

**Offering Memorandum dated: 11<sup>th</sup> February 2008**

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**THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED**  
(a closed-ended investment company registered with limited liability in Guernsey  
with registration number 48444 and incorporated on 31<sup>st</sup> January 2008)

**OFFERING MEMORANDUM**

In respect of an offer for subscription of no par value redeemable preference shares

This Offering Memorandum contains information relating to an offer for subscription (“the Offer”) of up to 30,000,000 Sterling no par value redeemable preference shares (the “Shares”) in The Flight and Partners Recovery Fund Limited (the “Fund”) and the application for admission of the Shares to the Channel Islands Stock Exchange (the “CISX”).

With regard to the offer in the United Kingdom of Shares, this document has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 (“FSMA”) by Flight & Partners Limited, a company registered in England and authorised and regulated by the United Kingdom Financial Services Authority (the “FSA”).

Under the Offer, each investor will receive such number of Shares as is calculated by dividing the subscribed amount by the subscription price, save that any fractional share shall be rounded down to the nearest whole share. The minimum aggregate subscription upon which the Shares may be allotted is 10,000,000 Shares or such other amount as the Fund’s Directors may, in their discretion, determine.

The Offer is conditional on the admission of the Shares to the CISX becoming effective.

This Offering Memorandum forms the Listing Document for the purpose of listing the Shares on the CISX.

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

This Listing Document includes particulars given in compliance with the Listing Rules of the CISX for the purpose of giving information with regard to the issuer. The Directors of the Fund, whose names appear on pages 16 and 17 collectively and individually accept full responsibility for the accuracy of the information contained in this Listing Document and

confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Consent under the Control of Borrowing (Bailiwick of Guernsey) Ordinance 1959, as amended has been obtained to this issue. To receive such consent application was made under the Guernsey Financial Services Commission's framework relating to Registered Closed-ended Investment Funds. Under this framework, neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council have reviewed the placing memorandum, prospectus, explanatory memorandum but instead have relied on specific warranties provided by the Guernsey licensed administrator of the Fund. Neither the Guernsey Financial Services Commission nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Fund or for the correctness of any of the statements made or opinions expressed with regard to it.

The Fund was incorporated in Guernsey under the authority of the Companies Law.

The circulation of this document is no guarantee that an offer for shares will take place. The potential investment to which this Offering Memorandum relates is for shares in the capital of The Flight and Partners Recovery Fund Limited, a Guernsey registered closed-ended investment company. Such funds are not authorised by the Guernsey Financial Services Commission.

## IMPORTANT INFORMATION

This Offering Memorandum comprises information relating to the Fund. The Fund is a closed-ended registered company incorporated under the laws of Guernsey. The Fund is governed by the provisions of The Companies (Guernsey) Laws, 1994 to 2001, as amended. The liability of persons who acquire shares in the Fund (the “Shares”) is limited to their investment in the Fund.

Shares are offered solely on the basis of the information and representations contained in this Offering Memorandum.

The purpose for which Shares are offered is to allow investors to participate in the investment strategy of the Fund described in this Offering Memorandum.

The distribution of this Offering Memorandum and the offering of Shares may be restricted in certain jurisdictions. It is the responsibility of any person wishing to make an application to satisfy himself as to the full observance of the laws of the relevant jurisdiction including the obtaining of any governmental or other consent that may be required or other formalities needed to be observed or the payment of any transfer or other taxes required to be paid. In particular, Shares have not been nor will they be registered under the United States Securities Act of 1933, as amended, and no Shares may be offered, sold, transferred, signed or delivered directly or indirectly in the United States of America, its territories, or possessions and all areas subject to its jurisdiction including the District of Columbia, the Commonwealth of Puerto Rico or, to any US Person (as that term is defined in Regulation S under the 1933 Act). In addition, the Fund has not been and will not be registered under the United States Investment Company Act of 1940, as amended and the Manager has not been registered under the United States Investment Advisers Act of 1940, as amended.

In relation to the subscription, purchase, holding or disposal of Shares, potential subscribers for Shares should inform themselves as to: (a) the legal requirements, (b) any foreign exchange controls or restrictions, and, (c) the potential tax consequences, which might be relevant or which they may encounter, under the laws of the country of their nationality, residence, domicile or incorporation.

This Offering Memorandum does not constitute an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. No person may treat the Offering Memorandum as constituting an invitation to them unless, in the relevant territory, such an invitation could be made lawfully to them without compliance with any registration or any other legal requirements.

The Directors of the Fund may at their discretion decline any application and are not obliged to give reasons for so doing.

The Directors accept responsibility for the information contained in this document as being accurate at the date of publication. 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 this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

An investment in the Fund should be regarded as a long term investment. The Fund is a closed-ended investment fund and investors should not expect and are not entitled to any realisation of their investment for at least seven years. The value of Shares may fall as well as rise. There can be no guarantee that the Manager's objectives for the Fund will be achieved and investors may not get back the amount originally invested.

Distribution of this Offering Memorandum is not authorised in any jurisdiction after the date of the Fund's first report and accounts unless it is accompanied by the Fund's most recent annual report and accounts.

**Prospective investors should NOT treat the contents of this Offering Memorandum as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the consequences of their acquiring, holding or disposing of Shares in the Fund. In the United Kingdom, investors are recommended to consult an investment adviser authorised and regulated by the FSA.**

## **RISK WARNINGS**

### Risk profile

The recovery sector poses a number of risks to investors, particularly those inherent in investment in companies (and/or their underlying businesses) that suffer from varying degrees of financial distress. The investment strategies and processes of the Fund have been designed to allow investors access to the potential for significant returns from recovery investments whilst at the same time reducing risk to investors' capital. Part B.3 of this Offering Memorandum describes the risk controls which have been put in place. However, against this background potential investors are expected to be aware of the risks of investing in the Fund and any person considering an investment in the Fund must have the financial sophistication and expertise to evaluate its merits and risks. The following risk warnings are not, and do not purport to be, an exhaustive description of the risks associated with an investment in the Fund.

### Market, economic and regulatory changes

Changes in the market and economic conditions, tax or other laws or regulations or accounting standards and/or government intervention in markets may have an adverse effect on the Fund's investments and on the value of the Shares. The likelihood of these types of adverse changes and the extent to which they may affect the investments of the Fund cannot be accurately predicted.

### Controlling shareholder

There is no restriction on the percentage of the Fund's Shares which may be owned by one person or a number of connected persons. It is therefore possible that one person could obtain control of the Fund. Protections under Guernsey law for minority shareholders are limited.

### Indemnification of directors, officers and service providers

The Articles of Association of the Fund contain broad indemnification provisions which require the Fund to hold its Directors and officers harmless from and against any losses or costs incurred by any such Directors or officers in the performance of their obligations or duties for the Fund. The agreements between the Fund and each of the Manager, the Administrator and the Listing Sponsor contain broad indemnification provisions which require the Fund to hold the Manager, the Administrator and the Listing Sponsor harmless from any losses or costs respectively incurred by them and certain other persons in the course of the performance of their obligations or duties for the Fund.

### Forward-looking statements

This documents includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates",

“plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts and include statements regarding the Fund’s intentions, beliefs or current expectations.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. A number of factors could cause actual results and developments to differ materially from those expressed or implied by the forward-looking statements including, without limitation, the factors described in this risk factors section. Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document reflect the Fund’s view with respect to future events as at the date of this document and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Fund’s operations and strategy. Save as required by law the Fund has no obligation to release publicly the results of any revisions to any forward-looking statements in this document that may occur due to any change in its expectations or to reflect events or circumstances after the date of this document. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements.

#### Potential illiquidity of investments held by the Fund

The market value of the investments held by the Fund will fluctuate with, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers. In addition, the lack of an established, liquid secondary market for some of these investments may have an adverse effect on the market value of Fund investments and on the Investment Adviser’s ability to arrange disposal of them on behalf of the Fund. The Fund’s investments may be subject to transfer restrictions that may contribute to illiquidity. No assurance can be given, therefore, that, if the Investment Adviser recommends disposal of a particular investment, the Fund will be able to dispose of such investment at the prevailing market price or within the anticipated time frame. The sale of any such investments may be possible only at substantial discounts and the investments may be extremely difficult to value with any degree of certainty.

#### Nature of reorganisation proceedings

Investments in the securities of companies involved in reorganisation proceedings typically entail a number of risks that do not apply to investments in financially sound companies. If the Investment Adviser’s evaluation of the anticipated outcome of a reorganisation or the timing of such outcome should prove incorrect the Fund could experience losses. A wide variety of considerations makes any evaluation of the outcome of an investment in such a company uncertain at best. Such considerations include, among others, the possibility of litigation among the participants in a reorganisation or liquidation proceeding and a requirement to obtain mandatory or discretionary consents from various governmental authorities or others. The uncertainties inherent in evaluating such investments may be increased by legal and practical considerations that limit the access of the Investment Adviser to reliable and timely information concerning material developments affecting a

company, or which cause lengthy delays in the completion of a reorganisation or liquidation proceeding. Competition from other investors may also render it difficult or impossible for the Fund to achieve intended results or promptly to effect transactions.

Some of the investments which the Fund will acquire may necessitate active monitoring. Accordingly, the Investment Adviser may seek representation on official and unofficial creditors' committees for the company on behalf of the Fund, subject to any applicable regulations, if the Investment Adviser, in its discretion, determines that such representation is necessary or advisable to protect or further the Fund's interests. Serving on an official or unofficial committee increases the possibility that the Investment Adviser or the Fund will be deemed an "insider" or a "fiduciary" of the company it has so assisted and may thus restrict the trading of the Fund's investments in such company. Should such assistance be provided before a company enters bankruptcy proceedings, a bankruptcy or reorganisation court, under certain conditions such as a finding of fraud or inequitable conduct, may invoke the doctrine of "equitable subordination" or similar doctrines with respect to any claim or interest held by the Fund in such company and subordinate any such claim or interest in whole or in part to other claims or interests in such company. Claims of equitable subordination or similar claims may also arise outside of the context of the Fund's activities. If representation on a creditors' committee of a company causes the Fund or the Investment Adviser to be deemed an affiliate of the company, the securities of such company held on behalf of the Fund may become restricted securities, which are not freely tradable. As the Fund will indemnify the Investment Adviser or any other person serving on a committee on its behalf for claims arising from breaches of these obligations, indemnification payments could adversely affect the return of the Fund's investment in a reorganisation company.

#### Changes in the law

Amendments to the bankruptcy, insolvency or reorganisation laws of the country in which an investment is made or proposed to be made could alter an expected outcome and introduce greater uncertainty regarding the likely outcome of such investment which would adversely affect the financial condition and results of operations of the Fund. Such legal changes may also serve to limit the Fund's opportunities to make investments.

#### Potential involvement in litigation

As a result of the Fund's focus on distressed investments and the possibility that the Investment Adviser, on behalf of the Fund, may participate in restructuring activities, the Fund may become involved in litigation. Litigation entails expense (including but not limited to attorneys' fees) and the possibility of counterclaims against the Fund, and judgments may ultimately be rendered against the Fund for which the Fund does not carry insurance or cannot obtain insurance at a reasonable cost. Any such judgments could affect adversely the financial condition and results of operations of the Fund.

### Concentrated trading

While the Investment Adviser will attempt to spread the Fund's assets among a number of investments in accordance with the investment policies adopted by the Fund, at times the Fund may hold a relatively small number of investments each representing a relatively large portion of the Fund's net assets. Losses incurred in such investments could have a materially adverse effect on the Fund's overall financial condition. Whilst the Fund's portfolio is intended to be diversified in terms of the companies in which it invests, the investment portfolio of the Fund may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wide diversification among types of investments, countries and industry groups.

### Special situations

The Fund may invest in companies involved in (or the target of) acquisition attempts, tender offers or exchange offers or in companies involved in or undergoing work-outs, liquidations, spin offs, reorganisations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Fund of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Fund may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of the transactions involving financially troubled companies in which the Fund may invest, there is a potential risk of loss by the Fund of its entire investment in such companies.

### Valuation of the Fund's investments

Valuation of the Fund's investments (which will indirectly determine the amount of the Management Fee and the Performance Fee) may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the value of the shares could be adversely affected. Changes in valuation of the Fund's investments, will be taken into account in calculating the Management Fee and the Performance Fee. Independent pricing information will invariably not be available with respect to certain of the Fund's investments. Accordingly, while the Fund will use its best efforts to value all investments fairly, certain investments may be difficult to value and may be subject to varying interpretations of value.

### No operating history

The Fund was incorporated on 31 January 2008 and has no operating history. The Fund is subject to all of the business risks and uncertainties associated with any new business enterprise, including the risk that the Fund will not achieve its investment objective and the value of a Shareholder's investment in the Fund could therefore decline substantially.

### Guernsey law

The Fund is a limited liability company incorporated under the Companies Law. Guernsey law does not make a distinction between private and public companies and some of the protections and safeguards that investors may expect to find in relation to a public company under UK law are not provided for under Guernsey law.

### Conflicts of interest

In the course of performing the duties undertaken by the Administrator, the Manager and the Investment Adviser and their respective affiliates, conflicts of interest may arise.

### Management Risk

The investment performance of the Fund and so any potential increase in the value of the Shares is dependent to a significant extent on RCapital, the Investment Adviser. In the event of the death, incapacity, departure, insolvency or withdrawal of key personnel in RCapital (or associated entities) the performance of the Fund could be affected adversely.

### Borrowing

The Fund is permitted to use borrowings for the purpose of making investments. The use of borrowing has the potential to create special risks and may increase significantly the Fund's risk profile. Borrowing creates an opportunity for greater yield and total return but, at the same time, would increase the Fund's exposure to capital risk and interest costs. The Board will determine a gearing policy, if gearing is deemed appropriate, designed to be sensibly protective of the interests of investors but the potential stated risks remain.

### Illiquidity

The Directors intend to appoint market makers in respect of the Shares although no guarantee can be given as to the development of an active market in the Shares.

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## DEFINITIONS

For the purposes of clarity and brevity the following defined terms are used in this Offering Memorandum:

“the 1940 Act	the United States Investment Advisors Act of 1940;
“Administration Agreement”	the administration agreement dated 5 <sup>th</sup> February 2008 entered into by the Fund and the Administrator as may be varied by agreement between the parties from time to time;
“Administrator”	Praxis Fund Services Limited or such other person appointed by the Fund from time to time to provide administration, company secretarial and registrar services;
“Advisory Agreement”	the agreement as to the provision of discretionary advisory services entered into by the Manager and the Investment Adviser as may be varied from time to time by agreement between the parties;
“Application Form”	the application form for use in connection with the Offer for Subscription for Shares in The Flight and Partners Recovery Fund Limited in the form set out in Schedule I and Schedule II;
“Articles” or “Articles of Association”	the articles of association of the Fund;
“Auditors”	BDO Novus Limited PO Box 180 Elizabeth House, Ruelle Braye, St Peter Port Guernsey GY1 3LL  or such other auditors appointed by the Fund from time to time;
“Board”	the board of Directors of the Fund;
“Business Day”	a day on which banks and stock exchanges in Guernsey and London are normally open for business (excluding Saturdays and Sundays);
“CISX”	means the Channel Islands Stock Exchange, a recognised stock exchange under Section 841

	ICTA;
“Companies Law”	the Companies (Guernsey) Law 1994, as amended, extended or replaced;
“Closing Date”	such date as determined by the Directors as being the closing date for the Offer in accordance with Section F 1.2 of this Offering Memorandum;
“Directors”	the directors of the Fund;
“FSA”	the UK Financial Services Authority (and any successor organisation);
“the Fund” or “the Company”	The Flight and Partners Recovery Fund Limited to which this Offering Memorandum relates;
“GFSC”	the Guernsey Financial Services Commission (and any successor organisation);
“Gross Asset Value”	the gross asset value of the property of the Fund as determined by the Administrator after due consultation with the Auditors;
“ICTA”	the UK Income and Corporation Taxes Act 1988;
“Investment Adviser”	RCapital Limited 15 Whitcomb Street, London, WC2H 7HA;
“Investment Management Agreement”	the investment management agreement dated 5 <sup>th</sup> February 2008 entered into by the Fund and the Manager as may be varied from time to time by agreement between the parties;
“Investment Restrictions”	the investment restrictions and risk controls relevant to the Investment Strategy of the Fund as described in Section B.3 of this Offering Memorandum;
“Investment Strategy”	the investment objectives and/or strategies, for the Fund as described in Section B of this Offering Memorandum;
“Listing Sponsor”	Praxis Fund Services Limited or such other person appointed by the Fund from time to time to provide listing sponsor services in relation to the CISX;

“Listing Sponsor’s Agreement”	the listing sponsor’s agreement dated 5 <sup>th</sup> February 2008 entered into by the Fund and the Listing Sponsor as may be varied from time to time by agreement between the parties;
“Management Fee”	the management fee to which the Manager is entitled described in Section D.1 of this Offering Memorandum;
“Manager”	Flight & Partners Limited, authorised and regulated by the FSA, or such other person appointed by the Fund from time to time to provide investment management services;
“Memorandum and Articles of Association”	the memorandum and articles of association of the Fund as the same may be amended, varied or replaced from time to time;
“Net Asset Value” or “NAV”	in relation to the Fund, the aggregate net assets attributable to the Fund as calculated by the Administrator after due consultation with the Auditors;
“Net Asset Value per Share” or “NAV per Share”	in relation to the Fund, the Net Asset Value of the Fund divided by the number of Shares of the Fund;
“Offer for Subscription” or “Offer”	the offer for subscription of Shares in the Fund as described in this Offering Memorandum;
“Offering Memorandum”	this Offering Memorandum relating to The Flight and Partners Recovery Fund Limited;
“Offer Period”	the period as described in this Offering Memorandum in respect of which subscriptions for Shares may be received by the Fund;
“Ordinary Resolution”	a resolution of a general meeting of the Fund passed by a majority of not less than half of the votes recorded including, where there is a poll, any votes cast by proxy;
“Performance Fee”	in relation to the Fund, the performance fee detailed in Section D.1 of this Offering Memorandum to which the Manager is contingently entitled;

“Prohibited Person”	any person, as determined by the Directors (in accordance with the Director’s powers under the Articles) to whom a sale or transfer of Shares would be in breach of the laws or requirements of any jurisdiction or governmental authority or where such sale or transfer occurs 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 its 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;
“registered”	recorded in the register of members of the Fund;
“Registrar”	Praxis Fund Services Limited or such other person appointed by the Fund from time to time to provide the services of a registrar;
“Shareholders”	the holders of Shares in the Fund;
“Shares”	Sterling no par value redeemable preference shares in the Fund;
“Sterling” or “£”	pounds sterling, the lawful currency of the United Kingdom;
“Subscription Price”	the subscription price for Shares the subject of the Offer as determined in accordance with this Offering Memorandum;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States”, “USA” or “US”	the United States of America (including the States and the District of Columbia and the Commonwealth of Puerto Rico), its territories, possessions and all other areas subject to its jurisdiction; and
“Valuation Point”	such time as is specified in this Offering Memorandum.

## TIMETABLE

<b>Offer Period</b>	<b>11<sup>th</sup> February 2008 until 29<sup>th</sup> February 2008*</b>
<b>Closing</b>	<b>29<sup>th</sup> February 2008*</b>
<b>First Valuation Point</b>	<b>30<sup>th</sup> June 2008 or such later date as the Directors may determine</b>
<b>Offer Price per Share for Closing</b>	<b>£1</b>
<b>Minimum number of Shares being issued</b>	<b>10,000,000</b>
<b>Maximum number of Shares being issued</b>	<b>30,000,000 or such higher number determined by the Directors</b>
<b>Minimum proceeds of the Offer</b>	<b>£10,000,000</b>
<b>Maximum proceeds of the Offer (gross of expenses)</b>	<b>£30,000,000 or such higher amount determined by the Directors</b>
<b>Authorised share capital of the Fund</b>	<b>an unlimited number of no par value redeemable preference shares and £2.00 divided into 2 management shares of £1.00 each</b>

\* At the discretion of the Directors applications for Shares can be accepted after the last day of the Offer Period but it is the current intention of the Directors not to accept applications for Shares after the expiry of a period of three calendar months from the 29<sup>th</sup> February 2008.

## DIRECTORY

<b>Administrator, Secretary, Registrar and CISX Listing Sponsor:</b>	Praxis Fund Services Limited PO Box 296 St Peter Port Guernsey GY1 4NA
<b>Auditors:</b>	BDO Novus Limited PO BOX 180 Elizabeth House Ruelle Braye St Peter Port Guernsey GY1 3LL
<b>Directors:</b>	William Scott (Chairman) Mark Warde-Norbury Roger Le Tissier
<b>the Fund/the Company</b>	The Flight and Partners Recovery Fund Limited C/o Praxis Fund Services Limited PO Box 296 St Peter Port Guernsey GY1 4NA
<b>Investment Adviser:</b>	RCapital Limited 15 Whitcomb Street London WC2H 7HA
<b>Legal Adviser (as to English law):</b>	Farrer and Co 66 Lincoln's Inn Fields London WC2A 3LH
<b>Legal Adviser (as to Guernsey Law):</b>	Ogier Ogier House St Julian's Avenue St Peter Port Guernsey GY1 1WA

**Manager and Sponsor:**

Flight & Partners Limited,  
authorised and regulated by the FSA  
6 Barton Street, Westminster  
London  
SW1P 3NG

**Principal Bankers:**

Lloyds TSB (Guernsey) Limited or  
Lloyds TSB Offshore Private Banking  
(Guernsey) Limited  
PO Box 123  
Sarnia House  
Le Truchot  
St. Peter Port  
GY1 4EF

## **A KEY FEATURES OF THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED**

1. An opportunity at a potentially favourable point in the economic cycle for significant returns over the longer term through investment in distressed small to medium sized UK businesses with essentially sound business models offering recovery prospects.
2. Specialist recovery investment in a relatively low risk structure. Investments will be made in the form of loans secured against both the assets and cash flow of investee businesses and also secured against equity stakes in the investee businesses granted to the Investment Adviser as remuneration. The turnaround investment process begins with the identification of companies which are financially distressed but which have essentially sound underlying business models. The skills of the Investment Adviser are then deployed to financially restructure the target companies' balance sheets usually involving the transfer of the assets of the target to a newly formed company ("newco") in which the Fund acquires an equity interest as a term of providing secured loan finance. The financial restructuring is intended both to ensure the long term viability of the target businesses and the availability of adequate security for the loan finance provided by the Fund. The skills of the Investment Adviser are then deployed to operationally restructure the newco. Once operational restructuring is completed, the loan finance provided by the Fund is intended to be refinanced by mainstream lenders. Subsequently, the Investment Adviser then arranges the sale of the newco, usually by a trade sale.
3. Returns are generated firstly, through the charging normally of one or more or a combination of interest, commitment and redemption fees on loan finance provided by the Fund to restructured businesses and secondly, upon the sale of the equity interests acquired by the Fund in restructured businesses.
4. The Investment Adviser to the Fund will be RCapital Limited, a boutique specialising in exploiting opportunities in the recovery sector. RCapital brings the following benefits to the Fund:-
  - expertise in the technical and operational skills required to restructure financially distressed companies with a view to returning a sound underlying business to profitability;
  - access (through relationships built up with banks, insolvency practitioners, corporate financiers and other key introducers of business) to a supply of investment proposals in the recovery sector likely to meet the Fund's investment objectives;
  - a proven track record in the distressed/recovery market using the skills of an experienced management team;
  - experience and expertise and the necessary technical, operational and management skills to facilitate working with the existing and new

management teams of restructured businesses to restore viability and profitability;

- a focus on deal sizes of between £500,000 - £5,000,000, regarded by the Investment Adviser as a less competitive sector than the market for major restructurings, recoveries and refinancings;
- a network of contacts and intermediaries who can be approached when the best time arrives for realisation of equity interests acquired in Fund investments.

5. The charges incurred by the Fund are in summary:

5.1 (the Manager) a 2% annual Management Fee and a Performance Fee of 20% of returns in excess of 15% per annum; and

5.2 (the Investment Adviser) 70% of the equity made available in restructured businesses the subject of investment by the Fund (the remaining 30% being for the account of the Fund); and

5.3 the additional fees and expenses specified in Section D of this Offering Memorandum.

6. It is anticipated that the average holding period for loan finance and for equity participations will allow scope for the Fund's assets and returns to be reinvested over the life of the Fund.

7. The Fund is constituted as a closed-ended Guernsey registered investment fund and an application will be made to the CISX for the listing of the Shares on the CISX. This will be helpful for investors who require a listing and ensures the Fund is operated in accordance with sound corporate governance principles. The Directors intend to appoint a CISX trading member in order to trade the Shares on the CISX. No guarantee can be given though as to the development of an active market in the Shares. CISX is a recognised stock exchange under Section 481 ICTA.

8. The Fund will have a minimum term of seven years, with the possibility on the expiry of the period of a winding up, the listing of the Fund on the Alternative Investment Market, the transfer of the assets of the Fund to another fund or other entity, or the extension of the life of the Fund for a further fixed period.

## **B THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED**

This section:-

- describes the investment objectives of the Fund (paragraph 1);
- analyses the investment strategies and processes which will be implemented by the Board, and under the Board's direction by the Manager and the Investment Adviser (paragraph 2);
- explains the investment restrictions and other risk controls that will be applied to the construction and composition of the investments of the Fund from time to time (paragraph 3);
- sets out a number of key operating characteristics of the Fund (paragraph 4).

### **1. The investment objectives of the Fund**

- 1.1 The investment objectives of the Fund will be to generate significant total returns over the long term with limited risk to Shareholders' subscriptions.

The Board will (through the management and advisory services provided by the Manager and Investment Adviser) aim to achieve the investment objectives:-

- by identifying financially distressed targets with essentially sound business models, using the skills of the Investment Adviser to financially restructure the target (usually involving the transfer of the business and assets of the target into a newco in which the Fund will have a material equity interest) with a view to ensuring the long term viability and profitability of the target's business; by providing finance to and acquiring an equity interest in the restructured businesses and by using the technical, operational and management skills of the Investment Adviser to enhance the value of the restructured businesses going forward with a view to eventual disposal of the Fund's equity interests at a gain;
  - by extracting a return for the Fund from a combination of normally (one or more of) interest, commitment and redemption fees charged on loan finance, targeted to achieve a return equivalent to a rate of interest of at least 6% per annum above bank base rate with a minimum return equivalent to 10% per annum.
- 1.2 The Fund will not change materially its principal investment objectives and policies as set out in this Offering Memorandum for a minimum period of three years from the date of listing on the Channel Islands Stock Exchange other than with the consent of a majority of Shareholders by the passing of an Ordinary Resolution.

**2. The Investment strategies and processes to be implemented by the Fund**

- 2.1 The investment targets for the Fund will be small and medium sized UK companies that:-
- 2.1.1 are in financial difficulties due to any one or more or a combination of unsustainable financial commitments, mismanagement, poor internal controls (particularly over costs), shareholder disputes or other operational difficulties;
  - 2.1.2 otherwise constitute sound business models;
  - 2.1.3 represent good prospects for a return to viability and profitability through restructuring, refinancing and operationally with the application of management expertise;
  - 2.1.4 once financially restructured, have assets presenting good security for loan finance;
  - 2.1.5 consequently offer the opportunity, both from the equity interests acquired as part of the refinancing terms as well as the returns on loan finance, for attractive shareholder returns in the short to medium term.
- 2.2 The investment process will reflect the following principal elements:-
- 2.2.1 the identification and sourcing of investment opportunities meeting the criteria set out in paragraph 2.1;
  - 2.2.2 the application of the skills of the Investment Adviser to the financial restructuring of the target businesses;
  - 2.2.3 once the financial restructuring is completed, the Investment Adviser will implement management and operational changes with a view to restoring the profitability of the restructured business;
  - 2.2.4 at the appropriate stage and assuming a turnaround has been achieved, the Investment Adviser will seek to obtain on behalf of the restructured businesses bank lending facilities to allow the restructured businesses to repay the loan finance provided by the Fund;
  - 2.2.5 the Investment Adviser will seek attractive disposal opportunities for the equity participations held by the Fund (and those held by the Investment Adviser) at a time believed to be most advantageous to the Fund. Realisation will normally be by way of trade sales but could be achieved by management buy outs, initial public offerings or disposal methods recommended by the Investment Adviser to be in the best interests of the Fund;

2.2.6 consistent with the borrowing powers exercisable by the Board under the Articles (and the relevant provisions of the Articles will not be varied save under the authority of an Ordinary Resolution of Shareholders) the possible use of gearing (of up to 33 % of the Net Asset Value of the Fund at the date of borrowing) when there are attractive recovery opportunities in which to invest but when the Fund is fully invested.

### **3. Investment restrictions and risk controls**

The following investment restrictions and risk controls as determined by the Board will be applied in the construction, composition and management of the assets of the Fund:-

- 3.1 once fully invested, the Fund will aim to have a diversified portfolio of approximately ten investments with no more than 25% of the property of the Fund placed in any single investment;
- 3.2 the Fund will advance loan finance on a secured basis only and after a full assessment has been made by the Investment Adviser of the adequacy of the security (and associated protections inherent in the nature of the business) available to cover the loan finance concerned;
- 3.3 the Fund will have no sector bias. The Fund will not invest in sectors regarded as problematical for recovery opportunities due to the nature of their underlying businesses as determined by the Board from time to time (at the date of this Offering Memorandum the Board does not intend to permit investment in the pharmaceuticals, gambling, insurance or software sectors);
- 3.4 investments will be made only when the Fund (together with holdings of the Investment Adviser) can obtain sufficient equity to ensure voting (and thus management) control;
- 3.5 the interests of the Fund and the Investment Adviser will be aligned in the following manner:-
  - 3.5.1 the Investment Adviser will have two qualified obligations to the Fund with regard firstly to making good to the Fund any losses (which may arise from the failure of the borrower to make repayments to the Fund of principal, interest, commitment, redemption charges and/or other sums due) in respect of the Fund's loan portfolio, and, secondly in making good any shortfall in the event that the average returns across the Fund's loan portfolio shall fall short of the equivalent of an annual return of 6% above Barclays Base Rate or 10% whichever is the higher. In summary the two qualified obligations are structured in the following way:
    - (a) the obligation to make good losses is measured each time the Investment Adviser realises equity investments it holds in companies in which the Fund is also an equity investor. If at the date of

realisation a loss has arisen on the Fund's loan book (through failure of a borrower to make a required payment or where a provision has been made in respect of an expected loss) an amount equivalent to the loss will be paid by the Investment Adviser to the Fund out of the proceeds of sale of the Investment Adviser's equity investment. If the proceeds of sale are insufficient to recover the loss, the shortfall will be recovered (to the extent such proceeds are available) from the proceeds of sale of subsequent realisation of equity investments held by the Investment Adviser in companies in which the Fund is also an investor;

- (b) the obligation to underwrite returns is measured firstly on 30<sup>th</sup> June 2009 and then on each anniversary of that date until the expiry of the expected seven year duration of the Fund. If at the date of measurement average returns across the Fund's loan portfolio fall short of the equivalent of an annual return of 6% above Barclays Base Rate or 10% whichever is higher the Investment Adviser will have an obligation to reimburse the shortfall to the Fund from subsequent realisations of equity investments held by the Investment Adviser in companies in which the Fund is also an investor;
- (c) the Investment Adviser's obligations to make good losses and to underwrite returns are qualified in three ways. Firstly the Investment Adviser's aggregate commitment cannot exceed a maximum of the proceeds of sale of equity interests held by the Investment Adviser in companies in which the Fund holds an equity interest. Secondly the Fund cannot make a double recovery by recovering sums representing the same loss under the Investment Adviser's obligation to make good losses (sub-paragraph (a) above) and to underwrite returns (under sub-paragraph (b) above). Thirdly if when the Investment Adviser disposes of equity it either has no obligation to make good losses out of the proceeds of sale or the losses are covered by the proceeds of sale leaving a balance the proceeds of sale once any sums due to the Fund by way of underwriting of returns are deducted are the irrevocable property of the Investment Adviser and will not be available to the Fund for the reimbursement of future losses;
- (d) the Fund will take a charge over the Investment Adviser's equity interests to secure the Investment Adviser's obligations regarding losses and returns.

3.5.2 the Investment Adviser has committed to make an investment in the Fund of £500,000 (or an equivalent amount by way of contribution in specie of assets matching the investment criteria of the Fund);

3.5.3 the Investment Adviser can realise equity participation only at the same time and on the same terms as the Fund's holding in the equity participation concerned.

3.6 for the purposes of calculating the Performance Fee due to the Manager, the increase in the value of the Fund's equity interests will be taken into account only when the equity interests have been realised. In addition, Performance Fees will only be payable when returns equivalent to 15% per annum have been achieved, calculated on a non compound basis, at the date of calculation of the Performance Fee.

#### **4. Operating Characteristics**

##### **4.1 Calculation of Net Asset Value**

The calculation of the Net Asset Value of the Fund will be as determined by the Administrator after due consultation with the Fund's auditors and, to the extent that valuations of equity interest are made, will be based on the relevant provisions of the International Private Equity and Venture Capital Valuation Guidelines, or such other basis of calculation as may be determined by the Board from time to time (as appropriate) on the advice of the Auditors.

Valuations will take place quarterly and will be announced to the CISX as soon as practicable after calculation. The base currency of the Fund is Sterling.

The Manager cannot guarantee that any realisation values at the end of the seven year period will necessarily equate to the then Net Asset Value.

The auditors of the Fund are BDO Novus Limited.

The accounting period of the Fund will end on 30 June in each year.

##### **4.2 Dealing in Shares**

The following provisions apply to dealing in Shares:-

4.2.1 The Directors intend to appoint a CISX trading member in order to trade the Shares on the CISX. No guarantee can be given though as to the development of an active market in the Shares.

##### **4.3 Dividend Policy**

The Directors propose to reinvest all profits earned after costs, including interest, and commitment and redemption fees (and any associated fees) earned on loan finance provided to restructured businesses representing investments of the Fund, into the Fund's available cash for investment.

#### 4.4 Communications with shareholders

- 4.4.1 the Fund will hold an annual general meeting in each year, following submission of annual reports. The annual general meeting will be held in Guernsey;
- 4.4.2 other general meetings of the Fund may be convened from time to time by the Board sending notices to Shareholders or by Shareholders requisitioning such meetings in accordance with the Articles and Guernsey law;
- 4.4.3 all Shareholders will be entitled to attend general meetings and vote in accordance with any rights to vote conferred on them by the Articles and Guernsey law;
- 4.4.4 a proxy appointed in accordance with the Articles of Association may attend a general meeting on behalf of a Shareholder who is entitled to vote at such a meeting;
- 4.4.5 the first accounting period of the Fund will run to 30 June 2009. UK Generally Accepted Accounting Principles (“UK GAAP”) will be applied to the preparation of the Fund’s accounts. The Fund’s audited annual report and financial statements for each accounting period will be prepared within four months of the end of the Fund’s annual accounting period;
- 4.4.6 copies of the audited annual report and statements will be sent to Shareholders not less than 21 days prior to the date fixed for the general meeting at which they will be presented;
- 4.4.7 a report will be circulated to all Shareholders on a quarterly basis the first such quarterly report being submitted in respect of the period until 30<sup>th</sup> June 2008.

#### 4.5 Custody of documents of title relating to the property of the Fund

The Board will make arrangements for the safe custody of the documents of title relating to the Fund’s investments. At the discretion of the Board these will be deposited for safe keeping either with the Fund’s bankers or Administrator.

## **C MANAGEMENT AND ADMINISTRATION**

### **1. Directors of the Fund**

1.1 The Directors of the Fund are responsible, amongst other matters for:

- establishing the Investment Strategy and Investment Restrictions of the Fund;
- the activities of the Fund.

1.2 The Directors of the Fund, all of whom are non-executive directors, are listed below:

William Scott (Non-executive chairman)  
Mark Warde-Norbury  
Roger Le Tissier

#### **William Scott: Non-Executive Chairman**

William Scott is a resident of Guernsey. He is a non-executive director of a number of investment companies and funds, several of which are listed on the London, Irish or Channel Islands stock exchanges. He was formerly an investment manager managing a range of client portfolios.

Previously with a large public sector pension fund, Mr Scott joined Rea Brothers, a private banking group in 1989. Rea Brothers was subsequently acquired in 1999 by Close Brothers. From 1997 until 2002 he was director in charge of the group's Guernsey-based investment management activities. From 2003 to 2004, he was a Senior Vice President with Financial Risk Management, a leading manager of alternative investments.

He remains an independent director of several FRM-sponsored investment funds and chairman of their funds' Audit, Risk Management and Control Committee covering assets in excess of £6 billion. He is a Chartered Accountant and a member of the Securities and Investment Institute.

#### **Mark Warde-Norbury: Director**

Mark Warde-Norbury spent fourteen years with the investment bank Robert Fleming and Co. and its subsidiary company Save and Prosper Group. As a senior manager in the bank he helped to launch and manage the Fleming Private Banking operations in the UK and Jersey.

He left Flemings in 1998 to establish Capital Strategy (now St Helen's Capital). Mark is the Chairman of St. Helen's Capital Plc, the specialist small-cap institutional broker, and is a Director of the private equity fund, St. Helen's Private Equity Plc, and the property fund, St. Helen's Property Investments Limited.

He is an Associate of The Securities Institute and the author of 'Producing a Successful Business Plan'. Mark has also held directorships in a number of companies including STG Holdings Plc, an Investment holding company, and HTTP Technology Inc. which was subsequently renamed MedicSight, Inc.

**Roger Le Tissier: Director**

Roger Le Tissier is the founding partner of the Guernsey Law firm Ogier, and qualified as an Advocate in Guernsey in 1987.

He specialises in investment funds, structured finance and banking and advises leading fund managers and financial institutions. His funds work has included acting for the world's leading private equity secondaries funds and investment managers and also for the world's largest listed fund of hedge funds. He also has experience working both at a leading financial institution and also at the Guernsey Financial Services Commission.

Roger is recognised in the 2006 Edition of the "Who's Who for Fund Lawyers" and as a leading Commercial and Banking Lawyer by the Legal 500. He also features as a leading lawyer in Commercial and Banking and Investment Funds matters by Chambers.

- 1.3 The functions of the Directors are to act as directors of the Fund in accordance with the Memorandum and Articles of Association and to arrange for the affairs of the Fund from time to time to be run in accordance with the Memorandum and Articles of Association and this Offering Memorandum.
- 1.4 A Director may be removed and appointed by Ordinary Resolution of the Shareholders. The Directors can appoint additional directors provided that any additional director so appointed is subject to re-election by the Shareholders at the next annual general meeting of the Fund.

**2. Manager**

- 2.1 Flight & Partners Limited is the Manager of the Fund. Flight & Partners Limited is authorised and regulated by the FSA.
- 2.2 The Manager has been appointed to manage the assets of the Fund.
- 2.3 The Manager was incorporated in England and Wales on 18 July 2007 and its shareholders are Howard Flight, Mark Warde-Norbury and Permjot Valia. The directors of the Manager are Howard Flight, Mark Warde-Norbury and Permjot Valia.
- 2.4 **Howard Flight: Director**

Howard Flight has worked for over 35 years in the financial services industry, starting his career at Rothschilds. In the second half of the 1970s he worked for HSBC's merchant bank in Hong Kong and India. On returning to London in 1979 he joined

Guinness Mahon and established, what became in 1986, Guinness Flight Global Asset Management, of which he was joint Managing Director until 1998 when it was acquired by Investec. Since then he has been a director of Investec Asset Management. He has recently formed Flight & Partners Limited, which is the FSA regulated Manager of the Flight and Partners Recovery Fund.

Between 1997 and 2005 he was the MP for Arundel and South Downs, during which time he held the Opposition Front Bench briefs of Shadow Economic Secretary, Postmaster General and Chief Secretary to the Treasury. From 1999 to 2004 he had Shadow Treasury responsibilities for Finance Acts, the Financial Services Industry, Financial Regulations and Pensions. In 2004/5 he was Deputy Chairman of the Conservative Party with special responsibility for relations with the City of London.

In addition to being a director of Investec Asset Management, he is also a director of the Investec Global Strategy Fund and the CorporActive Fund; Chairman of CIM Investment Management, of Speymill Property Group and the Loudwater Trust Ltd (pre-IPO Fund); a Commissioner of the Guernsey Financial Services Commission and Chairman of the EIS Association. He is also a director of St Helen's Capital and Chairman of Ferranti Ltd.

Howard Flight has a degree in History and Economics from Cambridge and a MBA from the University of Michigan, Ann Arbor.

He is Liveryman of the Carpenters Company.

## 2.5 **Permjot Valia: Director**

After graduating from Leeds University, Permjot Valia pursued a career in sales and marketing culminating in his appointment as Sales and Marketing Director for Ernst & Young Entrepreneurial Services in London. Since 2004, Permjot has been an active business angel investor and is now on the board of the EIS Association and The British Business Angels Association.

Permjot holds the Investment Management Certificate and a MBA.

## 2.6 **Mark Warde-Norbury: Director**

Please see Section C paragraph 1.2 for Mr Warde-Norbury's details.

## 2.7 Under the terms of the Investment Management Agreement:

2.7.1 the Manager is responsible, inter alia, for the management on behalf of the Fund, of the Fund's investments, such management to be undertaken in accordance with the Investment Strategy and Investment Restrictions. The Manager is also responsible for advising the Board from time to time on the Fund's Investment Strategy and programme. The Manager has express authority under the terms of the Investment Management Agreement to

delegate part of its responsibilities to the Investment Adviser and the Administrator;

- 2.7.2 the Fund may terminate the Investment Management Agreement by giving not less than three months notice in writing (or such shorter notice as the Manager may accept) to the Manager expiring on or after the seventh anniversary of the effective date of the Investment Management Agreement. In addition the Fund may terminate the Investment Management Agreement upon the insolvency of the Manager or for unremedied breach by the Manager of the Investment Management Agreement in defined circumstances;
- 2.7.3 the Manager may terminate the Investment Management Agreement by giving not less than three months notice in writing (or such shorter notice as the Fund may accept) to the Fund expiring on or after the seventh anniversary of the effective date of the Investment Management Agreement. In addition the Manager may terminate the Investment Management Agreement upon the insolvency of the Fund or for unremedied breach by the Fund of the Investment Management Agreement in defined circumstances;
- 2.7.4 the Manager is not liable for any loss suffered by the Fund in connection with the services provided to the Fund under the Investment Management Agreement (and in particular, but without limitation) the Manager is not liable for any loss which may be sustained in the purchase, holding or sale of any investments or other assets of the Fund unless the loss arises from the wilful default, gross negligence or dishonesty of the Manager;
- 2.7.5 the Fund agrees to keep the Manager, its officers, employees and directors indemnified from and against all costs, charges, liabilities and expenses incurred by it or them pursuant to or in connection with the Investment Management Agreement or directly or indirectly from any act or omission in the course of or in connection with the services provided by the Manager or from any breach of the Investment Management Agreement by the Fund provided that such costs, charges, liability or expenses have not accrued due to the wilful default, gross negligence or dishonesty of the Manager;
- 2.7.6 the Manager is entitled to a Management Fee and, contingently, a Performance Fee as is specified in Section D.1 of this Offering Memorandum.

### **3. Investment Adviser**

- 3.1 RCapital is the Investment Adviser.
- 3.2 The Investment Adviser is appointed (on an exclusive basis) pursuant to the Advisory Agreement, amongst other responsibilities, to act as investment adviser to the Manager in relation to the Fund. The Investment Adviser's duties under the Advisory Agreement include:-

- the identification of investment opportunities meeting the Fund's investment criteria (and which are consequently consistent with the Investment Strategy and Investment Restrictions);
- negotiating and implementing investments on behalf of the Fund within the parameters specified by the Manager on the directions of the Board;
- the financial and operational restructuring of businesses to be the subject of investment by the Fund and the ongoing strategic managing of those businesses with a view to returning them to viability and profitability;
- arranging for the sale of equity participations held by the Fund at the same time and on the same terms as the disposal of the Investment Adviser's equity participations in the same investments at a time designed to realise the best achievable return for Shareholders.

### 3.3 Additionally under the terms of the Advisory Agreement:

- 3.3.1 the Manager may terminate the Advisory Agreement by giving not less than three months notice in writing to the Investment Adviser expiring on the seventh or any subsequent anniversary of the closing date (as defined in the Advisory Agreement). In addition the Manager may terminate the Advisory Agreement upon the insolvency of the Investment Adviser or for unremedied breach by the Investment Adviser of the Advisory Agreement in circumstances as set out in the Advisory Agreement;
- 3.3.2 the Investment Adviser may terminate the Advisory Agreement by giving not less than three months notice in writing to the Manager expiring on the seventh or any subsequent anniversary of the closing date (as defined in the Advisory Agreement). In addition the Investment Adviser may terminate the Advisory Agreement upon the insolvency of the Manager or for unremedied breach by the Manager of the Advisory Agreement in defined circumstances;
- 3.3.3 there are provisions relating to agreed procedures between the parties for the sale of equity interests held by the Fund where such sales have not been achieved prior to the termination of the Advisory Agreement;
- 3.3.4 the Investment Adviser will have two qualified obligations to the Fund with regard firstly to making good to the Fund any losses (which may arise from the failure of the borrower to make repayments to the Fund of principal, interest, commitment, redemption charges and/or other sums due) in respect of the Fund's loan portfolio, and, secondly in making good any shortfall in the event that the average returns across the Fund's loan portfolio shall fall short of the equivalent of an annual return of 6% above Barclays Base Rate or 10% whichever is the higher. In summary the two qualified obligations are structured in the following way:

- (a) the obligation to make good losses is measured each time the Investment Adviser realises equity investments it holds in companies in which the Fund is also an equity investor. If at the date of realisation a loss has arisen on the Fund's loan book (through failure of a borrower to make a required payment or where a provision has been made in respect of an expected loss) an amount equivalent to the loss will be paid by the Investment Adviser to the Fund out of the proceeds of sale of the Investment Adviser's equity investment. If the proceeds of sale are insufficient to recover the loss, the shortfall will be recovered (to the extent such proceeds are available) from the proceeds of sale of subsequent realisation of equity investments held by the Investment Adviser in companies in which the Fund is also an investor;
- (b) the obligation to underwrite returns is measured firstly on 30<sup>th</sup> June 2009 and then on each anniversary of that date until the expiry of the expected seven year duration of the Fund. If at the date of measurement average returns across the Fund's loan portfolio fall short of the equivalent of an annual return of 6% above Barclays Base Rate or 10% whichever is higher the Investment Adviser will have an obligation to reimburse the shortfall to the Fund from subsequent realisations of equity investments held by the Investment Adviser in companies in which the Fund is also an investor;
- (c) the Investment Adviser's obligations to make good losses and to underwrite returns are qualified in three ways. Firstly the Investment Adviser's aggregate commitment cannot exceed a maximum of the proceeds of sale of equity interests held by the Investment Adviser in companies in which the Fund holds an equity interest. Secondly the Fund cannot make a double recovery by recovering sums representing the same loss under the Investment Adviser's obligation to make good losses (sub-paragraph (a) above) and to underwrite returns (under sub-paragraph (b) above). Thirdly if when the Investment Adviser disposes of equity it either has no obligation to make good losses out of the proceeds of sale or the losses are covered by the proceeds of sale leaving a balance the proceeds of sale once any sums due to the Fund by way of underwriting of returns are deducted are the irrevocable property of the Investment Adviser and will not be available to the Fund for the reimbursement of future losses;
- (d) the Fund will take a charge over the Investment Adviser's equity interests to secure the Investment Adviser's obligations regarding losses and returns.

3.3.5 the consideration to which the Investment Adviser is entitled is set out in Section D.2 of this Offering Memorandum.

#### **4. Administrator and Registrar**

4.1 Praxis Fund Services Limited has been appointed by the Fund and the Manager as Administrator of the Fund to provide administrative services to the Fund. The Administrator has also been appointed as Registrar of the Fund.

4.2 Under the terms of the Administration Agreement:-

4.2.1 the Administrator is responsible, inter alia, for acting as secretary of the Fund (including carrying out duties regarding (i) the convening of meetings of Directors and Shareholders of the Fund, (ii) the keeping of the statutory books and records of the Fund, (iii) the delivery of information and all returns required by the applicable regulatory authorities of Guernsey, (iv) despatching to the Directors all circulars, notices of meetings, reports, financial statements and dealing with all other correspondence from and to Shareholders); for acting as administrator of the Fund (including carrying out duties regarding (i) the keeping of the accounts of the Fund and of such books and records as are required by law as the Fund may require for the proper recording of the financial affairs of the Fund, (ii) ensuring that the Fund complies with all relevant reporting and filing requirements for any regulatory authorities in Guernsey (iii) the preparation of quarterly net asset value calculations, (iv) preparing and procuring to be audited the annual report and accounts of the Fund, (v) carrying out all administrative functions in relation to the making, acquisition or holding by the Fund of any investment, (vi) preparing and arranging the printing and despatching of the Fund's annual audited report and accounts, (vii) calculating and procuring the payment of fees due to the Manager); and for acting as registrar of the Fund (including as to the maintenance of registers of the holders of Shares and where applicable the issue of certificates and other documents of title relating to Shares);

4.2.2 the Fund indemnifies the Administrator on an after tax basis from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind whatsoever ("Losses") (other than Losses arising from the fraud, negligence or wilful default of the Administrator or from a material breach of the Administration Agreement on the part of the Administrator) which may be imposed on, incurred by or asserted against the Administrator in performing its obligations and duties under the Administration Agreement;

4.2.3 the appointment of the Administrator continues in force until either the Administrator or Fund gives 180 days prior written notice to the other. In addition either party may terminate the Administration Agreement upon the insolvency of the other or for unremedied breach by the other of the Administration Agreement in defined circumstances;

4.2.4 the consideration to which the Administrator is entitled is described in Section D.3 of this Offering Memorandum.

**5. Listing Sponsor**

5.1 Praxis Fund Services Limited is the Listing Sponsor.

5.2 Under the terms of the Listing Sponsor's Agreement:

5.2.1 the Listing Sponsor is responsible for a number of duties including (i) submitting to the CISX on behalf of the Fund and at the Fund's expense an application for admission of the Shares to the Official List, (ii) acting as liaison between the Fund and the CISX, (iii) submitting to the CISX all information and materials that the CISX may require with regard to a listing, (iv) duly and punctually performing all its other obligations as listing agent pursuant to the CISX;

5.2.2 the Fund and the Directors are responsible for ongoing compliance with the CISX listing rules;

5.2.3 the Fund and its Directors are responsible for the information contained in the Listing Document (this Offering Memorandum constitutes the Listing Document for the purposes of the application for listing of the Shares with the CISX) and the Directors have taken and shall take all reasonable care to ensure that to the best of their knowledge and belief the information contained in the Listing Document is correct and the Listing Document is in accordance with the facts and contains no omission likely to affect the import of such information;

5.2.4 the Fund undertakes to hold harmless and indemnify the Listing Sponsor from and against all actions, proceedings, claims, costs, demands and expenses which may be brought against, suffered or incurred by the Listing Sponsor by reason of its performance or non-performance of its duties under the terms of the Listing Sponsor's Agreement including all legal, professional or other expenses other than as a result of some act of gross negligence, fraud or wilful default on the part of the Listing Sponsor;

5.2.5 either the Fund or the Listing Sponsor is entitled to terminate the Listing Sponsor's Agreement by giving no less than three months notice in writing to the other party. The Agreement may also be terminated by either party upon the insolvency of the other or for an unremedied breach of the Listing Sponsor's Agreement by the other in defined circumstances;

5.2.6 the Listing Sponsor is entitled to the remuneration specified in Section D.6 of this Offering Memorandum.

## **D FEES AND EXPENSES**

This section describes the fees to be charged by the Manager, the Administrator, the Listing Sponsor and the form of remuneration of the Investment Adviser. This section also outlines other costs and expenses. All charges are exclusive of any applicable value added tax or analogous tax applicable in any jurisdiction outside the United Kingdom.

### **1. The Manager**

1.1 The Manager is entitled to an annual Management Fee payable quarterly in arrears calculated by reference to the Gross Asset Value of the Fund as at the date of calculation. The day of calculation will be the last Business Day of each three month period, the first such three month period to commence on the date on which monies of the Fund become available for investment by the Client. The annual rate for the Manager's Management Fee is 2% (two per cent).

1.2 For the purposes of paragraphs 1.3-1.6 below, the following defined terms are used:

“Calculation Date” as provided for in Clause 1.3.1;

“Calculation Period” a period of one calendar year ending on the date a Performance Fee is calculated as provided for in paragraph 1.3;

“Subscription Price” the subscription price at which Shares are allotted in the Offer.

1.3 The Manager is also entitled, contingently, to a Performance Fee. Whether or not a Performance Fee is payable will be assessed (and if so the amount due calculated) upon each of the following dates:-

1.3.1 each anniversary of the date on which monies of the Fund become available for investment (or if determined by the Board each anniversary of 30<sup>th</sup> June 2008);

1.3.2 if a different date to an anniversary of the Calculation Date upon (and as part of the process for establishing the liabilities of the Fund) the winding up of the Fund;

1.3.3 the date of realisation of equity interests where such a realisation or realisations take place after the date of the winding up of the Fund.

- 1.4 Whether or not a Performance Fee is due will be calculated at the date(s) specified in paragraphs 1.3.1 and 1.3.2 above in the following manner:-
- 1.4.1 a Performance Fee will be payable if in respect of a Calculation Period the Net Asset Value of Shares at the date of calculation represents a return of 15% or more (calculated on a non-compound basis) over and above the Subscription Price;
- 1.4.2 if a Performance Fee is payable it will be a sum due to the Manager equivalent to 20% of the returns in excess of the return of 15% described in paragraph 1.4.1;
- 1.4.3 in the calculation of the Performance Fee:-
- 1.4.3.1 equity interest held by the Fund will be taken into account for the purposes of the calculation only if at the date of calculation the equity has been realised;
- 1.4.3.2 it is not the intention of the Fund to make distributions, however, any dividends or other distributions in respect of Shares made at any time after the Closing Date will be taken into account as a notional increase in Net Asset Value per share calculated under paragraph 1.4.1;
- 1.4.3.3 once a Performance Fee has accrued in respect of a Calculation Period it will not be adjusted by changes in Net Asset Value of the Shares occurring after the date of calculation.
- 1.5 Where equity interests are realised after the termination of the Fund, whether or not a Performance Fee is due will be calculated in the following manner:
- 1.5.1 a calculation shall be made as to the effect the realisations would have had on the calculation of the last Performance Fee prior to the winding up of the Fund;
- 1.5.2 if the calculation made under paragraph 1.5.1 would have resulted in a Performance Fee becoming due to the Manager or an enhanced performance fee becoming due (in each case “the accrued fee”) the accrued fee will become due to the Manager out of the proceeds of the post winding up realisation(s).
- 1.6 Calculations in respect of the Performance Fee shall be prepared by the Administrator and approved by the Auditors on behalf of the Fund. Performance Fees shall be payable within three months from the date of calculation out of the assets of the Fund and if not paid shall be an accrued liability of the Fund to the Manager.

- 1.7 The Manager shall be entitled additionally to retain out of the assets of the Fund any reasonable costs and expenses incurred by it in administering the winding up and in realising outstanding equity interests post-winding up. Such reasonable costs and expenses shall be drawn down from the assets of the Fund as and when they occur.

## **2. The Investment Adviser**

- 2.1 Under the terms of the Advisory Agreement the Investment Adviser will be entitled to receive 70% of equity interests obtained by the Fund under the terms of a Fund investment. The balance of 30% of equity interests will be for the account of the Fund.
- 2.2 The Investment Adviser will be entitled to charge and recover charges directly from companies in respect of which the Fund advances loan facilities and obtains equity interests:
  - 2.2.1 in respect of services provided by the Investment Adviser (to companies in respect of which the Fund advances loan facilities and obtains equity interests) comprising management consultancy, operational and related financial restructuring advice;
  - 2.2.2 in respect of legal, accountancy or other professional services arranged by the Investment Adviser for the benefit of companies in respect of which the Fund advances loan facilities and obtains equity interests;
  - 2.2.3 in respect of other services required to improve the operation or financial position of companies in respect of which the Fund advances loan facilities and obtains equity interests.

## **3. The Administrator**

The Administrator shall be paid the following fees (which may be subject to change over the life of the Fund):

- 3.1 a launch fee of no more than £15,000 ; and
- 3.2 an annual fee equivalent to 0.125% of Net Asset Value subject to an annual minimum fee of £25,000 payable quarterly in arrears; and
- 3.3 a company secretarial fee based upon time cost and expected to be in the range of £10,000 to £20,000 per annum payable quarterly in arrears.

The Administrator is also entitled to an amount equal to out of pocket expenses properly incurred by the Administrator in carrying out its duties.

**4. Fees of the Auditors**

The fees of the Auditors are expected to be £15,000 per annum, which shall be paid by the Fund.

**5. Fees of the Directors**

The Directors shall be entitled to such remuneration in an aggregate amount not exceeding the directors' remuneration cap provided for in the Articles. Such remuneration shall be deemed to accrue from day to day and shall be allocated amongst the Directors as they see fit. The Directors and any alternate Directors may also 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 may in addition to such remuneration, grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Fund.

Initially the Directors fees will be set at £15,000 per annum for William Scott, and £10,000 per annum for each of Mr Warde-Norbury and Mr Le Tissier.

The Fund will provide an additional amount to cover the cost of purchasing and maintaining insurance (including professional indemnity insurance) in respect of their office of Director.

Directors' fees may be subject to change over the life of the Fund.

**6. Fees for the Listing on the Channel Islands Stock Exchange**

The following fees are payable in connection with the application for and continuation of the admission of the Fund's Shares to the Official List of the CISX.

Initial Fee (one off fee): £3,000

Annual Fee: £1,500

Fee for publication of Formal Notice: £100

Listing Sponsor's Fee: £3,000 for the first year. The Listing Sponsor's annual fee will be reviewed annually with the first review to take place in April 2009.

All these fees may be subject to change over the life of the Fund.

**7. Establishment Costs**

All the costs and expenses associated with the organisation and offering of Shares including the costs incurred in connection with the preparation of this Offering Memorandum and any registration fees, document duty and professional fees are

expected to be no more than £110,000 and will be borne by the Fund and expensed immediately upon commencement of operations.

**8. Operating Expenses**

The Fund will pay ongoing legal, administrative and taxation expenses during the life of the Fund including but not limited to:

- (i) fees and charges of agents,
- (ii) interest on and all additional charges incurred on lending facilities;
- (iii) legal fees including those incurred in the effecting of Fund investments;
- (iv) the costs of maintaining the Fund's registered office in Guernsey;
- (v) any income taxes, withholding taxes and other government charges and duties for which the Fund is liable;
- (vi) other expenses properly incurred by the Fund in carrying out its functions.

## **E TAX CONSIDERATIONS**

### **1. Summary**

- 1.1 Set out below is a summary of the tax position as a matter of Guernsey law and UK law in relation to the Fund and Shareholders. The information should not be regarded as exhaustive nor should it be regarded as legal or tax advice. Although key UK tax issues have been considered in this Offering Memorandum, there are tax issues which are not addressed some of which may be relevant to the individual tax position of Shareholders.
- 1.2 Prospective investors are recommended to consult their professional advisers as to the implications of subscribing, purchasing, holding and selling Shares under the laws of the countries in which they may be subject to tax.

### **2. As to Guernsey Taxes**

- 2.1 The Fund will apply for exempt status for Guernsey income tax purposes under the Income Tax (Exempt Bodies) (Guernsey) Ordinance 1989 as amended (“the Ordinance”). Under the provisions of the Ordinance, exemption is granted by the Guernsey Income Tax Authority on an annual basis, provided the Fund continues to comply with the requirements of the Ordinance and upon the payment of an annual fee, which is currently fixed at £600. It is the intention of the Directors to conduct the affairs of the Fund so as to ensure that it retains such exempt status, subject to any changes brought about by adherence to the European Code of Conduct as set out below.

Once exempt status has been granted, the Fund will be treated as not being resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice, therefore, the Fund will only be liable for tax in Guernsey in respect of income arising in Guernsey, other than bank deposit interest.

In response to the review conducted by the European Union Code of Conduct Group, the States of Guernsey decided on 30<sup>th</sup> June 2006 that from 1<sup>st</sup> January 2008:

- (a) certain regulated businesses (i.e. specified banking activities) will be subject to income tax at 10 per cent;
- (b) the basic rate of income tax on all other companies will be zero per cent;
- (c) resident individuals will continue to pay income tax at 20 per cent on assessable income; and
- (d) wealth taxes such as inheritance and capital gains taxes will not be introduced.

Accordingly, a new tax regime called Zero 10 came into force on 1<sup>st</sup> January 2008. Under the regime the Fund should be taxed at zero per cent. However, open and closed-ended funds, (the Fund being a closed-ended Fund) must continue to apply

for exempt status. Dividends and interest paid to non-residents of Guernsey by schemes with exempt status are regarded as having their source outside of Guernsey and are not subject to Guernsey income tax.

Guernsey does not levy taxes upon capital inheritances, capital gains (with the exemption of a dwelling profits tax) gifts, sales or turnover, nor are there any estate duties, save for an ad valorem fee for the grant of probate or letters of administration.

No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of Shares. Document duty is payable at the fixed rate of £2,000 on the fund's authorised share capital.

- 2.2 Shareholders resident for income tax purposes in Guernsey are liable to income tax on the amount of dividends received. No deduction will be made from any dividend payable to any such tax payer. However, such tax payer will be liable to income tax at the standard rate of 20%. The Fund is required to make a return to the Administrator of Income Tax, on an annual basis, when renewing the Fund's exempt status, of the names, addresses, and gross amounts of dividends paid to Guernsey resident shareholders during the previous year.

No deduction will be made from any dividend payable to any shareholder not resident for income tax purposes in Guernsey and who does not carry on business in Guernsey through a permanent establishment situated therein. Such dividends may be paid and received free of Guernsey income tax.

#### European Union Directive on the Taxation of Savings Income

Guernsey is not subject to the European Union Directive on the taxation of Savings Income. However, it has introduced a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner registered in an EU member state by paying agents situated in Guernsey. Alternatively, the individual is entitled to request a paying agent not to retain tax, but instead apply a system by which the details of such payments are communicated to the tax authorities of the EU member state in which the beneficial owner is resident. Under the terms of bilateral agreements entered into by Guernsey with 27 member states, interest payments may include distributions from the proceeds of shares or units in collective investment schemes which are equivalent to a UCITS. Guidance notes on the implementation of the agreements (issued by the States of Guernsey) indicate that the Fund is not equivalent to a UCITS. Accordingly, any such payments will not be subject to the EU Savings Tax Directive.

### **3. As to UK Taxes**

In certain circumstances provisions in Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 ("ICTA") can tax capital gains on disposals of shares in non UK resident collective investment vehicles as if they were income, but (broadly speaking) not where the shares are shares in a fund which is a "distributing fund". It

is not the intention of the Board to make distributions to Shareholders, and the Fund will therefore not fall to be treated as a "distributing fund" for the purposes of those provisions. It is not anticipated, however, that Shareholders will be able to realise the value of their participation in the assets of the fund within seven years. Shareholders will therefore not have a "material interest" in the Fund for the purposes of those provisions. Shareholders should therefore be subject to capital gains tax and not income tax on any accumulated gain which they realise upon the disposal of their shares.

As it is not the intention of the Board to make distributions to Shareholders, the activities of the Fund should not give rise to actual income in the hands of Shareholders for the purposes of UK income and corporation tax.

Shareholders who are UK resident or ordinarily resident should be aware of section 13 of the Taxation of Chargeable Gains Act 1992. This provides that in certain circumstances a portion of capital gains made by the Fund can be attributed to and taxable upon a UK resident or ordinarily resident Shareholder who (alone or together with associated persons) has an interest of more than 10% in the Fund (it may be noted that as currently in force the section does not attribute gains to non UK domiciled individuals to whom it would otherwise apply, but draft legislation has been published which if enacted as drafted will as of 6 April 2008 bring non UK domiciled individuals within the operation of the section, albeit to a limited extent). The circumstances in which the section can operate to attribute capital gains to UK resident or ordinarily resident shareholders with an interest of more than 10% in the fund are where gains accrue to a company which is not UK resident but which, if it were resident, would be a "close" company. Broadly speaking close companies are UK resident companies where five or fewer shareholders own in aggregate more than 50% of the company. A company which is listed on a recognised stock exchange (which includes the CISX), however, will not be a close company provided that both (i) at least 35% of the voting power is held by companies which are not close companies, and/or by persons who are not "principal members", and (ii) that no more than 85% of the voting power is held by "principal members". Principal members are shareholders with more than 5% of the voting power, except where there are more than five such members, in which case the principal members are the five, or in some circumstances six, with the largest holdings of voting power.

The Fund will not be carrying on any trading activities.

It is the intention of the Directors to structure loan facilities to be made available to the restricted businesses in which the Fund invests in such a way as to enable the Fund to receive interest on the loan facilities gross (i.e. without deduction of tax by the UK tax authorities). This may not however be possible and if tax is deducted, the tax will be irrecoverable by the Fund.

**Please note very carefully that taxation levels, the basis of taxation and reliefs can change at any time. Any reliefs mentioned in this section apply at the date of this Offering Memorandum and their value depends on the circumstances of the investor. Favourable tax treatments may not continue in the future.**

**Please ensure that you consult your own professional advisers on the implications of making an investment in, holding or disposing of Shares under the laws of the country in which you are liable to taxation. Notwithstanding the tax summaries set out above neither the Manager, the Investment Adviser nor the Administrator will be responsible for any taxes suffered by a Shareholder as a result of their investment in the Fund.**

## **F SUBSCRIPTION AND RELATED ARRANGEMENTS REGARDING SHARES**

### **1. Offer for subscription**

- 1.1 The Fund is offering Sterling no par value redeemable preference shares. Shares rank pari passu with each other in all respects (including without limitation as to voting, entitlement to dividends and entitlements in a winding up). The Shares will be in registered form.
- 1.2 The Offer Period is from close of business on 11<sup>th</sup> February 2008 until close of business on 29<sup>th</sup> February 2008. At the discretion of the Directors the Offer Period may be extended for a further period of up to three months but it is the current intention of the Directors not to receive applications for Shares after the expiry of a period of three calendar months from 29<sup>th</sup> February 2008.
- 1.3 The minimum subscription amount for investors is £50,000.
- 1.4 The Directors reserve the right to reject any application for Shares in full or in part in their absolute discretion.
- 1.5 With regard to subscription procedures:
  - 1.5.1 an application form and completion instructions are attached as Schedules I and II to this Offering Memorandum and should be forwarded by post or facsimile to the address set out in the Application Form. If Application Forms are faxed the original should be mailed to the Administrator as soon as possible – the Directors and Administrator are authorised to rely upon the faxed version and accept no responsibility for any discrepancy between the faxed version and subsequently delivered original;
  - 1.5.2 the completed Application Form must be received by the Administrator (save if determined to the contrary by the Directors) together with, due diligence documentation in order to comply with anti-money laundering regulations, no later than 2.00pm Guernsey time on the last Business Day of the Offer Period. The Administrator is available to receive Application Forms between 9.00am and 5.00pm Guernsey time on any Business Day falling within the Offer Period. Payment for subscriptions must be received by the Administrator in cleared funds no later than 2.00pm Guernsey time on the last Business Day of the Offer Period;
  - 1.5.3 in order to comply with anti-money laundering regulations, the Administrator will require verification of the identity and address of applicants as detailed in the Application Form and will defer or cancel any application pending receipt of satisfactory evidence. If satisfactory evidence is not received within a reasonable period of time subscriptions will be cancelled. If a subscription is cancelled or rejected, any funds received by the

Administrator will be returned without interest, less any charges to the remitting bank, to the account of the remitter quoting the applicant's name;

- 1.5.4 a contract note detailing the subscription will be sent within ten Business Days of the expiry of the Offer Period. Applicants will be allocated a Shareholder account number which should be quoted in any correspondence with the Administrator. All Shares issued will be registered and the share register will be conclusive evidence of ownership. Shares will be issued in non-certificated form unless a Share certificate is specifically requested at the time of application. If an applicant or transferee requests Shares to be issued in certificated form, a Share certificate will be dispatched either to him or his nominated agent (at his risk) within 21 days of the issue of a contract note or completion of a transfer of Shares. Any changes to a Shareholder's personal details, loss of Shareholder account number or loss of Share certificate (if issued) must be notified immediately to the Administrator in writing. The Directors reserve the right to require an indemnity or verification countersigned by a bank, investment manager or other party acceptable to it before the Administrator can accept instructions to alter the share register or issue a new Share certificate;
- 1.5.5 the number of Shares to be issued in respect of a subscription will be determined by dividing the subscription monies by the subscription price;
- 1.5.6 the Directors have the right to reject an application or to accept any application in part only, or to treat as valid any applications which do not fully comply with the terms and conditions of this Offering Memorandum. If any application is not accepted the amount paid on application will be returned as soon as is reasonably practicable without interest and less any charges, to the remitting bank and to the account of the remitter quoting the applicant's name.
- 1.6 Shares may be purchased by any individual, corporation or other entity that is not a Prohibited Person. Prohibited Persons include anyone to whom the sale or transfer of Shares would be in breach of relevant laws or regulations. Potential applicants are responsible for ensuring that the acquisition and holding of Shares by them does not contravene any laws or regulations to which they are subject.
- 1.7 Subject in all cases to the Articles, shares may be freely transferred, subject to the transferee submitting due diligence documentation to the Administrator in order to comply with anti-money laundering regulations, and except to Prohibited Persons, provided that the resulting holdings of the transferor and transferee meet minimum holding requirements. The Directors may require such evidence, as they think fit, to satisfy themselves that the transferee is not a Prohibited Person. Transfers must be in writing. Suitable forms of transfer may be obtained from the Administrator on request. No more than four persons shall be registered as joint holders of any Share.

## **2. Winding-up of the Fund**

- 2.1 Shareholders will not be entitled to require the Fund to redeem their Shares in the Fund at any time. Shareholders acknowledge that the Fund is closed-ended and realisations are subject to the discretion of the Directors. It is the current intention of the Directors to take steps to wind-up the Fund seven years after the Closing Date though the Directors retain the discretion to wind-up the Fund at a date determined by them. The method of winding-up is a matter for the discretion of the Directors. If regarded by the Directors as being in the best interests of Shareholders, as an alternative to winding-up the Directors may at a date determined by them arrange for redemption of all Shares in the capital of the Fund. On the expiry of the seven year life of the Fund (or earlier or later if so determined by the Directors) the Directors may consult with Shareholders as to the merits as opposed to winding-up the Fund or redeeming all the Shares then in issue of listing the Fund on the Alternative Investment Market or transferring the investments of the Fund to another fund or other type of entity or extending the life of the Fund. Any of these alternatives (to winding-up the Fund or redeeming all the Shares then in issue) will be put to the Shareholders for approval in general meeting (by the passing of an Ordinary Resolution) and the passing of an Ordinary Resolution will be binding on all Shareholders.
- 2.2 On a winding-up or redemption of the Shares in the Fund the returns to Shareholders will be calculated on the basis provided for in the Articles.

## **3. Compulsory transfer of shares**

The Board has the right to transfer compulsorily the Shares of a Shareholder in the circumstances described in (and in the manner provided for by) article 31 of the Articles.

## **4. Fund investments not realised at the date of winding up**

The nature of the Fund's investments (to the extent that they comprise equity interests in businesses invested in by the Fund) is that they may not all be realised by the date of winding up of the Fund ("Unrealised Investments"). The following procedures have been put in place with regard to Unrealised Investments.

- 4.1 The Manager and Investment Adviser are obliged under the Investment Management Agreement and Advisory Agreement respectively to use all reasonable endeavours to realise Unrealised Investments notwithstanding either the winding up of the Fund or the termination of the Investment Management Agreement and/or Advisory Agreement. Upon realisation of Unrealised Investments, the Manager will be entitled contingently to a Performance Fee under Section D paragraph 1. The Manager is not entitled to a Management Fee in respect of Unrealised Investments.
- 4.2 The Board will determine the best manner in which to hold and subsequently dispose of the proceeds of sale of Unrealised Investments and will take into account what they regard reasonably as the best interests of Shareholders in so doing. One

possibility is the transfer of Unrealised Investments to a nominee company to be held on trust for Shareholders but the procedure adopted will be entirely at the discretion of the Board.

## **G ADDITIONAL INFORMATION**

### **1. A Summary of the Articles of Association of the Fund**

#### **1.1 Share Capital**

##### **1.1.1. Power to attach rights**

Subject to the rights attached to existing shares or any class of shares, new shares in the Fund may be issued with, or have attached to them, such preferred, deferred or other rights or restrictions whether as to dividend, voting, return of capital or otherwise as the Fund may by ordinary resolution decide, or, if no such resolution is passed or so far as any pertinent resolution does not make specific provision, as the Board may decide.

##### **1.1.2. Power to redeem and purchase shares**

Subject to the provisions of the Companies Law:

- (a) any preference shares may with the sanction either of the Board or an ordinary resolution be issued on terms that they are to be redeemed or, at the option of either the Fund or the holder, are liable to be redeemed, in each case on such terms and in such manner as the Fund before the issue may by ordinary resolution decide and subject to and in default of such determination as the Board may decide;
- (b) the Fund may from time to time purchase, or agree to purchase in the future, its own shares (including any redeemable shares) in any manner authorised by the Companies Law and may make payments in respect of any such purchase otherwise than out of its distributable profits or the proceeds of a fresh issue of shares;
- (c) the Company and any of its subsidiaries may give financial assistance, directly or indirectly for the purpose of or in connection with the acquisition of shares in the Fund, or in connection with reducing or discharging any liability incurred in connection with the purchase of shares in the Fund; and
- (d) the Fund may hold its own shares as treasury shares.

##### **1.1.3. Variation of rights**

If at any time the share capital is divided into different classes of shares the rights attached to any class (unless otherwise provided by the terms of issue) may, whether or not the Fund is being wound up, be varied or abrogated with the consent in writing of the holders of three-fourths of the issued shares of that class (excluding any share of such class held as a treasury share) or with

the sanction of a special resolution of the holders of the shares of that class validly held in accordance with the Articles, but not otherwise.

1.1.4. Consolidation, sub-division and cancellation

The Fund may by ordinary resolution consolidate and divide all or any of its share capital into a larger number of shares or sub-divide all or any of its shares into a smaller number of shares than is fixed by the memorandum of association (and so that the resolution whereby any share is subdivided may determine that as between the holders of the shares resulting from subdivision one or more of the shares may have such preferred, deferred or other rights over the others as the Fund has power to attach to unissued or new shares), or may cancel shares which at the date of the passing of the resolution have not been taken or convert all or any of its fully paid shares which are denominated in a particular currency into fully paid shares of a different currency or denominate or redenominate its share capital in a particular currency. By special resolution the Fund may reduce its capital.

1.1.5 Payment of scrip dividends

Subject to the Companies Law, the Board may, if authorised by an ordinary resolution, offer those shareholders of a particular class of shares in respect of any dividend the right to elect to receive shares by way of scrip dividend instead of cash.

1.1.6 Increase of share capital

The Fund may by ordinary resolution increase the share capital of the Fund by such sum and/or such number of shares to be divided into shares of such amount as the resolution shall prescribe.

1.1.7 Pre-emptive rights

Before the issue of any new shares the Board may resolve that all or some of them shall be offered to the members in proportion to their existing shares at such price as the Fund or the Board may fix and such offer shall be made by notice specifying the number of shares to which the member is entitled and limiting a time within which the offer if not accepted will be deemed to be declined; and after the expiration of such period or on the receipt of an intimation from the member that he declines the Board may offer the same on similar terms to such of the other shareholders as they may select including the Directors or dispose of them in such manner as they think fit. For the purpose of giving effect to these provisions the Board shall be entitled to disregard fractions. In the absence of any determination or so far as the same shall not extend new shares may be dealt with as if they formed part of the original capital and shall be subject to the Articles.

## 1.2. Transfer of shares

- 1.2.1 The Directors may implement such arrangements as they may think fit in order for any class of shares to be admitted to settlement by means of the CREST UK system. If the Directors implement any such arrangement no provision of the Articles shall apply or have effect to the extent that it is in any respect inconsistent with:
- (a) the holding of shares of that class in uncertificated form;
  - (b) the transfer of title to shares of that class by means of the CREST UK system; or
  - (c) the CREST Guernsey Requirements.
- 1.2.2. Where any class of shares is for the time being admitted to settlement by means of the CREST UK system such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements. Unless the Directors otherwise determine, such securities held by the same holder or joint holder in certificated form and uncertificated form shall be treated as separate holdings. Such securities may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Guernsey Requirements.
- 1.2.3 Title to such of the shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST UK system and as provided in the CREST Guernsey Requirements. Every transfer of shares from a CREST account of a CREST member to a CREST account of another CREST member will vest in the transferee a beneficial interest in the shares transferred, notwithstanding any agreements or arrangements to the contrary however and whenever arising and however expressed.
- 1.2.4. Transfers of certificated shares may be effected by instrument of transfer in writing in any usual form or in any other form approved by the Board, and the instrument shall be executed by or on behalf of the transferor and (in the case of a transfer of a share which is not fully paid) by or on behalf of the transferee. Subject to the foregoing and the CREST Guernsey Requirements, the transferor of a share is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.
- 1.2.5. Every instrument of transfer in respect of a certificated share must be left at the registered office of the Fund or such other place as the Board may prescribe with the certificate of every share to be transferred and such other evidence as the Board may reasonably require to prove the title of the transferor or his right to transfer the shares; and the transfer and certificate (if any) will remain in the custody of the Board but must at all reasonable times

be produced at the request and expense of the transferor or transferee or their respective representatives. A new certificate will be delivered free of charge to the transferee after the transfer is completed and registered on his application and when necessary a balance certificate will be delivered if required by him in writing.

1.2.6. The Directors may refuse to register a transfer of a certificated share which is prohibited by the provisions described in paragraph 1.4 below and may also refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment unless:

- (a) it is in respect of only one class of shares;
- (b) it is in favour of a single transferee or renounee or not more than four joint transferees or renounees; and
- (c) it is delivered for registration to the Fund's registered office or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates (except in the case of a transfer where a certificate has not been issued, or in the case of a renunciation) and such other evidence as the Board may reasonably require to prove the title of the transferor or person renouncing and the due execution by him of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on his behalf, the authority of that person to do so.

1.2.7. If the Board refuses to register the transfer of a certificated share, it must, within two months after the date on which the transfer was lodged with the Fund, send notice of the refusal to the transferee.

1.2.8. The Fund must register a transfer of title to any uncertificated share in accordance with the CREST Guernsey Requirements, but so that the Board may refuse to register such a transfer in favour of more than four persons jointly or in any other circumstance permitted by the CREST Guernsey Requirements. If the Board refuses to register the transfer of an uncertificated share it must, within two months after the date on which the transfer instruction relating to such transfer was received by the Fund, send notice of the refusal to the transferee.

1.2.9. Subject to such restrictions (if any) as may be imposed by the CREST Guernsey Requirements, the registration of transfers may be suspended at such times and for such periods (not exceeding 30 days in any one year) as the Board may decide and either generally or in respect of a particular class of shares.

### 1.3 Disclosure of interests in shares

1.3.1. The Directors have power by notice in writing to require any member (defined in the Articles as the registered holder of a share) to disclose to the Fund the identity of any person other than the member (an interested party)

who has any interest in the shares held by the member and the nature of such interest and any documents to verify the identity of the member and/or the interested party as the Directors deem necessary. Any such notice must require any information in response to such notice to be given in writing within such reasonable time as the Directors may determine.

- 1.3.2. The Fund will maintain a register of interested parties to which the provisions of sections 55 and 58 of the Companies Law will apply mutatis mutandis as if the register of interested parties was the register of members and whenever in pursuance of a requirement imposed on a shareholder the Fund is informed of an interested party, the identity of the interested party and the nature of the interest must be promptly inscribed therein together with the date of the request.
- 1.3.3. The Directors may be required to exercise their powers as described in paragraph 1.3.1 above on the requisition of members holding at the date of the deposit of the requisition not less than one-tenth of such of the paid-up capital of the Fund as carries at that date the right of voting at general meetings of the Fund. The requisition must state that the requisitionists are requiring the Fund to exercise its powers under Article 75 of the Articles, specify the manner in which they require those powers to be exercised, and give reasonable grounds for requiring the Fund to exercise those powers in the manner specified and must be signed by the requisitionists and deposited at the registered office of the Fund. The requisition may consist of several documents in like form each signed by one or more requisitionists. On the deposit of a requisition complying with the Articles it is the Directors' duty to exercise their powers as described in paragraph 1.3.1 above in the manner specified in the requisition.

#### 1.4. Failure to disclose interests in shares

- 1.4.1. If any member has been duly served with a notice given by the Directors in accordance with the requirements described in paragraph 1.3.1 above and is in default for the prescribed period (being 28 days after service of the notice unless the shares concerned represent 0.25 per cent. of the issued shares of the relevant class in which case it is 14 days) in supplying to the Fund the information thereby required, then the Directors may in their absolute discretion at any time thereafter serve a notice (a "direction notice") upon such member.
- 1.4.2. A direction notice may direct that, in respect of any shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the "default shares") and any other shares held by the member, the member shall not be entitled to vote at a general meeting or meeting of the holders of any class of shares of the Fund either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Fund or of the holders of any class of shares of the Fund, and where the default shares represent at least 0.25 per cent. of the issued shares of the class concerned then the direction notice may additionally direct that

in respect of the default shares (a) any dividend or part thereof or other amount which would otherwise be payable in respect of such shares will be withheld by the Fund without any liability to pay interest thereon when such money is finally paid to the member, and the member shall not be entitled to elect to receive shares instead of a dividend, and (b) that no transfer other than an approved transfer (as described in paragraph 1.4.6(b) below) of the default shares held by such member may be registered unless the member is not himself in default as regards supplying the information requested and when presented for registration the transfer is accompanied by a certificate by the member in a form satisfactory to the Directors to the effect that after due and careful enquiry the member is satisfied that no person in default as regards supplying such information is interested in any of the shares the subject of the transfer.

- 1.4.3. The Fund shall send to each other person appearing to be interested in the shares the subject of any direction notice a copy of the notice, but failure or omission by the Fund to do so shall not invalidate such notice.
- 1.4.4. If shares are issued to a member as a result of that member holding other shares in the Fund and if the shares in respect of which the new shares are issued are default shares in respect of which the member is for the time being subject to particular restrictions, the new shares shall on issue become subject to the same restrictions whilst held by that member as such default shares. For this purpose, shares which the Fund procures to be offered to members pro rata (or pro rata ignoring fractional entitlements and shares not offered to certain members by reason of legal or practical problems associated with offering shares outside the United Kingdom or Guernsey) shall be treated as shares issued as a result of a member holding other shares in the Fund.
- 1.4.5. Any direction notice shall have effect in accordance with its terms for as long as the default, in respect of which the direction notice was issued, continues but shall cease to have effect in relation to any shares which are transferred by such member by means of an approved transfer (as described in paragraph 1.4.6(b) below). As soon as practical after the direction notice has ceased to have effect (and in any event within seven days thereafter) the Directors shall procure that the restrictions imposed pursuant to the provisions described in paragraphs 1.4.2 and 1.4.4 above shall be removed and that dividends withheld pursuant to the provisions described in paragraph 1.4.2 above are paid to the relevant member.
- 1.4.6. For the purpose of this paragraph 1.4.6:
  - (a) a person shall be treated as appearing to be interested in any shares if the member holding such shares has given to the Fund a notification which either:
    - (i) names such person as being so interested; or

- (ii) fails to establish the identities of those interested in the shares and (after taking into account the said notification and any other relevant notification) the Fund knows or has reasonable cause to believe that the person in question is or may be interested in the shares;
- (b) a transfer of shares is an approved transfer if but only if:
- (i) is a transfer of shares to an offeror by way or in pursuance of acceptance of a public offer made to acquire all the issued shares in the capital of the Fund not already owned by the offeror or any connected person of the offeror in respect of the Fund; or
  - (ii) the Directors are satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the member and with other persons appearing to be interested in such shares; or
  - (iii) the transfer results from a sale made through a recognised investment exchange (as defined in the Financial Services and Markets Act 2000 of the United Kingdom) or any stock exchange outside the United Kingdom on which the Fund's shares are listed or normally traded.

1.4.7. Any shareholder who has given notice of an interested party in accordance with the requirements described in paragraph 1.3.1. above who subsequently ceases to have any party interested in his shares or has any other person interested in his shares must notify the Fund in writing of the cessation or change in such interest and the Directors shall promptly amend the register of interested parties accordingly.

## 1.5. Compulsory transfer of shares

1.5.1. If it shall come to the notice of the Board that any shares:

- (a) are or may be owned or held directly or beneficially by any person in breach of any law or requirement of any country or by virtue of which such person is not qualified to own those shares and, in the sole and conclusive determination of the Board, such ownership or holding or continued ownership or holding of those shares (whether on its own or in conjunction with any other circumstance appearing to the Board to be relevant) would in the reasonable opinion of the Board, cause a pecuniary or tax disadvantage to the Fund or any other holder of shares or other securities of the Fund which it or they might not otherwise have suffered or incurred; or
- (b) are or may be owned or held directly or beneficially by any person that is a employee benefit plan or other retirement arrangement or account that is subject to the provisions of Title I of ERISA; or

- (c) are or may be owned or held directly or beneficially by or on behalf of any Private Offering Holders (as defined in the Articles) such that the aggregate number of Private Offering Holders who are holders or beneficial owners (which for these purposes shall include beneficial ownership by attribution pursuant to section 3(c)(1)(A) of the Investment Company Act) of shares or other securities of the Fund is or may be more than 75; or
- (d) are or may be owned or held directly or beneficially by any person to whom a transfer of shares or whose ownership or holding of any shares might, in the opinion of the Board require registration of the Fund as an investment company under the Investment Company Act,

the Board may serve written notice (hereinafter called a “Transfer Notice”) upon the person (or any one of such persons where shares are registered in joint names) appearing in the register as the holder (the “Vendor”) of any of the shares concerned (the “Relevant Shares”) requiring the Vendor within 21 days (or such extended time as in all the circumstances the Board shall consider reasonable) to transfer (and/or procure the disposal of interests in) the Relevant Shares to another person who, in the sole and conclusive determination of the Board, would not cause the Fund to fall within paragraphs 1.5.1(a), 1.5.1(b), 1.5.1(c) or 1.5.1(d) above (such a person being hereinafter called an “Eligible Transferee”). On and after the date of such Transfer Notice, and until registration of a transfer of the Relevant Share to which it relates pursuant to the provisions referred to in this paragraph or paragraph 1.5.2 below, the rights and privileges attaching to the Relevant Shares will be suspended and not capable of exercise.

- 1.5.2. If within 21 days after the giving of a Transfer Notice (or such extended time as in all the circumstances the Board shall consider reasonable) the Transfer Notice has not been complied with to the satisfaction of the Board, the Fund may sell the Relevant Shares on behalf of the holder thereof by instructing the Board to sell them at the best price reasonably obtainable at the time of sale to any one or more Eligible Transferees. To give effect to a sale, the Directors may authorise in writing any officer or employee of the Fund or any officer or employee of the secretary of the Fund to transfer the Relevant Shares on behalf of the holder thereof (or any person who is automatically entitled to the shares by transmission or by law) or to cause the transfer of the Relevant Shares to the purchaser and in relation to an uncertificated share may require Euroclear to convert the share into certificated form and an instrument of transfer executed by that person will be as effective as if it had been executed by the holder of, or the person entitled by transmission to, the Relevant Shares. The purchaser is not bound to see to the application of the purchase money and the title of the transferee is not affected by any irregularity in or invalidity of the proceedings connected to the sale. The net proceeds of the sale of the Relevant Shares, after payment of the Fund’s costs of the sale, shall be received by the Fund, whose receipt shall be a good discharge for the purchase moneys, and shall belong to the Fund and, upon

their receipt, the Fund shall become indebted to the former holder of the Relevant Shares, or the person who is automatically entitled to the Relevant Shares by transmission or by law, for an amount equal to the net proceeds of transfer, in the case of certificated shares, upon surrender by him or them of the certificate for the Relevant Shares which the Vendor shall forthwith be obliged to deliver to the Fund. The Fund is deemed to be a debtor and not a trustee in respect of that amount for the member or other person. No interest is payable on that amount and the Fund is not required to account for money earned on it. The amount may be employed in the business of the Fund or as it thinks fit. The Fund may register or cause the registration of the transferee as holder of the Relevant Shares and thereupon the transferee shall become absolutely entitled thereto.

- 1.5.3. A person who becomes aware that he falls within any of paragraphs 1.5.1(a), 1.5.1(b), 1.5.1(c) or 1.5.1(d) above shall forthwith, unless he has already received a Transfer Notice pursuant to the provisions referred to in paragraph 1.5.1 above either transfer the shares to one or more Eligible Transferees or give a request in writing to the Board for the issue of a Transfer Notice in accordance with the provisions referred to in paragraph 1.5.1 above. Every such request in relation to certificated shares shall be accompanied by the certificate(s) for the shares to which it relates.
- 1.5.4. Subject to the provisions of the Articles, the Board will, unless any Director has reason to believe otherwise, be entitled to assume without enquiry that none of the shares are held in such a way as to entitle the Board to serve a Transfer Notice in respect thereof. The Board may, however, at any time and from time to time call upon any holder (or any one of joint holders or a person who is automatically entitled to the shares by transmission or by law) of shares by notice in writing to provide such information and evidence as it shall require upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within such reasonable period (not being less than 21 clear days after service of the notice requiring the same) as may be specified by the Board in the said notice, the Board may, in its absolute discretion, treat any share held by such a holder or joint holder or person who is automatically entitled to the shares by transmission or by law as being held in such a way as to entitle it to serve a Transfer Notice in respect thereof.
- 1.5.5. The Board shall not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions. The exercise of the powers conferred by the provisions referred to paragraphs 1.5.1 and/or 1.5.2 and/or 1.5.4 above may not be questioned or invalidated in any case on the ground that there was insufficient evidence of direct or beneficial ownership or holding of shares by any person or that the true direct or beneficial owner or holder of any shares was otherwise than as appeared to the Board at the relevant date provided that the said powers have been exercised in good faith.

## 1.6. Meetings of Shareholders

- 1.6.1. The first general meeting of the Fund should be held as required by law being within 18 months of 31<sup>st</sup> January 2008 (being the date of incorporation of the Fund) and thereafter annual general meetings shall be held once at least in each subsequent calendar year.
- 1.6.2. The Board may convene an extraordinary general meeting whenever it thinks fit. Extraordinary general meetings shall be held in Guernsey or otherwise as determined by the Board. Members holding at least one-tenth of the issued shares between them, excluding any treasury shares, may by serving a members' requisition on the Fund require the convening of an extraordinary general meeting. Every member of the Fund can attend a general meeting in person or by proxy.
- 1.6.3. A general meeting shall be called by not less than 14 clear days' notice.
- 1.6.4. The quorum for a general meeting is two members present in person or by proxy and entitled to vote.

## 1.7. Voting rights

- 1.7.1. Subject as described in paragraph 1.4 above and to any special rights or restrictions as to voting attached to any class of shares, at a general meeting every member who holds redeemable preference shares present in person has on a show of hands one vote and every member present in person or by proxy has on a poll one vote for every redeemable preference share of which he is the holder. The holder of a management share shall (in respect of such share) not have the right to vote as a member at any general meeting of the Fund except at such time as there are no redeemable preference shares in issue. Unless the Board otherwise decides, no member is entitled in respect of a share held by him to be present or to vote, either in person or by proxy, at a general meeting or at a separate meeting of the holders of a class of shares or on a poll, or to exercise other rights conferred by membership in relation to the meeting or poll, if a call or other amount due and payable in respect of the share is unpaid. This restriction ceases on payment of the amount outstanding and all costs, charges and expenses incurred by the Fund by reason of the non payment. No member will within the time set out in the relevant notice of the meeting be entitled to vote in respect of any shares unless he has been registered as their holder.
- 1.7.2. Any body corporate which is a member of the Fund may by resolution of its own directors or other governing body authorise such one or more persons as it thinks fit to act as its representatives at any meeting of the Fund or of any class of members of the Fund or to approve any resolution submitted in writing. Each representative so appointed will be entitled to exercise on behalf of the body corporate which he represents (in respect of that part of the body corporate's holding of shares to which the authorisation relates) those powers that the body corporate could exercise if it were an individual member, including power to vote on a show of hands or on a poll and to

demand or concur in demanding a poll. The body corporate will for the purposes of the Articles be deemed to be present in person at a meeting if a representative is present.

## 1.8. Directors

### 1.8.1. Appointment

Directors may be appointed by an ordinary resolution of the Fund or by the Board. Any Director appointed by the Board will hold office only until the next annual general meeting and will then be eligible for re-election. Unless the subscribers appoint a sole Director and until otherwise determined by the Board the number of Directors shall be not be less than two. At no time shall a majority of Directors be resident in the United Kingdom. A Director need not be a member of the Fund.

The Board may appoint one or more of its body to hold employment or executive office with the Fund for such term and on such other terms and conditions as the Board thinks fit. The Board may revoke or terminate an appointment, without prejudice to a claim for damages for breach of the contract of service between the Director and the Fund or otherwise. The salary or other remuneration of a Director appointed to hold employment or executive office may be a fixed sum of money, or wholly or in part governed by business done or profits made, or as otherwise decided by the Board, and may be in addition to or instead of a fee payable to him for his services as Director.

The Board may enter into an agreement or arrangement with any Director for the provision of any services outside the scope of the ordinary duties of a Director. Any such agreement or arrangement may be made on such terms and conditions as the Board thinks fit and the Board may remunerate any such Director for his services as it thinks fit (whether by way of salary, percentage of profits or otherwise and either in addition to or in substitution for any other remuneration which he may be entitled to receive).

### 1.8.2. Retirement by Rotation

At each annual general meeting when any one or more of the Directors who are subject to retirement by rotation:

- (a) were last appointed or reappointed three years or more prior to the meeting;
- (b) were last appointed or reappointed at the third immediately preceding annual general meeting; or
- (c) at the time of the meeting will have served more than eight years as a non executive director of the Fund,

he or they shall retire from office. If the number of Directors otherwise required to retire at any annual general meeting is less than one third of the number of Directors who are subject to retirement by rotation (rounded down if not a whole number), additional such Directors shall retire from office so that the total number of such Directors retiring by rotation at that annual general meeting is at least equal to one third of the number of Directors who are subject to retirement by rotation (rounded down if not a whole number), provided that if there are fewer than three Directors who are subject to retirement by rotation, at least one shall retire from office. Without prejudice to the foregoing sentence, and in addition to any Directors retiring pursuant to such sentence, any Director required to be subject to annual re-election by shareholders pursuant to the requirements of the CISX will retire from office at each annual general meeting and will not be treated as subject to retirement by rotation for the purposes of determining the number or identity of the Directors required to retire by rotation at that annual general meeting.

Subject to the above, the Directors to retire by rotation at an annual general meeting (so far as necessary to obtain the number required) shall include, first, any Director who wishes to retire and, secondly, those Directors who have been longest in office since their last appointment or reappointment. As between two or more who have been in office an equal length of time, the Director to retire will be determined by agreement between them or by lot.

1.8.3. Removal of Directors

The Fund may by ordinary resolution remove a Director before the expiry of his period of office.

1.8.4. Remuneration expenses and pensions

Unless otherwise decided by the Fund by ordinary resolution, the Fund shall pay to the Directors (but not alternate Directors) for their services as Directors out of the funds of the Fund by way of fees such sums as the Board decides (not exceeding £100,000 per annum in aggregate or such larger amount as the Company may by ordinary resolution decide). The aggregate fees will be divided among the Directors in such proportions as the Board decides or, if no decision is made, equally.

A Director who, at the request of the Board, goes or resides in any country not his usual place of residence, makes a special journey or performs a special service on behalf of the Fund may receive such sum as the Board may think fit.

A Director is entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by him in the performance of his duties as Director including, without limitation, expenses incurred in attending meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of a class of shares or debentures.

The fee payable to an alternate Director is payable out of the fee payable to his appointor and an alternate Director is not entitled to a fee from the Fund.

1.8.5. Directors' interests

- (a) Provided he has disclosed to the Board the nature and extent of any material interest of his, a Director, notwithstanding his office:
  - (a) may enter into or otherwise be interested in a contract, arrangement, transaction or proposal with the Fund or in which the Fund is otherwise interested either in connection with his tenure of an office or place of profit or as seller, buyer or otherwise;
  - (b) may hold another office or place of profit with the Fund (except that of auditor or auditor of a subsidiary of the Fund) in conjunction with the office of Director and may act by himself or through his firm in a professional capacity to the Fund, and in that case on such terms as to remuneration and otherwise as the Board may decide either in addition to or instead of remuneration provided for in the Articles;
  - (c) may be a director or other officer of, or employed by, or a party to a contract, transaction, arrangement or proposal with or otherwise interested in, a company promoted by the Fund or in which the Fund is otherwise interested or as regards which the Fund has a power of appointment; and
  - (d) is not liable to account to the Fund for a profit, remuneration or other benefit realised by such contract, arrangement, transaction, proposal, office or employment and no such contract, arrangement, transaction or proposal is avoided on the grounds of any such interest or benefit.
- (b) A Director may not vote on or be counted in the quorum in relation to a resolution of the Board or of a committee of the Board concerning a contract, arrangement, transaction or proposal to which the Fund is or is to be a party and in which he has an interest which is, to his knowledge, a material interest (otherwise than by virtue of his interest in shares or debentures or other securities of or otherwise in or through the Fund), but this prohibition does not apply to a resolution concerning any of the following matters:
  - (a) the giving of a guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person at the request of or for the benefit of the Fund or any of its subsidiary undertakings;
  - (b) the giving of a guarantee, security or indemnity in respect of a debt or obligation of the Fund or any of its subsidiary

undertakings for which he himself has assumed responsibility in whole or in part, either alone or jointly with others, under a guarantee or indemnity or by the giving of security;

- (c) a contract, arrangement, transaction or proposal concerning an offer of shares, debentures or other securities of the Fund or any of its subsidiary undertakings for subscription or purchase, in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
  - (d) a contract, arrangement, transaction or proposal to which the Fund is or is to be a party concerning another company (including a subsidiary undertaking of the Fund) in which he is interested (directly or indirectly) whether as an officer, shareholder, creditor or otherwise (a “relevant company”), if he does not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital of or the voting rights in the relevant company;
  - (e) a contract, arrangement, transaction or proposal for the benefit of the employees of the Fund or any of its subsidiary undertakings (including any pension fund or retirement, death or disability scheme) which does not award him a privilege or benefit not generally awarded to the employees to whom it relates; and
  - (f) a contract, arrangement, transaction or proposal concerning the purchase or maintenance of any insurance policy for the benefit of directors or for the benefit of persons including directors.
- (c) A Director may not vote on but may be counted in the quorum in relation to a resolution of the Board or committee of the Board concerning his own appointment (including, without limitation, fixing or varying the terms of his appointment or its termination) as the holder of an office or place of profit with the Fund or any company in which the Fund is interested. Where proposals are under consideration concerning the appointment (including, without limitation, fixing or varying the terms of appointment or its termination) of two or more Directors to offices or places of profit with the Fund or a company in which the Fund is interested, such proposals will be divided and a separate resolution considered in relation to each Director. In that case each of the Directors concerned (if not otherwise debarred from voting under Article 106) is entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

- (d) The Fund may by ordinary resolution suspend or relax the provisions described in paragraphs 1.8.5(a)-(c) above.

1.9. Borrowing powers

- 1.9.1. The Board may exercise all the powers of the Fund to borrow or raise money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking property or assets (present or future) and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Fund or of a third party.

1.10. Dividends

- 1.10.1 The Fund may by ordinary resolution declare a dividend but no dividend shall exceed the amount recommended by the Board.
- 1.10.2. No dividend shall be payable except out of the profits of the Fund.
- 1.10.3. The Board may declare and pay such interim dividends as appear justified by the profits of the Fund available for distribution. No interim dividend shall be declared or paid on shares which do not confer preferred rights with regard to dividend if, at the time of declaration, any dividend on shares which do confer a right to a preferred dividend is in arrears.
- 1.10.4. Except as otherwise provided by the rights attached to shares, a dividend will be declared and paid according to the amounts paid up on the shares in respect of which the dividend is declared and paid, but no amount paid up on a share in advance of a call may be treated for these purposes as paid up on the share. Except as otherwise so provided, dividends will be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.
- 1.10.5. Dividends unclaimed for a period of 12 years after having been declared or become due for payment are forfeited and cease to remain owing by the Fund.
- 1.10.6. If, in respect of a dividend or other amount payable on a share, a cheque, warrant or money order is returned undelivered or left uncashed or a transfer made by a bank or other funds transfer system is not accepted, and reasonable enquiries have failed to establish another address or account of the person entitled to the payment (on any one occasion), the Fund is not obliged to send or transfer the dividend or other amount payable until the shareholder has notified the Fund of the address or account to be used for that purpose.
- 1.10.7. The Board may, with the prior authority of an ordinary resolution, direct the payment of a dividend may be satisfied wholly or partly by the distribution of specific assets.

*Please note that the Board has no current intention to declare dividends.*

## 1.11. Capital reserve

- 1.11.1. The Directors may establish a non-distributable reserve to be called the “capital reserve” and may either carry to the credit of such reserve from time to time, or apply in providing for depreciation or contingencies, all capital profits arising on the sale, transfer, conversion, payment off or realisation of any investments or other capital assets of the Fund in excess of the book value thereof, all other capital profits and all unrealised appreciation of investments or other assets representing or in the nature of accretion to capital assets. Any losses realised on the sale, transfer, conversion, payment off or realisation of any investments or other capital assets and provisions in respect of the diminution in value or depreciation in the value of capital assets may be carried to the debit of the capital reserve except in so far as the Directors may in their discretion decide to make good the same out of other funds of the Fund.
- 1.11.2. Subject to the Companies Law, where any asset, business or property is bought by the Fund as from a past date whether such date be before or after the incorporation of the Fund, profits and losses as from such date may at the discretion of the Directors in whole or in part be carried to revenue account and treated for all purposes as profits and losses of the Fund. Subject as aforesaid if any shares or securities are purchased cum dividend or interest such dividend or interest may at the discretion of the Directors be treated as revenue and it will not be obligatory to capitalise all or part of the same.
- 1.11.3. The Directors may determine whether any amount received by the Fund is to be dealt with as income or capital or partly one and partly the other (including, without limitation, whether an amount may be used in whole or in part for any purpose, including the payment of dividends), and whether any cost, liability or expense (including any costs incurred or sums expended in connection with the management of the assets of the Fund and any finance costs (including, without limitation, any interest payable by the Fund in respect of its borrowings)) is to be treated as a cost, liability or expense chargeable to capital or to revenue or partly one and partly the other, and to the extent the Directors determine that any such cost, liability or expense should be apportioned to capital the Directors may debit or charge the same to the capital reserve.
- 1.11.4. Any reserves or other sums arising on the reduction or cancellation of any share premium account or capital redemption reserve of the Fund will not be treated as capital for the purposes of the Articles and will not be carried to the credit of the capital reserve.
- 1.11.5. All sums carried and standing to the capital reserve may be applied for any of the purposes to which sums standing to any revenue reserve are applicable.

1.11.6. Notwithstanding any provision of the Articles, the Fund is not prohibited from redeeming or purchasing its own shares out of its capital profits or other amounts standing to the capital reserve.

1.12. Capitalisation of reserves

The Board may, with the authority of an ordinary resolution of the Fund resolve to capitalise any undistributed profits of the Fund or any part of the amount for the time being standing to the credit of any of the Fund's reserve accounts whether or not available for distribution, appropriate the sum resolved to be capitalised to the members who, in the case of any amount capable of being distributed by way of dividend, would have been entitled thereto if so distributed or, in the case of any amount not so capable, to the members who would have been entitled thereto on a winding up of the Fund and in either case in the same proportions and apply that sum on their behalf in paying up amounts unpaid on shares held by them or paying up in full unissued shares or debentures of a nominal amount equal to that sum and the Board may make any arrangements it thinks fit to resolve a difficulty arising in the distributions of a capitalised reserve.

1.13. Duration of the Fund

1.13.1. At the annual general meeting of the Fund falling subsequent to the Fund's seventh anniversary of incorporation and, if each previous such resolution shall have been passed at each second annual general meeting of the Fund convened by the Board thereafter, the Board shall propose an ordinary resolution that the Fund should continue as an investment company.

1.13.2. If any such ordinary resolution is not passed, the Directors shall draw up proposals for the future of the Fund (which may include voluntary liquidation, unitisation or other reorganisation of the Fund) for submission to the members of the Fund at an extraordinary general meeting to be convened by the Board for a date not more than three months after the date of the meeting at which such ordinary resolution was not passed.

1.13.3. The Board shall ensure that such proposals for the liquidation, unitisation or reconstruction of the Fund as are approved by special resolution are implemented as soon as is reasonably practicable after the passing of such resolution.

1.14. Distribution of assets on liquidation

1.14.1. On a winding-up of the Company the liquidator shall, subject to the Companies Law, apply the assets of the company in such manner and order as he thinks fit in satisfaction of creditors' claims. The assets available for distribution among the members shall then be applied in the following priority:

- (a) first, in payment to the holders of redeemable preference shares a sum equal to the amount paid up thereon, provided

that there are sufficient assets available to enable such payment to be made;

- (b) second, in payment to the holders of management shares of sums up to the amount paid up thereon; and
- (c) third, in payment to the holders of redeemable preference shares, any balance then remaining, such payment being made in proportion to the number of redeemable preference shares held.

1.14.2 On a winding up the liquidator may, on obtaining any sanction required by law, divide among the members in kind the whole or any part of the assets of the Fund. For this purpose, the liquidator may set the value he deems fair on a class or classes of property, and may determine on the basis of that valuation and in accordance with the then existing rights of members how the division is to be carried out or vest the whole or any part of the assets in trustees. The liquidator may not distribute to a member without his consent an asset to which there is attached a liability or potential liability for the owner.

#### 1.15. Untraced Shareholders

The Fund may, three months after advertising its intention in newspapers in the United Kingdom, Guernsey, Jersey and any jurisdiction where a holder of shares as shown in the register resides, sell any shares if the shares have been in issue for at least 12 years and during that period at least three cash dividends have become payable on them, no cheque or warrant or money order sent to the member has been cashed, no payment made by the Fund has been claimed or accepted and, so far as any director of the Fund at the end of the relevant period is then aware, the Fund has not received any communication during the relevant period from the member or the person entitled to them by transmission. Upon such sale, the Fund will become indebted to the former holder of the shares or the person entitled to them by transmission for an amount equal to the net proceeds of sale.

#### 1.16. Indemnity

Without prejudice to any indemnity to which he may otherwise be entitled, every person who is or was a Director, alternate Director or secretary of the Fund and their respective heirs and executors will be fully indemnified out of the assets and profits of the Fund from and against all actions expenses and liabilities which they or their respective heirs or executors may incur by reason of any contract entered into or any act in or about the execution of their respective offices or trusts except such (if any) as they may incur by or through their own wilful act neglect or default respectively and none of them will be answerable for the acts, receipts, neglects or defaults of the others of them or for joining in any receipt for the sake of conformity or for any bankers or other person with whom any moneys or assets of the Fund may be lodged or deposited for safe custody or for any bankers or other persons into whose hands any money or assets of the Fund may come or for any defects of title of the Fund to any property purchased or for insufficiency or deficiency of or defect in title of the

Fund to any security upon which any moneys of the Fund may be placed out or invested or for any loss misfortune or damage resulting from any such cause as aforesaid or which may happen in or about the execution of their respective offices or trusts except should the same happen by or through their own wilful act neglect or default.

**2. Further information relating to the Fund**

2.1 Aside from the Fund other directorships of the Directors currently held and held in the past five years:

1. William Scott

Current Directorships of William Scott

AcenciA Debt Strategies Limited  
AIM Realisation Fund Limited  
Bluehone Value Fund Limited  
FCM Catalyst Fund SPC  
FCM Catalyst Master Fund SPC  
Financial Risk Management Diversified Fund Limited  
Financial Risk Management Matrio Fund Limited  
FRM Access II Fund SPC  
FRM Credit Strategies Fund PCC Limited  
FRM Credit Strategies Master Fund PCC Limited  
FRM Diversified II Fund SPC  
FRM Diversified II Master Fund Limited  
FRM Equity Opportunity Fund SPC  
FRM Equity Opportunity Master Fund SPC  
FRM Global Equity Fund SPC  
FRM Global Equity Master Fund SPC  
FRM Multi-Strategy Opportunity Fund SPC  
FRM Multi-Strategy Opportunity Master Fund SPC  
FRM Sigma Fund Limited  
FRM Strategic Fund PCC Limited  
FRM Strategic Master Fund Limited  
FRM Thames Fund General Partner 1 Limited  
Hanseatic Asset Management LBG  
Henderson Global Property Companies Limited  
Henderson Global Property Companies (Luxembourg) S.a.r.l.  
Land Race Limited  
Nufcor Uranium Limited  
Onyx Investments Limited  
PIG Fund Farnborough SPV Limited  
PIG Fund Gloucester SPV Limited  
PIG Fund Guildford SPV Limited  
PIG Fund Horsham SPV Limited  
PIG Fund Lynchford SPV Limited  
PIG Fund Poole SPV Limited

PIG Fund Weymouth SPV Limited  
Property Income & Growth Fund Limited  
PSource Structured Debt Limited  
RAB Multi Strategy Company Limited  
Saltus European Debt Strategies Limited  
Sandbourne Fund  
Spek Developments (Proprietary) Limited  
Utrup Investment Management Limited  
Utrup Investment Management Fund PCC Limited  
Vision Asia Opportunities Fund Limited  
30 St. Mary Axe Management Limited Partnership Incorporated

Previous Directorships of William Scott within past 5 years:

Argonaut European Income Fund Limited  
BC American Hedge Fund  
BC Property Securities Limited  
Centurion Management Services Limited  
Defined Return Fund Limited  
Falcon Asset Backed Investments Limited  
FRM Access Fund PCC Limited  
FRM Gartmore Hedge Fund Limited  
FRM Manufactured Alpha Fund SPC  
Property Income & Growth Fund Cheltenham SPV Limited  
Property Income & Growth Fund Frimley SPV Limited  
TANTS 1 Limited  
The MBAM FRM Hedge Fund Limited  
Zero Dividend Recovery Fund Limited

Directorships of William Scott in last five years where the company concerned has entered into a voluntary members' liquidation:

Argonaut European Income Fund Limited  
BC American Hedge Fund  
BC Property Securities Limited  
TANTS 1 Limited  
Zero Dividend Recovery Fund Limited

In each of the above instances, the company concerned had outlived its commercial purpose and was accordingly liquidated with no deficiency to creditors.

2. Roger le Tissier

Current Directorships of Roger le Tissier

Acumen Guaranteed Fund PCC Limited  
Avon 1 Limited  
Canopus Group Limited  
Capita Alternative Fund Services (Guernsey) Ltd  
Capita Registrars (Guernsey) Limited  
Celsius Capital PCC Limited  
Channel Wines & Spirits Limited  
Clifton 1 Limited  
Colibri Asset Finance Limited  
Coller International Partners III Limited  
Coller International Partners IV Limited  
Coller Investment Management Limited  
Copernicus Capital Limited  
Corilius (Guernsey) Limited  
Corilius Holdings Limited  
CS Alternative Invest Ltd (In Voluntary Liquid)  
CS Investment Limited  
Cube Investment Management Guernsey Limited  
Dexion Capital (Guernsey) Limited  
Dexion Capital Holdings Limited  
DFD Select Group Limited  
DSCSS GP Limited  
Emap Guernsey B2 Limited  
Emap Guernsey B3 Limited  
Emap Guernsey P Limited  
EMP Europe (CI) Limited  
EQT Expansion Capital II Investments Limited  
EQT Expansion Capital II Limited  
EQT Mezzanine Limited  
EQT MLP Limited  
Feeder Vehicle One Limited  
Genworth Mortgage Insurance Limited  
GMT III General Partner Limited  
GMT III SPV Limited  
GMT III Designated Limited Partnership Limited  
Guggenheim Global Infrastructure Company Limited  
InfEnergy Limited  
IPG Healthcare 501  
Jule B1 Limited  
Jule B2 Limited  
Jule B3 Limited  
Karneval II GP Limited  
Loudwater Trust Limited  
Low Carbon Holdings Limited

Mid Europa III Management Limited  
Mid Europa Partners Limited  
Myzornis Limited  
Nicobar Limited  
Ogier Corporate Finance Limited  
Ogier Corporate Services (Guernsey) Limited  
Ogier Fiduciary Services (Guernsey) Limited  
Ogier Fund Administration (Guernsey) Limited  
Ogier Nominees (Guernsey) Limited  
Ogier Secretaries (Guernsey) Limited  
Ogier Trustee (Guernsey) Limited  
Otago Limited  
Pension Security Insurance Corporation Limited  
Real Estate Capital (Foundation) Limited  
Real Estate Capital Funding No.6 Limited  
Real Estate Capital Limited  
Reigo Nominees (Guernsey) Limited  
Sungrebe Limited  
TS Fleetway House I Limited  
TS Fleetway House II Limited  
TS Fleetway House III Limited  
UK Property Holdings Limited  
UKPH No.1 Limited  
UKPH Nominee 1 Limited  
UKPH Nominee 10 Limited  
UKPH Nominee 11 Limited  
UKPH Nominee 12 Limited  
UKPH Nominee 13 Limited  
UKPH Nominee 14 Limited  
UKPH Nominee 15 Limited  
UKPH Nominee 16 Limited  
UKPH Nominee 17 Limited  
UKPH Nominee 18 Limited  
UKPH Nominee 19 Limited  
UKPH Nominee 2 Limited  
UKPH Nominee 21 Limited  
UKPH Nominee 22 Limited  
UKPH Nominee 23 Limited  
UKPH Nominee 3 Limited  
UKPH Nominee 4 Limited  
UKPH Nominee 5 Limited  
UKPH Nominee 6 Limited  
UKPH Nominee 7 Limited  
UKPH Nominee 8 Limited  
UKPH Nominee 9 Limited  
Vincentia Limited  
Walkato Limited  
Whitecastle Limited

Previous Directorships of Roger le Tissier within past 5 years

Benin Limited  
Blackcastle Limited  
Coller International Partners III Limited  
Eagle Properties (G.P.) Limited  
Far Blue CI (Guernsey) Limited  
Finans Management (Guernsey) Limited  
Forbrit Nominees Limited  
Forbrit Secretaries Limited  
Gottex Fund Management Holdings Limited  
Guernsey Loan Asset Securitisation Scheme Limited  
HMV Guernsey Limited  
Jule P Limited  
Jule T Limited  
Lonpen A Limited  
Low Carbon Initiative Limited  
Matrix Inchinnan RR Guernsey Limited  
MEIF II Guernsey GP Limited  
MP Trustees Limited  
Noordeinde I Limited  
Noordeinde II Limited  
Noordeinde IV Limited  
Noordeinde V Limited  
Ogier Fund Administration (Jersey) Limited  
Penlon A Limited  
Polestar International Limited  
PSIC Holdings (Guernsey) Limited  
Real Estate Capital Funding Limited  
Real Estate Capital Funding No.2 Limited  
Real Estate Capital Funding No.4 Limited  
Solent Capital (Guernsey) Limited  
Star II GP Limited  
Statex Investments Limited  
Troy Fund PCC Limited  
Tuvalu Limited  
Wedding Belles Limited

3. Mark Warde-Norbury

Current Directorships of Mark Warde-Norbury

St Helen's Capital Plc  
Bonhote Foster Agencies Ltd  
St Helen's Private Equity Plc  
St Helen's Property Investments Ltd  
Sea Breeze Property Investments Ltd  
BFA Holdings Ltd

Previous Directorships of Mark Warde-Norbury within past 5 years

MacNiven & Cameron Equity Holdings Ltd  
HTTP Software Plc  
Qualified Investor Services Ltd

2.1 Details relating to the Auditors

The Auditors are BDO Novus Limited, PO Box 180, Elizabeth House, St Peter Port, Guernsey GY1 3LL. BDO Novus Limited is a member of BDO International, one of the largest accounting and consulting organisations in the world.

3. **Information concerning the Fund's management and other matters**

3.1 The Directors' business addresses are:

William Scott: c/o Praxis Fund Services Limited  
PO Box 296  
St Peter Port  
Guernsey  
GY1 4NA

Roger Le Tissier: Ogier House  
St Julian's Avenue  
St Peter Port  
Guernsey  
GY1 1WA

Mark Warde-Norbury: c/o Praxis Fund Services Limited  
PO Box 296  
St Peter Port  
Guernsey  
GY1 4NA

3.2 The statutory records of the Fund are held at the office of the Administrator which is PO Box 296, St Peter Port, Guernsey GY1 4NA.

- 3.3 The Directors and associates of the Directors have no interests as of the date of this Offering Memorandum in Shares. The Management Shares are held in the name of two nominee companies of the Fund's Guernsey lawyers on trust for the Manager.
- 3.4 As of the date of the Offering Memorandum no person is directly or indirectly interested in ten per cent or more of the nominal value of the Shares.
- 3.5 There is no contract or arrangement subsisting at the date of the Offering Memorandum in which the Fund is materially interested and which is significant in relation to the activities of the Fund save for contracts or arrangements expressly referred to in this Offering Memorandum.
- 3.6 There are no outstanding loans by the Fund to the Directors nor have any guarantees been provided by the Fund for the benefit of any Director or Directors.
- 3.7 The following contracts have been entered into by the Fund and are dated 5<sup>th</sup> February 2008:
- 3.7.1 an Investment Management Agreement between the Fund and Flight & Partners Limited;
  - 3.7.2 an Administration Agreement between the Fund and Praxis Fund Services Limited;
  - 3.7.3 A Listing Sponsors Agreement between the Fund and Praxis Fund Services Limited.
- 3.8 The following documents may be inspected at the offices of the Administrator, Praxis Fund Services Limited during office hours from the date of this Offering Memorandum until the Closing Date:
- 3.8.1 the Memorandum and Articles of Association of the Fund;
  - 3.8.2 each of the documents listed in 3.7 above.
- 3.9 Details of the authorised share capital of the Fund are set out in the Articles. There has been no increase in the capital of the Fund within the two years preceding the issue of the Offering Memorandum.
- 3.10 No Shares are under option or agreed conditionally or unconditionally to be under option.
- 3.11 Financial Position of the Fund

As of the date of the Offering Memorandum the Fund has undertaken no investments and its sole activities have been the procedures necessary to enable the Offer to be made on the terms of this Offering Memorandum. As of the date of the Offering Memorandum the Fund has no liabilities save for liabilities to make payments that

become due under the contracts and arrangements described in Sections C and D of this Offering Memorandum.

3.12 Management Shares

The two management shares in the capital of the Company are held in the name of two nominee companies on trust for the Manager.

3.13 Legal or arbitration proceedings

As of the date of the Offering Memorandum there are no legal or arbitration proceedings (nor as far as the Directors are aware) threatened which may have a significant effect on the Fund's financial position.

3.14 Further issues of Shares

Other than through the exercise of options/warrants units of the same class of the Shares, shares may not be issued at a price which is less than the Net Asset Value per Share unless authorised by a majority of Shareholders or offered first on a pro-rata basis to Shareholders.

3.15 Shares issued with preferred or other rights

With regard to Shares issued in the capital of the Fund rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the shares of that class) be deemed to be varied by the creation, allotment or issue of further shares ranking pari passu therewith or by the purchase or redemption by the Fund of its own shares in accordance with the laws of the Island of Guernsey and the Articles of Association (for the purposes of this paragraph 3.15 "the laws of the Island of Guernsey" means (i) the Companies (Guernsey) Law 1994 as amended, extended or replaced and (ii) every Act, Order in Council, Ordinance or Statutory Instrument for the time being in force concerning companies registered in Guernsey and affecting the Fund in each case as amended, extended or replaced and any ordinance, statutory instrument or regulation made thereunder).

3.16 On 4<sup>th</sup> February 2008, the holders of the two issued management shares in the Company, Reigo Nominees (Guernsey) Limited and Ogier Nominees (Guernsey) Limited, passed a written special resolution approving the cancellation of the entire amount which will stand to the credit of the share premium account immediately after the issue of any shares in the capital of the Company, conditionally upon the issue of the Shares and the payment in full thereof and with respect to any further issue of shares (of whatever class). An application will be made to the Royal Court of Guernsey to confirm the reduction of the share premium account. This cancellation, when confirmed by the Royal Court, will assist the Company to effect purchases of its own Shares because any surplus created by such cancellation will accrue to the Company's distributable reserves.

## SCHEDULE I

### **THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED APPLICATION FORM**

#### SUBSCRIPTION INSTRUCTIONS

##### **1. Declarations**

You must make the declarations in section 6 to the Application Form.

##### **2. Timing of Subscription**

Subscriptions Agreements and related subscription monies for Shares must be received by 2.p.m. (Guernsey time) on 29 February, 2008, the last Business Day of the Offer Period.

##### **3. Subscription**

Your application to invest in the Company should be made by completing the printed Application Form and mailing or faxing the duly completed original (if faxed the original must be followed by mail) to:

Praxis Fund Services Limited

Re: The Flight and Partners Recovery Fund Limited

PO Box 296

St Peter Port

Guernsey

GY1 4NA

Fax: + 44 (0) 1481 749829

Tel: + 44 (0) 1481 737600 – Please call if you need guidance on completing this Application Form.

Email: [info@pfs.gg](mailto:info@pfs.gg)

Web: [www.pfs.gg](http://www.pfs.gg)

Investors may request copies of the application form from the Administrator. The Administrator must be sent a completed application form for each Share issue.

Applications for an initial purchase of Shares must be for an amount of not less than £50,000. The Investment Adviser, its directors, staff and connected persons are not subject to the minimum investment levels.

All queries regarding the completion of the Application Form should be addressed to the Administrator.

#### **4. General Information**

Shares will not be finally allotted until the Administrator is satisfied that cleared funds have been received.

The Company reserves the right to reject any application in whole or in part, in which event the application money or any balance will be returned by post or transfer at the risk of the applicant.

If the amount paid does not correspond to a specific number of Shares, the Company will issue such number of Shares as is applicable, calculated to four decimal places.

#### **5. Anti-Money Laundering**

Measures aimed towards the prevention of money laundering require the applicant to verify their identity as noted in section 7 of the Application Form. The applicant must ensure that where payment is made by SWIFT, the financial institution remitting their subscription funds sends a fax to the Manager containing the information noted in Appendix A to the Application Form.

#### **6. Contract Notes**

Contract notes will be sent to applicants or their agents within ten days of the expiry of the Offer Period confirming details of all transactions.

#### **7. Share Certificates**

To avoid unnecessary expense and to facilitate redemption of Shares, no certificate will be issued.

**8. Registration**

Please complete the relevant section(s) below and please write name(s) using block capitals and fill in the address as indicated. Where there are joint applicants, all correspondence will be sent to the first named applicant at that address. If a nominee is appointed, all correspondence will be sent to the nominee.

**9. Signature**

The Disclosure Statement should be read carefully and signed by the applicant(s) on the appropriate line(s). If any signature is different from the name given for registration purposes, please complete the full name in block capitals and state the capacity in which the application form is being signed, where indicated.

**SCHEDULE II**

**THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED**

**APPLICATION FORM**

To: Praxis Fund Services Limited re The Flight and Partners Recovery Fund Limited  
PO Box 296  
St Peter Port  
Guernsey  
GY1 4NA

Fax: + 44 (0) 1481 749829

Tel: + 44 (0) 1481 737600

Email: [info@pfs.gg](mailto:info@pfs.gg)

Web: [www.pfs.gg](http://www.pfs.gg)

**Please use block capitals**

**1. Details of Applicants**

**Corporate applicants (including as trustees) and partnerships should complete the section below:**

Company Name:
Place of Incorporation:
Statement of Companies Activity:
Registered Office:

Correspondence address (if different):
Tel No:
Fax No:
Email:

Tel No:
Fax No:
Email:

**Other Instructions:**


**Individuals (including individuals acting as trustees) should complete the section below:**

Mr/Mrs/Miss (please state):
Forename(s):
Surname:
Home Address:
Occupation:
Passport or I.D. Number:
Place and Date of Birth:
Tel No:
Fax No:
Email:
Nationality:

Correspondence address (if different):
Tel No:
Fax No:
Email:

**Other Instructions:**


**Joint Applicant (if applicable)**

Mr/Mrs/Miss (please state):
Forename(s):
Surname:
Home Address:
Occupation:
Passport or I.D. Number:
Place and Date of Birth:
Tel No:
Fax No:
Email:
Nationality:

Correspondence address (if different):
Tel No:
Fax No:
Email:

**Other Instructions:**


**Shares will be registered exactly in accordance with the above particulars.**

**2. Payment by SWIFT or Telegraphic Transfer**

I/We the undersigned having received and read a copy of the Offering Memorandum (the “Particulars”) of THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED and apply to subscribe for Shares in THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED and undertake to have settled funds in full by telegraphic transfer, for value by 2.p.m. (Guernsey time) on the last Business Day of the Offer Period.

Please complete and tick the appropriate box (note payment should be made net of charges)

<i>Amount Remitted</i>	<i>Bank Transfer</i>	<i>Bankers Draft</i>	<i>Cheque</i>
£	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<p>If payment is to be made by cheque or bankers draft contact Praxis Fund Services Limited, PO Box 296, St Peter Port, Guernsey, GY1 4NA , Tel +44 (0) 1481 737600, email: <a href="mailto:info@pfs.gg">info@pfs.gg</a> to determine when payment needs to be received in order to allow funds to clear.</p> <p>The initial minimum investment is £50,000. The Investment Adviser, its directors, staff and connected persons are not subject to the minimum investment levels.</p>			

**Routing instructions for telegraphic transfer** – Please ensure that all payments are issued together with the letter included in Appendix A.

Bank:	Lloyds TSB Bank, 1 Smith Street, St Peter Port, Guernsey
Sort Code:	30-93-73
Account name:	THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED
Account no:	00430618
Reference: (Investor Name)	THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED

**3. Funds Being Transferred From**  
 (this information is required so that any queries on the identity of the receipt of funds can be traced properly)

Name of Account:
Account Number:
Name and Address of Bankers:
Sort Code/IBAN:

- Please note that additional information may be requested if funds are being transferred from an account held other than in the name of the Applicant.

**4. Reliable Introducer details – see Appendix C (to be completed by an “equivalent” regulated financial services business which has introduced the client and which holds the documentation required under anti-money laundering laws as set out in section 7)**

Introducers only please complete the section below prior to submitting this application form or use company stamp in box below

Name of contact at reliable introducer:	
Company Name:	
Address:	
Signature:	
Tel No:	Fax No:
Email:	

—  
| Company Stamp

—|

**5. Authorised Signatories (to be completed by applicant(s))**

The following individuals are authorised to give instructions on the account:

<b>Name</b>	<b>Signature or other means of identification</b>
(1)	
(2)	
(3)	
(4)	
(5)	

If there is insufficient space above, you should attach a list of authorised signatories.

**6. Declarations**

To: THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED and Praxis Fund Services Limited

6.1 I/We hereby apply for Shares in THE FLIGHT & PARTNERS RECOVERY FUND LIMITED as specified above and confirm that I/we agree with the terms of this Application

Form, including the attached Notes, and to be bound by the Particulars dated 21 February 2008.

- 6.2 I/We confirm that I am/we are 18 years of age or over, aware of the risks involved in investing in the Company, and an Eligible Investor (as defined in the Particulars) and am/are not acquiring Shares as a nominee for, a person who is not an Eligible Investor nor do I/we intend selling or transferring any Shares which I/we may purchase to any person who is not an Eligible Investor. I confirm that I am/ We are not a US Person (as defined in the Particulars).
- 6.3 I/We confirm that I was/we were not in the U.S. at the time any Shares were offered to me/us or when I/we executed this Agreement.
- 6.4 I/We agree to provide these confirmations to the Company at such times as the Company may request, and to provide on request such certifications, documents or other evidence as the Company may reasonably require to substantiate such representations.
- 6.5 I/We agree to notify the Company immediately if I/we become aware that any of the confirmations are no longer accurate and complete in all respects and agree immediately either to sell or to tender to the Company for redemption or transfer a sufficient number of Shares to allow the confirmation to be made.
- 6.6 I/We having received, understood and considered a copy of the Particulars and any Appendices hereby confirm that this subscription is based solely on the Particulars and any Appendices for the Company current at the date of this subscription and the material contracts therein referred and that I/we are not relying on any representations made by placement agents or other third parties.
- 6.7 The Administrator, the Manager and the Company are each hereby authorised and instructed to accept and execute any instructions in respect of the Shares to which this subscription relates given by me/us in written form by mail or by facsimile. If the instructions are given by me/us by facsimile, I/we undertake to confirm them in writing by mail. I/We hereby agree to indemnify each of the Administrator, the Manager and the Company and agree to keep each of them indemnified against any loss of any nature whatsoever arising to any of

them as a result of any of them acting upon facsimile instructions. The Administrator, the Manager and the Company may rely conclusively upon and shall incur no liability in respect of any action taken upon any notice, consent, request, instruction or other instrument believed in good faith to be genuine or to be signed by properly authorised persons.

- 6.8 I/We acknowledge that an investment in the Company involves special risks that could lead to a loss of all or a substantial portion of any investment made.

## 7. Identification of Subscribers under Anti-Money Laundering Regulations

In order to comply with regulations for the avoidance of money laundering, subscribers must be identified by the Administrator. **The form of identification required is detailed below and *either* Section A, B, C, D, E, F *or* G will apply. Please complete whichever is appropriate.**

The Notes are at the end of this section and should be used when completing this Section of the application form.

### **(A) Pooled Client Accounts opened by a Financial Services Business regulated by an Appendix C Country\*\* (e.g. the UK Financial Services Authority)**

Professional intermediaries holding funds on behalf of their clients in “client accounts” or deposits placed on a fiduciary basis held in pooled accounts and where such accounts are held in general “omnibus” accounts and bear no specific designation, an accepting person is not required to look through this arrangement and obtain documentary evidence of identity for the underlying clients, so long as it has assessed and is satisfied with the customer due diligence procedures in place at the professional intermediary. An accepting person may treat the professional as the principal to be identified.

As an essential part of our know your client verification procedures, we require the following items:

1.	Certified copy of Regulators Licence.
2.	Original certified true copy of Certificate of Incorporation.
3.	Full names and specimen signatures of any individuals from the Financial Services Business on whose instructions or requests we might be expected to act (to be provided under Section 5).
4.	Pooled Client Account Letter in accordance with <i>Appendix B</i> of this application form.

**(B) Reliable Introduction through a Financial Services Business regulated by an Appendix C Country\*\* (e.g. the UK Financial Services Authority)**

As an essential part of our know your client verification procedures, we require the following items:

1.	Certified copy of Regulators Licence.
2.	Original certified true copy of Certificate of Incorporation.
3.	Full names and specimen signatures of any individuals from the Reliable Introducer on whose instructions or requests we might be expected to act (to be provided under section 4).
4.	Reliable Introduction Letter in accordance with <i>Appendix C</i> of this application form.

**(C) Individual**

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

As an essential part of our know your client verification procedures, we require the following items:

1.	An original certified true copy of a current passport, photographic driver's licence or photographic identity card.*
2.	An original current # Utility Bill or Bank Statement that shows the individual's usual residential address, or an original certified true copy of same*. <i># Please note that the Bill/ Statement must be no older than 3 months at time of certification. Verification must be of a physical address and not a PO Box number.</i>
3.	Please indicate the source of wealth: (e.g. savings, inheritance etc)

**(D) For corporate individuals which are Listed Company on a recognised Stock Exchange**

As an essential part of our know your client verification procedures, we require the following items:

1.	Written confirmation of listing on recognised Stock Exchange.
2.	Full names and specimen signatures of any individuals from the investing company on whose instructions or requests we might be expected to act.

**(E) For all other Corporate Investors**

As an essential part of our know your client verification procedures, we require the following items:

1.	One or more of the following (if a copy, it will need to be certified by an officer of the Company): a) original certified true copy of Certificate of Incorporation; b) a company registry search including confirmation that the legal body has not been, and is not in the process of being, dissolved, struck off, wound up or terminated; c) a copy of the latest audited financial statements; d) original certified true copy of Memorandum and Articles of Association.
2.	Identity verification documents for each beneficial owner, underlying principal, director, authorised signatory or equivalent holding either: - a 25% or greater interest in the capital or net assets of the Corporate Investor; or - with ultimate effective control over the capital or assets of the Corporate Investor
3.	Full names and specimen signatures of any individuals from the Corporate Investor (in addition to those in 2 above) on whose instructions or requests we might be expected to act. <i>(Letter from Corporate Investor signed by Director/ Company Secretary).</i> Each such individual needs to complete Section (C).

4.	Please indicate the source of wealth:
----	---------------------------------------

**(F) For Trusts, Nominees and Fiduciary Clients**

As an essential part of our know your client verification procedures, we require the following items:

1.	Extract of the Trust Deed reflecting the parties to the Trust (Trustees, Settlor, Principal Beneficiaries, Protector), the legal status, name and date of establishment of the Trust and the signature/seal pages.
2.	Completion of one of, for each a Trustee and Settlor and/or, Protector/Enforcer of sections (A), (B), (C), (D) or (E). And identity of Beneficiaries.
3.	Full names and specimen signatures of any individuals from the Trustee (on whose instructions or requests we might be expected to act – note only required if non-regulated Trustee). Each such individual needs to complete Section (C).
4.	Please indicate the source of wealth: (e.g. savings, inheritance etc)

**(G) For Partnerships**

As an essential part of our know your client verification procedures, we require the following items:

1.	Original certified true copy of the Partnership Certificate of Registration (in the case of Limited Partnerships) or Partnership Agreement identifying the general partners.
2.	List of all Partners' names (full names) with specimen signatures. Each such individual needs to complete Section (C).
3.	Full names and specimen signatures of any individuals from the Partnerships (on whose instructions or requests we might be expected to act – note only required if non regulated Trustee). Each such individual needs to complete Section (C).
4.	Please indicate the source of wealth: (e.g. savings, inheritance etc)

NOTES FOR COMPLETION OF IDENTIFICATION OF SUBSCRIBERS UNDER ANTI-MONEY  
LAUNDERING REGULATIONS

**7.1 \*PLEASE NOTE that certified copies of documents can only be accepted if they comply with the following – if they do not comply, we will need to return them to you for re-certification and this is likely to result in delay in the investment:**

7.1.1 Certification must be by one of the following (“Certifiers”):

1. a member of the judiciary, a senior civil servant, or a serving police or customs officer;
2. a member of an embassy, consulate or high commission of the country of issue of documentary evidence of identity;
3. a lawyer or notary public who is a member of a recognised professional body;
4. an actuary who is a member of a recognised professional body;
5. an accountant who is a member of a recognised professional body;
6. a member of the Institute of Chartered Secretaries and Administrators;
7. a director or officer of an Appendix C Country Financial Services Business e.g. an FSA Approved Person.

7.1.2 You will need to show the Certifier the original document or photocopy. Where the Certifier is to certify evidence of identity containing a photograph, the certifier will need to meet you.

The Certifier will compare the documents and must write the following words on the photocopy: “*Certified a true and correct copy of [the current valid passport/ utility bill/ national identity card etc] of [bearer’s full name].*”

7.1.3 The Certifier must sign and record in block capitals his/her full name, the capacity (refer to 7.1.1) in which **he/ she is signing, the date of certification and provide adequate information so that contact can be made with the Certifier in the event of a query.**

7.2 **\*\* Appendix C Country Financial Services Business**

Please refer to Appendix C of the Handbook for regulated Financial Services Businesses on Countering Financial Crime and Terrorist Financing as published from time to time by the Guernsey Financial Services Commission [www.gfsc.gg](http://www.gfsc.gg) as to which countries have “equivalent” regulation e.g. the UK Financial Services Authority.

7.3 \*\*\*The Administrator reserves the right to request further information from the client in order to satisfy itself that compliance with relevant rules and regulations designed to avoid money laundering have been met.

**8. Signatures**

**By signing below:**

- (a) I/We confirm that the subscription is made on the terms and conditions set out herein.
  
- (b) I/We certify the above information to be true and correct and that I/We will supply the required information with my/our application (all applicants to sign).

Applicants Signature:
Name (in block capitals):
Date:

Joint Applicant Signature:
----------------------------

Name (in block capitals):
Date:

**NOTES:**

Note 1: This application must be received by Praxis Fund Services Limited, PO Box 296, St. Peter Port, Guernsey, Channel Islands, GY1 4NA.

Note 2: To be valid, Application Forms must be signed by each applicant if there is more than one applicant. In the case of a partnership, subscriptions should be in the name(s) of and signed by all the partners.

Note 3: If this Application Form is signed under a power of attorney, such power of attorney or a duly certified copy thereof must accompany this Application Form.

Note 4: Measures aimed towards prevention of money laundering will require a subscriber to verify their identity. This obligation is absolute but may vary in accordance with the applicable criteria set by the Guernsey Financial Services Commission from time to time in accordance with the Criminal Justice (Proceeds of Crime) (Financial Services Businesses) (Bailiwick of Guernsey) Regulations 2007 regarding (1) applications being made via a recognised financial intermediary, or (2) payment made through a banking institution in a country with comparable safeguards against money laundering to those in the Bailiwick of Guernsey. All application forms must include the documentation as set down in section 7 of the Application Form. Shares will not be allocated to any application not including the required anti-money laundering documentation.

Note 5: If this form is not fully completed to the satisfaction of the Manager, the Application Form may not be accepted

## APPENDIX A

### Confirmation of Subscription Remittance

PLEASE GIVE THIS LETTER TO YOUR FINANCIAL INSTITUTION AND HAVE THEM RETURN IT BY FAX TO PRAXIS FUND SERVICES LIMITED AT THE SAME TIME THAT THE SUBSCRIPTION MONEY IS WIRED THIS IS REQUIRED SO THAT ANY QUERIES ON THE IDENTITY OF THE FUNDS RECEIVED CAN BE TRACED PROPERLY. (THIS IS NOT REQUIRED WHERE SUBSCRIPTIONS ARE MADE BY CHEQUE)

*[to be placed on letterhead of the financial institution remitting payment]*

Date

Via mail and facsimile: +44 (0) 1481 749829

Attention: Manager, Shareholder Services

Praxis Fund Services Limited

PO Box 296

St Peter Port

Guernsey

GY1 4NA

Dear Sirs

**RE: THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED**

1. Name of Remitting Financial Institution:
2. Address of Remitting Financial Institution:
3. Name of Customer:
4. Address of Customer:

5. We have credited the Flight and Partners Recovery Fund(s) bank account at [*Lloyds TSB Bank, 1 Smith Street, St Peter Port, Guernsey*], Account Number [*00430618*] for [*amount*] by order of [*subscriber*] on [*date*].

The above information is given in strictest confidence for your own use only and without any guarantee, responsibility or liability on the part of this institution or its officials.

Yours faithfully,

Signed: \_\_\_\_\_

Full Name: \_\_\_\_\_

Position: \_\_\_\_\_

## APPENDIX B

### ***POOLED CLIENT ACCOUNT LETTER***

The Directors  
Praxis Fund Services Limited  
P O Box 296  
St Peter Port  
Guernsey  
GY1 4NA

Dear Sir

#### **FLIGHT AND PARTNERS RECOVERY FUND LIMITED**

We understand that in accordance with Guernsey legislation, in order to treat us as the client principal, you require us to give the following confirmations to yourselves:

1. That we are an Appendix C financial services business, other than a trust and corporate service provider<sup>1</sup>;
  
2. we hereby provide written confirmation to Praxis Fund Services Limited that:
  - (1) we, the Intermediary, have appropriate risk-grading procedures in place to differentiate between the Customer Due Diligence (“CDD”) requirements for high and low risk relationships;
  
  - (2) we conduct all necessary CDD procedures in respect of our customers, including enhanced CDD measures for politically exposed persons and other high risk relationships;

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<sup>1</sup> Please refer to Appendix C of the Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing issued by the Guernsey Financial Services Commissions for details of recognised regulated jurisdictions.

(3) the account will only be operated by ourselves and that we have ultimate, effective control over the account.

Specify Country of Jurisdiction: \_\_\_\_\_

Specify name of Regulatory Authority: \_\_\_\_\_

We hereby confirm our agreement of the above terms of business.

Authorised Signatory

Authorised Signatory

## APPENDIX C

### ***RELIABLE INTRODUCTION LETTER***

The Directors  
Praxis Fund Services Limited  
P O Box 296  
St Peter Port  
Guernsey  
GY1 4NA

Dear Sir

#### **THE FLIGHT AND PARTNERS RECOVERY FUND LIMITED**

We understand that in accordance with Guernsey legislation, you are required to have in place “terms of business” with ourselves that confirm the following;

- (1) That in respect of all investors that we have introduced or will introduce to Praxis Fund Services Limited as Administrator of The Flight and Partners Recovery Fund Limited, we have completed the following Customer Due Diligence process:
  - (a) identifying the customer by name and verifying that customer’s identity using identification data;
  - (b) identifying any beneficial owner and underlying principal (in the case of a trust, the beneficiaries as beneficial owners and the settlors, trustees and the protector as underlying principals) and taking reasonable measures to verify the identity of any beneficial owner or underlying principal by name such that we are satisfied that we know who the beneficial owner is. For legal persons and legal arrangements this includes financial institutions taking reasonable measures to understand the ownership and control structure of the customer;
  - (c) determining whether the customer is acting on behalf of another person and taking reasonable steps to obtain sufficient identification data to identify and verify the identity of that other person; and

- (d) obtaining information on the purpose and intended nature of the business relationship;
- (2) That we will keep customer verification records in accordance with the relevant legislation operating in our jurisdiction, for countering financial crime and terrorist financing;
- (3) That we will provide copies of such verification records to Praxis Fund Services Limited, upon request and without delay and we acknowledge the requirement placed upon Praxis Fund Services Limited by Guernsey legislation to test this undertaking, periodically.

We hereby confirm our agreement of the above “terms of business”.

Yours faithfully

Authorised Signatory

Authorised Signatory