably be expected to understand the nature of, and the risks involved in, transactions of that description; or who provides a certificate from an appropriately qualified investment adviser confirming that the investor has obtained independent advice.

c) Knowledgeable Employee:

1. a person who is (or has been within a period of three years up to the date of application for investment in the Fund) an employee, director, general partner, consultant or shareholder of, or to, an affiliate appointed by the Fund to advise, manage or administer the investment activities of the Fund, who is acquiring an investment in the Fund as part of his remuneration or an incentive arrangement or by way of co-investment, either directly or indirectly through a personal investment vehicle, such as a trust, for or substantially for, that person; or
2. an employee, director, partner or consultant to or of any person referred to at (a)2 above or anyone who has fulfilled such a role in respect of any person referred to at (a)2 above within a period of three years up to the date of application for investment in the Fund. The term “employee” relates only to persons who are, or have been employed in a relevant role and would not extend to clerical, secretarial or administrative roles.

Relevant Persons

United Kingdom investors, provided they are also Qualified Investors, will be eligible to invest in the Fund only if they are also Relevant Persons. A Relevant Person must fall within at least one of the following categories:

a) Investment Professionals

- i. an authorised person under the Act;
- ii. an exempt person where the communication relates to a controlled activity which is a regulated activity in relation to which the person is exempt;
- iii. any other person –
 - a) whose ordinary activities involve him in carrying on the controlled activity to which the communication relates for the purpose of a business carried on by him; or
 - b) who it is reasonable to expect will carry on such activity for the purposes of a business carried on by him;
- iv. a government, local authority (whether in the United Kingdom or elsewhere) or an international organisation;
- v. a person (“A”) who is a director, officer or employee of a person (“B”) falling within any of sub-paragraphs (a) to (d) where the communication is made to A in that capacity and where A’s responsibilities when acting in that capacity involve him in the carrying on by B of controlled activities.

b) Certified High Net Worth Individual

Any individual who has:

- i. a current certificate of high net worth; and
- ii. signed, within the period of twelve months ending with the day on which the communication is made, a statement in accordance with the terms of the UK Order in the terms of which at least one of the following statements applies –
 - a) “I had, during the financial year immediately preceding the date of the certificate, an annual income to the value of £100,000 or more”; or
 - b) “I held, throughout the financial year immediately preceding the date of the certificate, net assets to the value of £250,000 or more. Net assets for these purposes do not include the property which is my primary residence or any loan secured on that residence, any rights of mine under a qualifying contract of insurance within the meaning of the UK Order or any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependants are), or may be, entitled”.

c) Certified Sophisticated Investors

A person who has:

- i. a current certificate in writing or other legible form signed by an authorised person to the effect that he is sufficiently knowledgeable to understand the risks associated with that description of investment; and
- ii. signed, within the period of twelve months ending with the day on which the communication is made, a statement in accordance with the terms of the UK Order.

d) Self-certified Sophisticated Investor

An individual who:

- i. has signed, within the period of twelve months ending with the day on which the communication is made, a statement complying with the UK Order; and
- ii. to whom, at least one of the following statements applies –
 - a) I am a member of a network or syndicate of business angels and have been so for at least the last six months prior to the date of the certificate;
 - b) I have made more than one investment in an unlisted company in the two years prior to the date below;
 - c) I am working, or have worked in the two years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small and medium enterprises;
 - d) I am currently, or have been in the two years prior to the date below, a director of a company with an annual turnover of at least £1 million.

d) High Net Worth Companies, Unincorporated Associations etc.

- i. any body corporate which has, or which is a member of the same group as an undertaking which has, a called-up share capital or net assets of not less than:
 - a) if the body corporate has more than 20 members or is a subsidiary undertaking of an undertaking which has more than 20 members, £500,000;
 - b) otherwise, £5 million;
- ii. any unincorporated association or partnership which has net assets of not less than £5 million;
- iii. a trust where the aggregate value of the cash and investments which form part of the trust's assets (before deducting the amount of its liabilities) –
 - a) is £10 million or more; or
 - b) has been £10 million or more at any time during the year immediately preceding the date on which the communication in question was first made or directed.
- iv. any person (“A”) whilst acting in the capacity of director, officer or employee of a person (“B”) falling within any of sub-paragraphs (a) to (c) where A's responsibilities when acting in that capacity, involve him in B's engaging in investment activity;

f) And any other person to whom the communication may otherwise lawfully be made under the UK Order or by an authorised person under the Act.

Prospective investors will be required to confirm that they fall within one of the above definitions prior to investing in the Fund.

Each investor must represent and warrant to the Directors that, *inter alia*, he is able to acquire and hold Participating Shares without violating applicable laws.

Compulsory Redemption

The Directors have the power under the Articles in their absolute discretion compulsorily to redeem at any time the Shares of any investor who holds Shares directly or beneficially in breach of any law or requirement of any country, governmental or regulatory authority or whose existence as a Shareholder causes or threatens to cause the Fund to incur any liability to taxation or to suffer any pecuniary or other disadvantage in any jurisdiction which it would otherwise not have expected to incur or suffer or whose existence as a Shareholder may cause the Company to cease to be classified as a Qualifying Investor Fund.

The Directors will use this power to compulsorily redeem any Shares held by or on behalf of a Prohibited Person.

Risk Factors

Investment in the Fund will involve risks and should be viewed as long term. In particular, investors should consider the following factors before making any decision to purchase Participating Shares:

General

An investment in the Participating Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise therefrom (which may be equal to the whole amount invested). Such an investment should be seen as complementary to existing investments in a wide spread of other financial assets and should not form a major part of an investment portfolio. Investors should not consider investing in the Participating Shares unless they already have a diversified investment portfolio.

No Assurance of Investment Objective

No representation is or can be made as to the future performance of the Fund and there is no assurance that the Fund will realise its investment objective. The value of each Participating Share and the income returns may fluctuate. Investors may not get back the money that they invest.

Liquidity

Investors should note that Participating Shares represent illiquid investments since there is no established market for them. Accordingly, the Fund is only appropriate for investors able to commit their investment for the expected duration of the Fund.

Possible Adverse Economic Conditions

The financial operations of the Fund may be adversely affected by general economic conditions, by conditions within the real estate market or by the particular financial condition of the parties doing business with the Fund. The returns that are likely to be achieved on an investment in a fund that has its assets invested solely in Central European Countries will be materially affected by the political and economic climate in those Central European Countries. In particular, changes in the rates of inflation and interest may affect the Fund's income and capital value or the value of an investment.

Political and Economic Risks

The value of Participating Shares and the income generated by the Fund may be affected by uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation and interest rates, currency repatriation and other political and economic developments in law or regulations and, in particular, the risk of expropriation, nationalisation, and confiscation of assets and changes in legislation relating to the level of foreign ownership.

Accession Risks

There is no guarantee that any one or more of the Central European Countries, to the extent that they have not already done so, will accede to the European Union irrespective of whether they are candidates for accession or not.

Exchange and Currency Risks

Many of the local currencies in which the Fund may invest are neither freely convertible into one of the major currencies nor internationally traded. The local currencies may be convertible into other currencies only inside the relevant Central European Country where the limited availability of such other currencies may tend to inflate their values relative to the local currency in question. Such internal exchange markets can therefore be said to be neither liquid nor competitive.

The value of an investment in the Fund, whose Participating Shares are denominated in Euro and whose distributions will be paid in Euro, will be affected by fluctuations in the value of the underlying currency of denomination of the Fund's investments against the Euro or by changes in exchange control regulations, tax laws, withholding taxes and economic or monetary policies. Adverse fluctuations in currency exchange rates can result in a decrease in the net return and in a loss of capital. Shareholders will have a continuing exposure to, and be at risk of, fluctuations in the exchange rates of the Euro, the Croatian Kuna, the Bulgarian Lev, the Hungarian Forint, the Slovak Crown, and the Czech Crown. Investors must recognise that the value of Participating Shares can fall as well as rise for this reason as can the Fund's ability to generate sufficient income to pay a distribution in Euro.

Risks of Property Ownership

Investments in property or property related assets can be difficult or impossible to realise. The Fund will be subject to the general risks incidental to the ownership of real or heritable property, including changes in the supply of or demand for competing properties in an area, changes in interest rates and the availability of mortgage funds, changes in property tax rates and landlord/tenant or planning laws, credit risks of tenants and borrowers, uninsured events and environmental factors. The marketability and value of any properties owned by the Fund will, therefore, depend on many factors beyond the control of the Fund and there is no assurance that there will be either a ready market for any properties of the Fund or that such properties will be sold at a profit or will yield a positive cash flow.

Impact of Governmental Regulation

Governmental authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The introduction and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the Fund's assets.

Valuation Risk

Property and property related assets are inherently difficult to value due to the lack of marketability. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date.

Lack of History

The Property Investment Adviser will have complete discretion, within the limits set forth in this document, and the Management Agreement, in making acquisitions on behalf of the Fund. Investors may not be able to evaluate for themselves the merits and risks of the Fund's investments until after investments are made. The success of the Fund depends on the ability of the Property Investment Adviser to locate, select, develop and realise appropriate property and property related assets.

Taxation

The attention of potential investors is drawn to the taxation risks of investing in the Fund. The tax rules, including stamp duty provisions, and their interpretation relating to an investment in the Fund may change during the life of the Fund.

Tax laws are complex and quite often not completely clear, and the tax consequences of a particular structure chosen might be questioned or might be subject to challenge by the relevant tax authority in the country concerned. Furthermore, tax laws may change, so that the tax consequences of a particular investment may change after it has been made.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISERS ON THE IMPLICATIONS OF MAKING AN INVESTMENT IN, HOLDING AND DISPOSING OF, SHARES IN THE COMPANY AND THE RECEIPT OF INCOME OR OTHER DISTRIBUTIONS UNDER THE LAWS OF THE COUNTRIES IN WHICH THEY ARE LIABLE TO TAXATION.

Gearing

The Fund may incur external borrowings to increase potential equity performance or provide tax advantages. The ability to leverage will be a factor in the Fund's ability to realise its targeted return. Prospective investors should be aware that there can be no assurance that the Fund will be able to secure the necessary external financing.

The Fund may incur external borrowings in connection with its investments. Although the use of leverage may enhance returns and increase the number of investments that can be made, it may also substantially increase the risk of loss. This includes the risk that available funds will be insufficient to meet required payments and the risk that existing indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness.

Development Projects

The Fund may undertake development (including redevelopment) of real property or invest in real property that requires refurbishment prior to rental or sale of the property. The risks of development or refurbishment include, but are not limited to (i) delays in timely completion of the project; (ii) cost overruns; (iii) poor quality workmanship; and (iv) inability to rent or inability to rent at a rental level sufficient to generate profits.

Collective Investment Schemes

The Fund may invest in collective investment schemes which are unregulated and which will not provide a level of investor protection equivalent to schemes authorised under the laws of Guernsey and which are subject to Guernsey regulations.

General Information

Incorporation and Share Capital

The Fund was registered in Guernsey on 10 May 2005 with an authorised share capital of €100 divided into 100 Management Shares of €1 each with power to issue an unlimited number of Participating Shares of no par value.

Save as disclosed above, no share or loan capital of the Fund has been issued or agreed to be issued and no such capital of the Fund is proposed to be issued or is under option or agreed conditionally or unconditionally to be put under option.

Memorandum of Association

The Memorandum of Association of the Fund provides that the Fund's principal object is to invest the capital and other monies of the Fund in the purchase of land or any interest in land, buildings or hereditaments of any tenure and to develop and turn the same to account in any manner that may seem expedient.

The objects of the Fund are set out in full in Clause 3 of the Memorandum of Association which is available for inspection as stated at "Documents available for inspection" on page 21.

Articles of Association

The following is a summary of the principal provisions of the Articles of Association of the Fund in so far as they have not been described earlier in this document.

a) Variation of Class Rights and Alteration of Capital

Subject to the provisions of Guernsey law all or any of the special rights for the time being attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class or the Articles) from time to time (whether or not the Fund is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-quarters of the issued shares of that class or with the sanction of a resolution passed by a majority of three-quarters of the votes cast at a separate general meeting of the holders of such shares. All the provisions of the Articles as to general meetings of the Fund shall *mutatis mutandis* apply to any such separate general meeting but so that the necessary quorum shall be two members holding or representing by proxy a total in aggregate of not less than ten per cent. of the issued shares of the class, and any holder of shares of the class shall be entitled on a poll to one vote for every such share held by him and any holder of shares of the class present in person or by proxy may demand a poll.

The rights attached to the Participating Shares shall be deemed to be varied by the creation or issue of any shares (other than Participating Shares) ranking *pari passu* with or in priority to them as respects participation in the profits or assets of the Fund.

The Fund may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.

b) Issue of Shares

All Participating Shares in the Fund for the time being unissued are under the control of the Directors who may allot them only in accordance with the terms of the Articles and as described in this document. Shares do not carry any rights of pre-emption. Except with the consent of the majority of votes cast at a separate general meeting of the holders of Participating Shares, no shares in the capital of the Fund, other than Participating Shares or Management Shares shall be issued.

c) Classes of Shares

Management Shares

The Management Shares may only be issued at par value and only to the Property Investment Adviser or a nominee of the Property Investment Adviser for the time being of the Fund. The rights attaching to the Management Shares are as follows:

The Management Shares carry voting rights only when there are no Participating Shares in issue.

The Management Shares do not carry any right to dividends. In the event of liquidation, they rank *pari passu inter se* but only for return of the nominal amount paid up on them.

The Management Shares are not redeemable and are subject to requisition by the Fund where they are not held by the Property Investment Adviser.

Participating Shares

The rights attaching to the Participating Shares are as follows:

On a show of hands, every holder who (being an individual) is present in person shall have one vote and, on a poll, every holder present in person or by a proxy or by a duly authorised representative shall have one vote for every Participating Share held.

The Shareholders may from time to time declare dividends payable to holders of Participating Shares up to an amount recommended by the Directors. The Directors may from time to time if they think fit pay interim dividends on Participating Shares if justified by the profits of the Fund. (See further, "Dividends" below).

The rate of dividend on the Participating Shares in respect of any Annual Accounting Period of the Fund (as defined in the Articles) shall be calculated by the Directors and shall be arrived at by dividing the amount of income after tax attributable to the Participating Shares which the Directors after consulting the Auditors deem advisable for distribution divided by the number of Participating Shares entitled to the dividend.

Surplus assets remaining after the return of capital paid up on the Participating Shares are distributed to the holders of the Participating Shares *pro rata* subject to payment to the holders of the Management Shares of the nominal amount paid up thereon.

The Participating Shares are not redeemable except as described on pages 8 and 15.

The instrument of transfer of a Participating Share shall be in writing in any usual or common form in use in Guernsey or in any other form which the Directors may sanction or allow and shall state the full name and address of the transferor and the transferee and shall be signed by or on behalf of the transferor. The Directors may at their discretion decline to register the transfer of a Participating Share. In particular, but without limiting the generality of the foregoing, the Directors will decline to register a transfer:

- if the transfer would result in the transferor or the transferee being the holder of less than the minimum number of Participating Shares or minimum amount in value of a holding of Participating Shares specified in this document;
- if it appears to the Directors that the transferee is not a Qualified Investor or that the registration of the transferee as a Shareholder will or may result in the Fund incurring any liability to taxation or suffering any pecuniary or other disadvantage which the Fund might not otherwise have incurred or suffered;
- if it appears to the Directors that the transferee is a Prohibited Person; or
- if the transferee fails or refuses to furnish the Directors with such information or declarations as they may require.

The Directors shall not be bound to register more than four persons as joint holders of any Participating Share.

d) Directors

Unless otherwise determined by the Fund in General Meeting the number of Directors shall be not less than three.

The Directors shall not be required to hold any qualification shares.

The Directors and alternate Directors may be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Fund or in connection with the business of the Fund. The Directors shall be entitled to be paid by way of remuneration for their services such sum as is stated under "Other Expenses" on page 10 of this document or such other sum as may be voted to them by the Fund in general meeting which shall be divided between them as they shall agree or failing agreement equally. Such remuneration will accrue from day to day. The Directors may grant extra remuneration to any Director who is called on to perform any special or extra services for or at the request of the Fund.

A Director may be a director, managing director, manager or other officer, employee or member of any company in which the Fund may be interested, which may be promoted by the Fund or with which the Fund has entered into any transaction, arrangement or agreement and no such Director shall be accountable to the Fund for any remuneration or other benefits received thereby.

Provided the nature and extent of any material interest of his is or has been declared to the other Directors, a Director notwithstanding his office:

- may be a party to, or otherwise interested in, any transaction or arrangement with the Fund, or in which the Fund is otherwise interested;

- may act by himself or through his firm in a professional capacity for the Fund (otherwise than as Auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a Director;
- may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, a shareholder of or otherwise directly or indirectly interested in, any body corporate promoted by the Fund or with which the Fund has entered into any transaction, arrangement or agreement or in which the Fund is otherwise interested; and
- shall not by reason of his office, be accountable to the Fund for any benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

e) Borrowing Powers

Subject as described under “Gearing Policy” on page 4 of this document, the Directors may exercise all the powers of the Fund to borrow money and hypothecate, mortgage, charge or pledge the assets, property and undertaking of the Fund or any part thereof and to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Fund or of any third party.

f) Dividends

Subject to the Companies (Guernsey) Laws 1994 to 2001, and as hereinafter set out, the Shareholders may from time to time declare dividends on Participating Shares to be paid to Shareholders according to their respective rights and interests in the profits available for distribution, but no dividend will be declared in excess of the amount recommended by the Directors. The Directors have the right to recommend the payment of dividends at their discretion, provided that dividends will be payable only to the extent that they are covered by funds that may be lawfully distributed as dividends.

No dividend shall bear interest against the Fund. Any dividend unclaimed after a period of six years from the date of declaration thereof will be forfeited and will revert to the Fund and the payment by the Directors of any unclaimed dividend or other sum payable on or in respect of a Participating Share into a separate account will not constitute the Fund a trustee in respect thereof.

g) Valuation of Net Assets

The Directors have delegated the responsibility for the determination of the Net Asset Value to the Administrator. Valuations made pursuant to the Articles are binding on all persons. In determining the Net Asset Value, Investments are valued by reference to the procedure outlined on page 11 of this document.

h) Winding up

The Fund may be voluntarily wound up at any time by Special Resolution. The Directors are bound to convene an extraordinary general meeting for the purpose of passing a Special Resolution for the winding up of the Fund if the Fund’s consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959, as amended is revoked (unless the Guernsey Financial Services Commission otherwise agrees). On a winding up a liquidator will be appointed firstly to pay the debts of the Fund and then to distribute its assets amongst Shareholders, according to the rights attached to their Participating Shares.

Directors’ and Other Interests

The Directors or their immediate families may have an interest in Participating Shares. Any such interests shall be disclosed annually in the Report and Accounts.

There are no Directors’ service contracts with the Fund nor are any such contracts proposed.

Nicholas Dare is a director of both the Fund and the Property Investment Adviser and has, to a varying degree, management control over the Property Investment Adviser.

A full list of the directorships held by each of the Directors is available on request from the Administrator.

A Director is not required to retire from office on attaining a particular age.

Regulatory Consents

All consents, approvals, authorisations or other orders of all regulatory authorities (if any) required by the Fund under the laws of the United Kingdom and Guernsey for the issue of Participating Shares and for the Property Investment Adviser and the Administrator to undertake their respective obligations under their respective agreements referred to under the heading ‘Material Contracts’ below have been given.

Report and Accounts

The report and accounts will be prepared in accordance with applicable United Kingdom accounting standards. Copies of the audited report and accounts of the Fund are available from the Administrator. Copies of audited financial statements will be sent to the Shareholders at their registered addresses not less than 21 days before the date fixed for the general meeting of the Fund at which they will be presented.

General Meetings

The annual general meeting of the Fund will be held in Guernsey. Notices convening the general meeting in each year will be sent to Shareholders at their registered addresses not later than 21 days before the date fixed for the meeting. Other general meetings may be convened from time to time by the Directors by sending notices to Shareholders at their registered addresses or by Shareholders requisitioning such meetings in accordance with Guernsey law, and may be held in Guernsey or elsewhere.

Material Contracts

The following contracts have been entered in to and are (or may be) material to the Fund:

- An investment management agreement dated 19 May 2005 between (1) the Fund and (2) the Property Investment Adviser;
- An administration agreement dated 19 May 2005 between (1) the Fund and (2) the Administrator;
- A valuation fee agreement dated 17 May 2005 between (1) the Property Investment Adviser and (2) the Independent Valuer.

Litigation

The Fund has not since its incorporation been nor is it engaged in any legal or arbitration proceedings and no legal or arbitration proceedings are pending or threatened against the Fund which may have or have had a significant effect on the financial position of the Fund.

General

At the date of this document, the Fund has no subsidiaries. The Fund also does not have, nor has it had since incorporation, any employees.

Documents Available for Inspection

Copies of the following documents may be inspected during usual business hours on any Business Day at the offices of the Administrator in Guernsey at the address stated in the Directory of this document:

- the Memorandum and Articles of Association of the Fund;
- the material contracts referred to in “Material Contracts” above; and
- the Companies (Guernsey) Laws 1994-2001 under which the Fund was incorporated.

The most recent published Annual Accounts of the Fund will also be available for inspection during business hours on a Business Day at the offices of the Administrator in Guernsey.

Definitions

In this document, the following words and phrases have the following meanings:

1933 Act	United States Securities Act of 1933, as amended;
Administrator	Bachmann Fund Administration Limited;
Articles	the Articles of Association of the Fund for the time being;
Associate	in relation to a body corporate, any corporation which is a holding company or a subsidiary of the body corporate concerned or a subsidiary of any such holding company;
Business Day	any day (other than a Saturday) on which banks in Guernsey and London are open for the transaction of normal business;
Central European Country	A country which is geographically located in central Europe such as, without limitation, Bulgaria, Czech Republic, Poland, Romania, Croatia, and Hungary. The Directors will from time to time determine which countries qualify as Central European Countries;
Closing Date	28th July 2005 or such other date as the Directors may determine from time to time;
Directors	the directors of the Fund;
EU	the European Union;
Euro or €	the common currency adopted initially by eleven European Nations pursuant to the Treaty on European Union in February 1992;
Fund or LEEF	Letterstone Emerging Europe Fund Limited;
Gross Asset Value	the aggregate value of the net assets of the Fund calculated in accordance with the Fund's Articles and this document together with the total amount of debt drawn-down by the Fund under any loan facility;
Gross Development Value	in respect of an incomplete property development and as at the date of its valuation, the projected Market Value of that property development on its completion;
Guidance Document	the Guidance Document on Qualifying Investor Funds issued by the Guernsey Financial Services Commission in February 2005;
Guernsey	the island of Guernsey and the islands of Alderney and Herm;
Incentive Fee	the performance related fee as generally described on page 9 to which the Property Investment Adviser is entitled under the terms of the Investment Management Agreement;
Independent Valuer	King Sturge LLP or such other qualified independent valuers as the Property Investment Adviser may from time to time appoint;
Initial Charge	the discretionary initial charge levied on subscription monies up to a maximum of 4% of those subscription monies and payable to the Property Investment Adviser and as generally described on page 9;

Initial Offer Period	the period during which Participating Shares are offered for subscription at €1.00 per Participating Share which shall commence at 9.00am (GMT) on the date hereof and will close at 5.00pm (GMT) on the Closing Date;
Internal Rate of Return	the annualised discount internal rate of return at which the net present value of the Fund's cash flows sum to zero, and calculated in accordance with accepted industry practice;
Investment Committee	an independent committee of not less than four members constituted as described on page 6;
Investment Management Agreement	the agreement dated 19 May 2005 made between the Fund and the Property Investment Adviser;
Investment Management Fee	the investment management related fee to which the Property Investment Adviser is entitled described on page 9 of this document;
Market Value	the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion;
Mixed-Use Scheme	a property development that includes an element of both commercial and residential uses;
Net Asset Value	the net asset value of the Fund or per Participating Share (as the context requires) calculated in accordance with the Articles;
Participating Share	A participating preference share of no par value in the capital of the Fund;
Placing Documents	this document, together with the Memorandum and Articles of Association;
Property Investment Adviser	Letterstone plc;
Prohibited Person	Any person, as determined by the Directors, (1) to whom a sale or transfer of Shares would be in breach of the laws or requirements of any jurisdiction or governmental authority or (2) in circumstances (whether taken alone) or in conjunction with other persons or any other circumstances appearing to the Directors to be relevant) which, in the opinion of the Directors, might result in the Fund and/or the Shareholders as a whole incurring any liability to taxation or suffering any other regulatory, pecuniary, legal or material administrative disadvantage that the Fund might not otherwise have suffered or incurred, and for this purpose U.S. Persons, without the consent of the Directors, are Prohibited Persons;
Qualified Investor	a person who satisfies the criteria required of a qualified investor contained in the Guidance Document and as described on page 14;
Qualifying Investor Fund	either an open-ended collective investment scheme, authorised under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended or a closed-ended investment fund for which consent has been granted under the Control of Borrowing (Bailiwick of Guernsey) Ordinances, 1959 as amended and into which only Qualified Investors are permitted to invest;
Relevant Person	a person who satisfies the criteria set on pages 14 and 15 of the Document.
RICS Red Book	the appraisal and valuation standards of the Royal Institute of Chartered Surveyors as amended from time to time;

Shareholder	A registered holder of a Participating Share;
Special Resolution	a resolution of a general meeting of the Fund passed as a special resolution in accordance with the Companies (Guernsey) Laws 1994 to 1996 by a majority of three quarters or more of the total number of votes recorded, including, where there is a poll any votes cast by proxy and subsequently registered in the Register of Companies in Guernsey;
Termination Date	the date falling on the fifth anniversary of the Closing Date;
United States	means the United States of America, its territories and possessions and any area subject to its jurisdiction, including the Commonwealth of Puerto Rico;
U.S. Person	A "U.S. Person" for the purpose of this document means any person that is a citizen or resident of the United States, a corporation or partnership or other entity created or organised in or under the laws of the United States or any political subdivision thereof, an estate the income of which from sources without the United States is includible in gross income for U.S. federal income tax purposes regardless of its connection with the conduct of a trade or business within the United States or a trust, if a court of the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have authority to control all substantial decisions of the trust (it being understood that all terms used in this clause: (i) (other than "United States")) have the definitions ascribed to them pursuant to Section 7701(a) of the Internal Revenue Code of 1986, as amended); and (ii) has the meaning provided in Reg.(S)230.901 €230.904 of the 1933 Act.
Valuation Point	the 30th day of September and the 31st day of March in each year or such other dates as the Directors may determine from time to time.

Application Form for Participating Shares

I/we hereby apply to subscribe for Participating Shares in the Fund at the price applicable during the Initial Offer Period and subject to the Articles of Association of the Fund, the conditions set out in the Private Placement Memorandum and (if any) the latest audited Annual Report and Accounts of the Fund and, if more recent the latest unaudited interim Report and Accounts, of the Fund.

To: **Bachmann Fund Administration Limited,**
(the "Administrator")
Frances House,
Sir William Place,
St. Peter Port,
Guernsey, Channel Islands
GY1 4HQ.

Tel. No: Guernsey (+ 44 (0) 1481 723573)

Fax: Guernsey (+ 44 (0) 1481 732131)

All terms used herein have the same meaning as those defined in the Private Placement Memorandum to which this Application Form is attached. Those persons intending to acquire Participating Shares in the Fund should inform themselves as to

- a) the legal requirement for acquiring, holding or disposing of Participating Shares within the countries of their nationality, residence, ordinary residence or domicile,
- b) any foreign exchange restrictions or exchange control requirements that they might encounter on the acquisition, holding or disposal of Participating Shares and
- c) the income tax consequences which might be relevant to the acquisition, holding or disposing of Participating Shares.

I/we acknowledge and accept that the Administrator may hold and process personal data to properly record a subscriber's interest in the Fund in accordance with relevant corporate laws and regulations and to advise the subscriber of matters relative to his/her investment in the Fund, including current values and changes to Fund documentation and I/we further acknowledge and accept that the Administrator may in order to fulfil its duties to the Fund and comply with regulatory requirements:

- i. retain such personal data for prescribed periods after the subscriber has redeemed his/her holding in the Fund;
- ii. transfer such information to the Directors, Property Investment Adviser or legal adviser or any other agent of the Fund entitled to receive such information;
- iii. transfer such personal data to any person or entity to which the Administrator has a legal obligation to disclose such information.

Application/Confirmation of Previous Fax

To enable this Application to be processed on a particular Dealing Day, this Application Form must be sent to the Administrator so as to reach the Administrator, as detailed in the Private Placement Memorandum, before the end of the Initial Offer Period.

Personal Applicants Details (if more than two applicants, please use additional paper and attach to form part of this application)

First Applicant

Title:	<input type="checkbox"/> Mr	<input type="checkbox"/> Miss	<input type="checkbox"/> Mrs	<input type="checkbox"/> Ms
Surname:	<input type="text"/>			
Forename(s):	<input type="text"/>			
Address:	<input type="text"/>			
	<input type="text"/>			
	Post code:			
	<input type="text"/>			
Tel no:	<input type="text"/>			
Fax no:	<input type="text"/>			
Nationality:	<input type="text"/>			
Date of birth:	<input type="text"/>			
Email:	<input type="text"/>			
Signed:	<input type="text"/>			

Second Applicant

Title:	<input type="checkbox"/> Mr	<input type="checkbox"/> Miss	<input type="checkbox"/> Mrs	<input type="checkbox"/> Ms
Surname:	<input type="text"/>			
Forename(s):	<input type="text"/>			
Address:	<input type="text"/>			
	<input type="text"/>			
	Post code:			
	<input type="text"/>			
Tel no:	<input type="text"/>			
Fax no:	<input type="text"/>			
Nationality:	<input type="text"/>			
Date of birth:	<input type="text"/>			
Email:	<input type="text"/>			
Signed:	<input type="text"/>			

Corporation Applicants Details

A Corporation subscribing into the Fund must execute this application form under common seal or under the hand of a duly authorised officer(s) whose capacity should be stated

Name:	<input type="text"/>		
Registered office:	<input type="text"/>		
	<input type="text"/>		
	<input type="text"/>		
Country of incorporation:	<input type="text"/>		
Country of tax residence:	<input type="text"/>		
Correspondence address: (if different from above)	<input type="text"/>		
	<input type="text"/>		
	<input type="text"/>		
	<input type="text"/>		
Signed:	<input type="text"/>		
	Fax no:	<input type="text"/>	
	Tel no:	<input type="text"/>	

Application Details

Application Details: (A fee is chargeable of up to 4% of the subscription monies and is payable to the Property Investment Adviser)

	Shares, or	Currency and amount
Letterstone Emerging Europe Fund Limited *Minimum subscription €100,000		

By signing the application form I/we the undersigned declare that I/we have read and understood the Private Placement Memorandum in its entirety and confirm that I/we understand the risk of the investment as set out in the same. We hereby certify that this Application Form has been completed to the best of our knowledge and hereby enclose all necessary due diligence as set out in the Private Placement Memorandum.

By signing the application form you are declaring that:

- 1 The participating shares are not being acquired, directly or indirectly in violation of any applicable laws imposed by your country of nationality/residence or domicile.
- 2 You are over the age of majority in the island of Guernsey (18).
- 3 The Participating Shares are not being acquired directly or indirectly by a US Person (as defined in the Private Placement Memorandum).
- 4 You are a Qualified Investor as defined in the Private Placement Memorandum, and as indicated by you below.
- 5 If you are a resident in the United Kingdom, you are a Relevant Person as defined in the Private Placement Memorandum, and as indicated by you below.

Tax Residency

I declare that I am/am not resident in Guernsey, Alderney, or Herm for the purposes of Guernsey Income Tax as defined in the Income Tax (Guernsey) Law, 1975 (as Amended).#

Please delete, as appropriate to your circumstances.

<p>DATA PROTECTION</p> <p>I/We acknowledge and agree that:</p> <p>a) information provided to the Fund or the Administrator by me/us will be stored on the Fund's and/or the Administrator's computer system and manually;</p> <p>b) for the purposes of the Data Protection (Bailiwick of Guernsey) Law, 2001 (the "Data Protection Law") and other relevant data protection legislation which may be applicable, each of the Fund and the Administrator is required to specify the purposes for which it will hold personal data. The Fund and the Administrator will only use such information for the purposes set out below (collectively, the "Purposes"), being to:</p> <p>i. process my/our personal data (including sensitive personal data) as required by or in connection with my/our investment in the Fund including processing personal data in connection with credit and money laundering checks on me/us;</p> <p>ii. communicate with me/us as necessary in connection with my/our affairs and generally in connection with my/our investment in the Fund;</p> <p>iii. provide personal data to such third parties as the Fund or the Administrator may consider necessary in connection with my/our affairs and generally in connection with my/our investment in the Fund or as the Data Protection Law may require, including to third parties outside the Bailiwick of Guernsey or the European Economic Area;</p>	<p>iv. without limitation, provide such personal data to the Property Investment Adviser for processing, notwithstanding that any such party may be outside the Bailiwick of Guernsey or the European Economic Area;</p> <p>v. transfer personal data to other companies within the same group as the Fund, the Property Investment Adviser and the Administrator (including to any such companies which are outside the Bailiwick of Guernsey or the European Economic Area) who wish to use such information for marketing purposes to promote their services to me/us, including by means of electronic communications;</p> <p>vi. process my/our personal data for the Property Investment Adviser's or the Administrator's internal administration.</p> <p>In providing the Fund and the Administrator with information, I/we hereby represent and warrant to the Fund and the Administrator that I/we have obtained the consent of any data subjects other than myself/ourselves to the Fund and the Administrator holding and using their personal data for the Purposes other than the purpose set out in paragraph (v) above (including the explicit consent of the data subjects for the processing of any sensitive personal data for the purpose set out in paragraph (i) above) and that I/we will use my/our best endeavours to obtain the consent of the data subjects to the Fund or the Administrator holding and using personal data for the processing of any personal data for the purpose set out in paragraph (v) above.</p> <p>For the purposes of this Application Form, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the Data Protection Law.</p>
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Qualified Investor and Relevant Person Status

You must check one box below in Part A to confirm your status as a Qualified Investor and, if you are resident in the United Kingdom, one box in Part B to confirm your status as a Relevant Person. You may be asked to provide documentary evidence as to your standing as a Qualified Investor and Relevant Person. For more information see pages 14 and 15 of the Private Placement Memorandum.

Part A

Please tick one of Part A and Part B

a) Professional Investor

- i. a Government, local authority, public authority or supranational body (in the Bailiwick of Guernsey or else where; or
- ii. a person, partnership or other unincorporated association or body corporate whose ordinary business or professional activity includes or it is reasonable to expect that it includes, acquiring, underwriting, managing, holding or disposing of investments whether as principal or agent, or the giving of advice on investments; or
- iii. a financial services business or financial services professionals associated, directly or indirectly, with the operation of the Fund.

b) Experienced Investor

- i. A person, partnership, or other unincorporated association or body corporate which has in any period of 12 months (whether on his own behalf or in the course of his employment by another person) so frequently entered into transactions of substantial size with reputable persons who carry on investment business and in connection with open-ended collective investment schemes and/or general securities and derivatives as defined in Schedule 1 of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 as amended such that he can reasonably be expected to understand the nature of, and the risks involved in such transactions; or
- ii. A person, partnership, or other unincorporated association or body corporate who provides a certificate from an appropriately qualified investment adviser confirming that the investor has obtained independent advice (please attach your certificate if this applies to you).

c) Knowledgeable Employee

- i. A person who is (or has been within a period of three years up to the date of application for investment in the Fund) an employee, director, general partner, consultant or shareholder of, or to, an affiliate appointed by the Fund, who is acquiring an investment in the Fund as part of his remuneration or an incentive arrangement or by way of co-investment, either directly or indirectly through a personal investment vehicle, such as a trust, for or substantially for, that person;
- ii. an employee, director, partner or consultant to or of any person referred to at (a)2 above or anyone who has fulfilled such a role in respect of any person referred to at (a)2 above within a period of three years up to the date of application for investment in the Fund.

Part B

a) Investment Professionals

- i. an authorised person under the Act; or
- ii. an exempt person where the communication relates to a controlled activity which is a regulated activity in relation to which the person is exempt; or
- iii. any other person –
 - a) whose ordinary activities involve him in carrying on the controlled activity to which the communication relates for the purpose of a business carried on by him; or
 - b) who it is reasonable to expect will carry on such activity for the purpose of a business carried on by him;
- iv. a government, local authority (whether in the United Kingdom or elsewhere) or an international organisation; or
- v. a person (“A”) who is a director, officer or employee of a person (“B”) falling within any of sub-paragraphs (a) to (d) where the communication is made to A in that capacity and where A’s responsibilities when acting in that capacity involve him in the carrying on by B of controlled activities.

b) Certified High Net Worth Individual

Any individual who, in the terms of the UK Order, has a certificate of high net worth signed within the period of twelve months ending with the day on which the communication is made in the terms of at least one of the following statements:

- a) “I had, during the financial year immediately preceding the date [of the certificate], an annual income to the value of £100,000 or more; or
- b) “I held, throughout the financial year immediately preceding the date [of the certificate], net assets to the value of £250,000 or more. Net assets for these purposes do not include the property which is my primary residence or any loan secured on that residence, any rights of mine under a qualifying contract of insurance within the meaning of the UK Order or any benefits (in the form of pensions or otherwise) which are payable on the termination of my service or on my death or retirement and to which I am (or my dependants are), or may be, entitled”.

c) Self-certified Sophisticated Investor

An individual who:

- i. has signed, within the period of twelve months ending with the day on which the communication is made, a statement complying with the UK Order; and
- ii. to whom, at least one of the following statements applies –
 - a) I am a member of a network or syndicate of business angels and have been so for at least the last six months prior to the date of the certificate;
 - b) I have made more than one investment in an unlisted company in the two years prior to the date below;
 - c) I am working, or have worked in the two years prior to the date below, in a professional capacity in the private equity sector, or in the provision of finance for small to medium enterprises;
 - d) I am currently, or have been in the two years prior to the date below, a director of a company with an annual turnover of at least £1 million.

d) Sophisticated Investors

A person who has a current certificate in writing or other legible form signed by an authorised person to the effect that he is sufficiently knowledgeable to understand the risks associated with that description of investment and signed, within the period of twelve months ending with the day on which the communication is made, a statement in the following terms:

“I make this statement so that I am able to receive promotions which are exempt from the restrictions on financial promotion in the Financial Services and Markets Act 2000. The exemption relates to certified sophisticated investors and I declare that I qualify as such in relation to investments of the following kind [investor to list them]. I accept that the contents of promotions and other material that I receive may not have been approved by an authorised person and that their content may not therefore be subject to controls which would apply if the promotion were made or approved by an authorised person. I am aware that it is open to me to seek advice from someone who specialises in advising on this kind of investment”.

e) High Net Worth Companies, Unincorporated Associations etc.

- i. any body corporate which has, or which is a member of the same group as an undertaking which has, a called-up share capital or net assets of not less than:
 - a) if the body corporate has more than 20 members or is a subsidiary undertaking of an undertaking which has more than 20 members, £500,000;
 - b) otherwise, £5 million;
- ii. any unincorporated association or partnership which has net assets of not less than £5 million;
- iii. a trust where the aggregate value of the cash and investments which form part of the trust’s assets (before deducting the amount of its liabilities) –
 - a) is £10 million or more; or
 - b) has been £10 million or more at any time during the year immediately preceding the date on which the communication in question was first made or directed.
- iv. any person (“A”) whilst acting in the capacity of director, officer or employee of a person (“B”) falling within any of sub-paragraphs (a) to (c) where A’s responsibilities when acting in that capacity, involve him in B’s engaging in investment activity;
- v. any person to whom the communication may otherwise lawfully be made

Money Laundering Regulations

You must complete one of the sections below based on your status as an investor. Failure to do so will result in your investment being delayed or rejected.

The sections are as follows:

- A Applications from Individual Investors.
- B Applications from regulated financial institutions based in an Appendix C country either on their own behalf or on behalf of their clients.
- C Applications from Corporate Investors (Applicants who are applying on behalf of third parties (agents) must provide the relevant documentation for themselves as well as for their clients).

Section A – Applications from Individual Investors

To be completed by individual investors making the application on their own behalf and for their own benefit only. Where individuals are applying jointly, this information must be provided for each of the individuals

First Applicant

Place of birth:	<input type="text"/>
Name of employer:	<input type="text"/>
Nature of employment:	<input type="text"/>
Source of funds:	<input type="text"/>

Second Applicant

Place of birth:	<input type="text"/>
Name of employer:	<input type="text"/>
Nature of employment:	<input type="text"/>
Source of funds:	<input type="text"/>

Each individual must include the following documents:

- a) A Certified true copy* of the relevant pages of passport, national identity card, driver’s license or Armed Forces Identity Card. (The copy must be clear enough to identify the individual concerned.)
- b) A Certified true copy* of a recent utility bill as proof of address (not more than three months old)

Certification of Documents*

Copies should be certified as correct copies of the original by a respected professional person, (i.e. a notary public, a lawyer, accountant or banker) using substantially the following form of certification:

“I [name of person], hereby certify that the copy of the identification document attached hereto is a true and correct copy of the original document produced to me.”

The certifier should sign the copy document (printing his or her name clearly underneath) and clearly indicate the position or capacity on it together with a contact address and phone number.

Section B – Applications from Regulated Financial Institutions

(Regulated Financial Institutions based in an Appendix C country# either on their own behalf or on behalf of their clients)

Please tick as appropriate

<input type="checkbox"/>	We are making this application on our own account.
<input type="checkbox"/>	We are making this application on behalf of one or more of our clients. We have taken and recorded evidence of their identity in accordance with our local money laundering and terrorist financing prevention requirements. We shall provide such evidence of identity to you on demand and we shall retain such evidence for a minimum period of six years after redemption of all of the Participating Shares.

Appendix C of the Guidance Notes on the Prevention of Money Laundering and Countering the Financing of Terrorism issued by the Guernsey Financial Services Commission lists the Countries and Territories whose authorised Financial Services Businesses may be treated as if they were local. Appendix C countries are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, and United States of America.

Authorised signatory:	Name:
<input type="text"/>	<input type="text"/>
	Date:
	<input type="text"/>

The following documents must be included with this Application Form:

- Certified true copy* of the certificate of incorporation
- Certified true copy* of the memorandum and articles of association
- Resolution of the Board of Directors authorising the opening of the account and conferring the authorised signatory/signatories who will operate the account (attaching authorised signatory list where applicable)
- Certificate of Incumbency listing the names and addresses of all officers and directors of the corporate entity; along with the verification of the Directors and Officers Identity (i.e. same details as for Individual Investors (see below)) (If corporate director/partner/trustee, kindly provide same information as for the Corporate Investor)
- Copy of the latest available audited Annual Report and Accounts

Additional documents may be requested if deemed necessary by the Administrator. Documents may be faxed but originals must follow by post.

Certification of Documents*

Copies should be certified as correct copies of the original by a respected professional person, (i.e. a notary public, a lawyer, accountant or banker) using substantially the following form of certification:

“I [name of person], hereby certify that the copy of the identification document attached hereto is a true and correct copy of the original document produced to me.”

The certifier should sign the copy document (printing his or her name clearly underneath) and clearly indicate the position or capacity on it together with a contact address and phone number.

Section C – Applications from Corporate Investors

Business type: <input type="text"/>	Incorporation date: <input type="text"/>
Incorporation number: <input type="text"/>	Email address: <input type="text"/>
Authorised signatory: <input type="text"/>	Name: <input type="text"/>
	Date: <input type="text"/>
	<input type="text"/>

The following documents must be included with this Application Form:

- a) Certified true copy* of the certificate of incorporation
- b) Certified true copy* of the memorandum and articles of association
- c) Resolution of the Board of Directors authorising the opening of the account and conferring the authorised signatory/signatories who will operate the account (attaching authorised signatory list where applicable)
- d) Certificate of Incumbency listing the names and addresses of all officers and directors of the corporate entity; along with the verification of the Directors and Officers Identity (i.e. same details as for Individual Investors (see below)) (If corporate director/partner/trustee, kindly provide same information as for the Corporate Investor)
- e) Copy of the latest available audited Annual Report and Accounts

Additional documents may be requested if deemed necessary by the Administrator. Documents may be faxed but originals must follow by post.

Certification of Documents*

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“I [name of person], hereby certify that the copy of the identification document attached hereto is a true and correct copy of the original document produced to me.”

The certifier should sign the copy document (printing his or her name clearly underneath) and clearly indicate the position or capacity on it together with a contact address and phone number.

Method of Payment

To be completed by all investors

I/we have instructed our bankers to: (tick as appropriate)	<input type="checkbox"/>	transfer	<input type="checkbox"/>	enclose a draft for	<input type="checkbox"/>	enclose a cheque	
						Cheques should be made payable to: Bachmann Fund Administration Limited Client Account re LEEF.	

Please instruct your bank to advise us of the payment details when known.

The payment will be made from:

Name of Bank:	<input type="text"/>	Sort code:	<input type="text"/>
Branch address:	<input type="text"/>	Account name:	<input type="text"/>
<input type="text"/>		Account no.:	<input type="text"/>

Please note that, as a rule, repayments will be made back to the same account.

For Euro payments of subscription monies into the Fund:

I/we confirm that payment is being effected by telegraphic transfer in Euro to Barclays International, Guernsey, the Fund's bankers. Payments must be forwarded by authenticated Swift quoting the following:			
Bank:	Barclays Bank Plc, GTS, London	Swift code:	BARCGB22

For further credit to:

Bank:	Barclays International, Guernsey	Swift code:	BARCGG51
For account:	Bachmann Fund Administration Limited Client Account re LEEF		
Account no.:	55891000		
Investor name:	<input type="text"/>		

Payments to Shareholders

Any payments to holders of Participating Shares due under the Articles or under the PPM will only be paid subject to the Administrator having satisfactory due diligence on file.

Please pay any payments by one of the following methods: (CHAPS payments will be made net of charges)

By cheque:

First named holder, or in the case of joint holders, all named holders:	
<input type="text"/>	
<input type="text"/>	
Address:	
<input type="text"/>	
<input type="text"/>	

By electronic transfer:

Bank:	<input type="text"/>	Sort code:	<input type="text"/>
Address:	<input type="text"/>	Swift code:	<input type="text"/>
<input type="text"/>		Account name:	<input type="text"/>
<input type="text"/>		Account no.:	<input type="text"/>

Agents stamp:

<input type="text"/>	Front end fee applicable:
	<input type="text"/>

Key Contacts:

Fund Administrator – Paul Duquemin
Bachmann Fund Administration Ltd.
Tel: +44 (0)1481 731218

Property Investment Adviser – Nick Dare
Letterstone plc.
Tel: +44 (0)20 7384 7488