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**DATED 18 APRIL 2016**

**IA CAPITAL STRUCTURES (IRELAND) PLC**

**Income Properties (Series 58) Notes due 2021**

**issued under its € 5,000,000,000 Secured Note Programme**

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**SERIES MEMORANDUM**

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## General

This Series Memorandum (as used herein, this "**Series Memorandum**") is prepared in connection with the EUR 5,000,000,000 Secured Note Programme (the "**Programme**") of IA Capital Structures (Ireland) plc (the "**Issuer**") and is issued in conjunction with, and incorporates by reference the contents of, the Programme Memorandum dated 15 March 2012 relating to the Programme (the "**Programme Memorandum**").

Neither this Series Memorandum nor the Programme Memorandum constitutes a prospectus for the purposes of the Prospectus Directive.

This document should be read in conjunction with the Programme Memorandum and the Master Conditions (March 2014 Edition). Save where the context otherwise requires, terms defined in the Programme Memorandum have the same meaning when used in this Series Memorandum.

Subject as set out below the Issuer accepts responsibility for the information contained in this Series Memorandum other than the information in sections (i) *Information relating to the Arranger, Placing Agent, Sale Agent and the Calculation Agent; and (ii) the information contained in the Confidential Explanatory Memorandum (as defined herein)*. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), such information for which it accepts responsibility contained in this Series Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. The Issuer confirms that the information in the sections referred to in (i) to (ii) above has been accurately reproduced from information provided by the Arranger, Placing Agent, Sale Agent and Calculation Agent, and as far as the Issuer is able to ascertain, no facts have been omitted which would render the reproduced information inaccurate or misleading.

This Series Memorandum does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation, and no action is being taken to permit an offering of the Notes or the distribution of this Series Memorandum in any jurisdiction where such action is required.

No person has been authorised to give any information or to make representations other than those contained in this Series Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Arranger, the Trustee or any of them. Neither the delivery of this Series Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer since the date hereof.

Sanne Fiduciary Services Limited (the "**Trustee**") has not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking is made, whether express or implied, and no responsibility or liability is accepted by the Trustee as to the accuracy, completeness or nature of the information contained in this Series Memorandum, the *Confidential Explanatory Memorandum (as defined herein)* or with respect to the legality of investment in the Notes by any prospective investor or purchaser under applicable legal investment or similar laws or regulations.

Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of the provisions set out within this Series Memorandum and the Programme Memorandum.

For as long as the Notes remain outstanding, copies of the following documents will be available for inspection in physical form during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the registered office of the Issuer:

- (i) This Series Memorandum and the Programme Memorandum;
- (ii) The Master Documents;
- (iii) The Constituting Instrument dated the Issue Date; and
- (iv) The Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer.

***The Notes, which are described in this Series Memorandum, have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "Securities Act") or the securities laws of any of the States of the United States. Accordingly, the Notes are being offered and sold only in bearer form pursuant to the exemption afforded by Regulation S promulgated under the Securities Act solely outside of the United States and solely to non-U.S. persons and in specific reliance upon the representations by each Noteholder that (1) at the time of the offer and sale of the Notes to Noteholder, the Noteholder was not a U.S. Person as defined in Regulation S promulgated under the Securities Act, and (2) at the time of the offer and sale of the Notes to Noteholder and, as of the date of the execution and delivery of the purchasing or subscription agreement by the Noteholder, the Noteholder was outside of the United States. The Notes may not be offered or sold in the United States or to U.S. Persons (as defined in Regulation S) unless the securities are registered under the Securities Act, or an exemption from the registration requirements of the Securities Act is available. The Notes are subject to certain United States tax law requirements.***

The following legend will appear on all Temporary or Permanent Global Notes and any Receipts, Coupons or Talons in respect thereof:

**"ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE U.S. INTERNAL REVENUE CODE."**

The sections of the U.S. Internal Revenue Code referred to in the foregoing legend provide that, with certain exceptions, a United States taxpayer will not be entitled to deduct any loss, and will not be entitled to capital gains treatment in respect of any gain realised, on any sale, disposition or payment of a Note, Receipt, Coupon or Talon for U.S. federal income tax purposes.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), an offer of Notes to the public has not and may not be made in that Relevant Member State.

The Notes are illiquid investments, the purchase of which involves substantial risks. Any investor investing in the Notes should fully consider, understand and appreciate those risks.

**PARTICULAR ATTENTION IS DRAWN TO THE SECTION OF THIS SERIES MEMORANDUM HEADED "RISK FACTORS".**

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### **Documents incorporated by reference**

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The Programme Memorandum is incorporated in, and shall be taken to form part of this Series Memorandum. This Series Memorandum must be read and construed in conjunction with the Programme Memorandum and shall be deemed to modify and supersede the contents of such document to the extent that a statement contained herein is inconsistent with such contents.

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## Risk factors

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### General

The purchase of the Notes involves substantial risks. Each prospective purchaser of the Notes should be familiar with instruments having characteristics similar to the Notes and should fully understand the terms of the Notes and the nature and extent of its exposure to risk of loss.

Before making an investment decision prospective purchasers of the Notes should conduct such independent investigation and analysis regarding the Issuer, the Charged Assets, the Notes and all other relevant persons and such market and economic factors as they deem appropriate to evaluate the merits and risks of an investment in the Notes. As part of such independent investigation and analysis, prospective purchasers of Notes should consider carefully all the information set forth in this Series Memorandum and in the Programme Memorandum and the considerations set out below.

Investment in the Notes is only suitable for investors who have the knowledge and experience in financial and business matters necessary to enable them to evaluate the information contained in this Series Memorandum and in the Programme Memorandum and the merits and risks of an investment in the Notes in the context of the investor's own financial circumstances and investment objectives.

Investment in the Notes (or a participation therein) is only suitable for investors who:

- (1) are capable of bearing the economic risk of an investment in the Notes (or a participation therein) for a period up to and until the redemption of the Notes;
- (2) are acquiring an interest in the Notes (or a participation therein) for their own account for investment, not with a view to resale, distribution or other disposition of such interest (subject to any applicable law requiring that the disposition of the investor's property be within its control); and
- (3) recognise that it may not be possible to make any transfer of the Notes (or a participation therein) for a substantial period of time, if at all.

Each of the Issuer and the Arranger may, in its discretion, disregard interest shown by a prospective investor even though that investor satisfies the foregoing suitability standards.

**Each prospective investor should ensure that it fully understands the nature of the transaction into which it is entering and the nature and extent of its exposure to the risk of loss of all or a substantial part of its investment. Attention is drawn, in particular, to the sections of the Programme Memorandum entitled "Conditions of the Notes - Security" and "Conditions of the Notes - Enforcement and Limited Recourse" and the section in this Series Memorandum entitled "Information relating to the Charged Assets".**

## Risks relating to the Issuer and Transaction Parties

### *Special purpose company*

The Issuer is a special purpose company and has been established for the purpose of issuing multiple Series of secured Notes under the Programme. The Issuer has issued share capital only in the amount of EUR 38,100. Should any unforeseen expenses or liabilities (which have not been provided for) arise, the Issuer may be unable to meet them, leading to an Event of Default under the Notes.

There is no certainty that Noteholders will recover any amounts payable under the Notes. Due to the limited recourse nature of the Notes (see "*Limited recourse*" below), claims in respect of the Notes are limited to the proceeds of enforcement of the Mortgaged Property and after the deduction of any applicable expenses. In addition, if a claim is brought against the Issuer (whether under statute, common law or otherwise) which is not subject to such contractual limited recourse provisions, the only assets available to meet such claim would be the proceeds of the issuance of the Issuer's ordinary shares and any transaction fees (see "*Fees*" below), to the extent any remain as at the date of such claim and are available to meet such claim. The only other assets of the Issuer will be the assets on which each Series is secured, which will be subject to the prior security interests of the relevant Noteholders and any other secured parties under that Series.

### *Limited recourse*

The Notes will be limited recourse obligations of the Issuer secured on the Mortgaged Property (including the Charged Assets) and are not or will not (as the case may be) be obligations or responsibilities of, or guaranteed by, any other person or entity. **For the avoidance of doubt, none of the Trustee, the Arranger, any other Agent appointed by the Issuer or any other person has any obligation to any Noteholder for payment of any amount by the Issuer in respect of the Notes. There is no person that guarantees to Noteholders that they will recover any amounts payable under the Notes.**

The ability of the Issuer to meet its obligations in respect of the Notes will be dependent on the receipt by the Issuer of moneys due to it under the Mortgaged Property (including the Charged Assets comprised therein). The Noteholders shall have no recourse to the Issuer beyond the moneys derived by or on behalf of the Issuer in respect of the Mortgaged Property. To the extent that investment by the Issuer in the Charged Assets held by the Issuer results in such investment being less than the obligations of the Issuer under the Notes, the Issuer will have insufficient funds available to meet its obligations in respect of the Notes. In such event, any shortfall would be borne by the Noteholders in accordance with the priorities specified in the Conditions. See "*Nature of the investment*" below.

For the avoidance of doubt, Notes are not, and do not represent or convey any interest in the Charged Assets nor do they confer on the Noteholder any right (whether in respect of voting, dividend or other distribution) which a holder of any Charged Assets may have had. The Issuer is not an agent of the Noteholder for any purpose.

### *Liability for the obligations of other Series*

The Issuer has undertaken not to incur any obligations with respect to any other Series of Notes unless recourse in respect of such obligations is limited to the proceeds of enforcement of the Security over the assets of the Issuer on which such obligations are secured (which assets shall exclude the Mortgaged Property securing any other Series of Notes). Nevertheless, to the extent there are any creditors with respect to a Series of Notes whose recourse is not so limited Noteholders may be exposed to risks incurred for the account of other Series.



## Risks relating to the Notes

### *Nature of the investment*

These Notes are not principal protected and are a high-risk investment in the form of a debt instrument. The Noteholders are neither assured of repayment of the capital invested nor are they assured of payment of a stated rate of interest. The Notes give Noteholders exposure to the Series Assets.

Any payments to be made on the Notes depend on the value of the Charged Assets held by the Issuer, which is the value of the amounts received by the Issuer in respect of the Charged Assets. Should the Charged Assets decrease in value, Noteholders will incur a partial or total loss of their investment.

In certain circumstances, described in the Conditions of the Notes, the Notes will be redeemed early pursuant to a Mandatory Redemption Event, an Additional Mandatory Redemption Event or a redemption event pursuant to Condition 2(c)(A)(1) and Noteholders shall be entitled to receive only such amount as is available following the sale or redemption of the Charged Assets, or a proportion of such Charged Assets, as the case may be, subject to the provisions of the Notes described under "*Limited recourse*" above.

**In general, redemption payments to be made on the Notes are calculated with reference to the value of the Charged Assets. However, if and to the extent that the amount payable by the Issuer in accordance with the Notes to the Noteholders is greater than the amount received by the Issuer in respect of the redemption of the Charged Assets, the Noteholder shall be entitled to receive only its *pro rata* share of such amount as is received by the Issuer under the Charged Assets after deduction of any applicable costs and expenses.**

### *Change of law, tax and administrative practice*

The structure of the transaction and, inter alia, the issue of the Notes are based on law, tax and administrative practice in effect at the date hereof, and having due regard to the expected tax treatment of all relevant entities under such law and practice. No assurance can be given that law, tax or administrative practice will not change after the Issue Date or that such change will not adversely impact the structure of the transaction and the treatment of the Notes.

### *Fees*

In addition to the fees due to the Trustee and any Agents, and any other transaction related fees incurred by the Issuer in respect of the issuance of the Notes, the amounts payable under the Notes are based on the performance of the Charged Assets after deduction of certain fees, which is further described in Special Condition (XI) of the Notes. The fees will be applied in calculating the value of the Portfolio and therefore will result in a reduction in the value of the Notes.

In connection with the offer and sale of the Notes, the Arranger or any of its associated companies may, directly or indirectly, pay fees in varying amounts to third parties or, as the case may be, receive fees (including but not limited to distribution fees and retrocessions) in varying amounts, including, from third parties (which may include any Transaction Participants as defined below). Each Noteholder acknowledges that the Arranger or any of its associated companies may retain all or part of such fees.

### *Foreign exchange risk*

The Notes are denominated in USD. The Charged Assets may be denominated in U.S dollars, euro, or any other currencies. The Issuer will effect foreign exchange transactions to convert amounts received in respect of the Charged Assets into USD in order to meet its payment obligations under the Notes. In order to mitigate the foreign exchange risk the Issuer may enter into foreign exchange hedging transactions with such banks and other providers of treasury products ("**Derivatives Counterparties**") as may in the sole discretion of the Issuer be appropriate given the Charged Assets and the obligations of the Issuer under the Notes. Accordingly, the Issuer and the Noteholders may be exposed to credit risk of such Derivatives Counterparties providing foreign exchange hedging to the Issuer.

### *Optional Redemption by the Noteholder*

Noteholders have no right to request the Issuer to redeem the Notes at any time prior to their Scheduled Maturity Date.

### *Optional Redemption by the Issuer*

Investors in the Notes should be aware that the Issuer has the option to redeem any amount of the Notes at their Optional Redemption Amount on the Optional Redemption Payment Date, by giving not less than ten (10) Business Days' prior notice to the Noteholders, the Trustee and the Principal Paying Agent. Such notice may be revoked by the Issuer at any time prior to the Optional Redemption Date.

### *Optional Redemption by the Arranger*

Investors in the Notes should further be aware that the Arranger has the option, without limitation, at any time to redeem any amount of the Notes at their Optional Redemption Amount on the Optional Redemption Payment Date. The Arranger would redeem Notes if it is the holder of such Notes, pursuant to the Conditions of the Notes. While the Arranger may actively become involved in the secondary market in the Notes (if any), such participation would be at the Arranger's sole discretion and the Arranger shall not have any obligation to make a secondary market. See "*Liquidity*" below.

### *Restrictions on Transfer*

The Notes are subject to restrictions on transfer, as described in section "SUBSCRIPTION AND SALE" in the Programme Memorandum and "SELLING RESTRICTIONS" in this Series Memorandum. In particular, the Notes have not been registered under the Securities Act, under any U.S. state securities or "Blue Sky" laws or under the securities laws of any other jurisdiction and are being issued and sold in reliance upon exemptions from registration provided by such laws. No Note may be sold, assigned, participated, pledged or transferred unless such sale, assignment, participation, pledge or transfer (a) is exempt from the registration requirements of the Securities Act (for example, the exemption provided by Rule 144A under the Securities Act or the exemption provided by Regulation S under the Securities Act and applicable state securities laws) and (b) is in compliance with the transfer restrictions and certification requirements described in the section entitled "SUBSCRIPTION AND SALE" in the Programme Memorandum and "SELLING RESTRICTIONS" in this Series Memorandum.

### *Arranger default*

The Notes will be redeemed if the Arranger is dissolved or becomes unable to perform its obligations in relation to the Notes.

## *Payments*

Payments under the Notes will only be made after receipt of the Sale Proceeds by the Issuer. The date of payment of the redemption amount under the Notes is therefore not fixed. Payment of redemption amounts under the Notes depends on the liquidation of the Charged Assets. It may take a considerable period of time to redeem the Charged Assets, in particular in the case of a redemption pursuant to Early Redemption. Noteholders may only receive payment of the relevant redemption amount under the Notes significantly later than the specified redemption date of the Notes.

## *Liquidity*

No secondary market for the Notes currently exists. Prospective purchasers of the Notes should therefore recognise that, they may not be able to liquidate their investment in the Notes or transfer the Notes for a substantial period of time, if at all. Investment in the Notes is therefore only suitable for investors who are capable of bearing the economic risk of an investment in the Notes for an indefinite period of time and are not acquiring the Notes with a view to a potential resale, distribution or other disposition at some future date.

Application has been made to list the Notes on the Third Market of the Vienna Stock Exchange. Listing is expected to take place on or about the Issue Date but no assurance can be given that such application will be granted. Even if the Notes are listed, there is no assurance that a secondary trading market or liquidity will develop.

Notwithstanding the foregoing, the Arranger may provide a secondary market with a monthly dealing frequency and monthly purchases and sales by investors. The Arranger will not provide a secondary market in circumstances where the Calculation Agent is unable to calculate the Net Asset Value of the Portfolio for any reason, such as an event of default on the Charged Assets. The Arranger does not have and will not assume any liability, whether legal or otherwise, *vis-à-vis* the Noteholders to provide a market for the Notes or with regard to the level of the applicable prices nor how they are determined. To the extent that the Arranger purchases Notes in a secondary market provided by the Arranger, the Arranger will impose a EUR 500 fee in respect of its administration expenses.

## *Extended Maturity Date*

The term of the Notes may be extended for further periods of up to ten years, provided that, at the request of the Issuer, the Calculation Agent, on behalf of the Issuer, has given a notice (the “**Extension Notice**”) to the Trustee, the Principal Paying Agent and the Noteholders three (3) calendar months prior to the Scheduled Maturity Date or the anniversary thereof in each subsequent year, if applicable, stating that such extension shall take place in respect of the Notes. If no Extension Notice, or no further Extension Notices (if applicable) are delivered by the Calculation Agent, the Notes shall be redeemed on the Scheduled Maturity Date or the anniversary thereof in accordance with the final Extension Notice (such date being the “**Extended Maturity Date**”).

## *Market and Legal Risk*

The Notes will constitute secured, limited recourse obligations of the Issuer, recourse in respect of which will, in effect, be limited to the proceeds of the Mortgaged Property (which principally comprises the Charged Assets) relating to the Notes and no other assets of the Issuer will be available to satisfy claims of Noteholders. The Issuer’s obligations to the Noteholders are solely funded by, and primarily secured on, the Charged Assets. Therefore, to the extent that the value of the Charged Assets falls, payment under the Charged Assets is not made, the Charged Assets cannot be sold or if the relevant security arrangements would not be enforceable, a loss of principal under the Notes will result. Noteholders therefore assume the market and legal risk of the Charged Assets.

None of the Transaction Participants (as defined below) nor any affiliate of any of them or other person on their behalf has made any investigation of, or makes any representation or warranty, express or implied, as to the financial or other condition of the Charged Assets.

None of the Issuer, the Arranger, the Trustee, the Principal Paying Agent, the Calculation Agent, the Sale Agent or any other Agent (together, the "**Transaction Participants**") nor any affiliate of any of them (or any person on their behalf) assume any responsibility *vis-à-vis* the Noteholders for the economic success or lack of success of an investment in the Notes, or the performance, the value or terms of the Charged Assets. No Transaction Participant will have any responsibility or duty to make any such investigations, to keep any such matters under review, to provide the Noteholders, or prospective purchasers of the Notes, with any information in relation to such matters or to advise as to the attendant risks.

#### *Independent review and advice*

Each prospective purchaser of Notes must determine, based on its own independent review and such legal, financial and tax advice as it deems appropriate under the circumstances, that its acquisition of the Notes (i) is fully consistent with its financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines, authorisations and restrictions (including as to its capacity) applicable to it, (iii) has been duly approved in accordance with all applicable laws and procedures and (iv) is a fit, proper and suitable investment for it, undertaken for a proper purpose.

#### *Legality of purchase*

None of the Transaction Participants or any affiliate of any of them or other person on their behalf has or assumes responsibility for the lawfulness of the acquisition of the Notes by a prospective purchaser of the Notes, whether under the laws of the jurisdiction of its incorporation or the jurisdiction in which it operates (if different), or for compliance by that prospective purchaser with any law, regulation or regulatory policy applicable to it.

#### *No reliance*

The Transaction Participants and all affiliates of any of them disclaim any responsibility to advise purchasers of the Notes of the risks and investment considerations associated with the purchase of the Notes as they may exist at the date hereof or from time to time hereafter.

#### *No restrictions on activities*

Any of the Transaction Participants and any affiliate of any of them or other person on their behalf may have existing or future business relationships (including depository, lending, advisory or any other kind of commercial or investment banking activities or other business) with any of the other Transaction Participants and any affiliate of any of them or other person on their behalf and may purchase, sell or otherwise deal in any assets or obligations of, or relating to, any such party. Any of the Transaction Participants and any affiliate of any of them or other person on their behalf may act with respect to any such business, assets or obligations without regard to any possible consequences for the Issuer, the Notes or any Noteholder (or the impact of any such dealing on the interests of any Noteholder) or otherwise.

#### *Provision of information*

Any of the Transaction Participants or any affiliate of any of them or any other person acting on their behalf may at the date hereof or at any time hereafter be in possession of information in relation to the

other Transaction Participants or any affiliate of any of them or any other person acting on their behalf or on behalf of the Charged Assets (which may or may not be publicly available or confidential). None of such persons shall be under any obligation to make any such information available to Noteholders or any other party other than as provided in the Conditions of the Notes.

#### *Taxation*

Each Noteholder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges, that may be applicable to any payment to it in respect of the Notes. Neither the Issuer nor any other person will pay any additional amounts to the Noteholders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Notes by the Issuer or by the Principal Paying Agent (or any other Paying Agent), although such requirement will give rise to an obligation to redeem the Notes early in the circumstances described in Condition 2 as amended by Special Condition IV of the Conditions of the Notes set out below.

#### *Legal opinions*

No legal opinions will be obtained with respect to any applicable laws, including the laws governing the Charged Assets or as to the validity, enforceability or binding nature of the Charged Assets.

#### *Conflict of interests*

Any of the Transaction Participants or any affiliate of any of them or any other person acting on their behalf may from time to time, as principal or agent, have positions in, or may buy or sell, or make a market in any securities (including shares in a Transaction Participant), currencies, financial instruments or other assets owned by a Transaction Participant. Any trading and/or hedging activities of Transaction Participants or any affiliate of any of them or any other person acting on their behalf related to this transaction may have an impact on the price of the underlying assets. It should also be noted that FlexFunds Ltd. acts as both the Arranger of the issue of the Notes and as Calculation Agent in respect of the Charged Assets.

#### *Clearing systems*

The Notes will be represented by one or more Temporary Global Notes and Permanent Global Notes. Such Global Notes will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the relevant Global Note, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

While the Notes are represented by one or more Global Notes the Issuer will discharge its payment obligations under the Notes by making payments to the common depository for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

## **Risks relating to the Charged Assets**

### *Investment in Series Assets*

The Issuer intends to use the proceeds of the issuance of the Notes to invest in, within 30 days following the Issue Date, non-voting preference shares of EGL Income Properties Ltd. (the "**Income Properties Preferred Shares**"), an exempt company registered under the Companies Law (Revised) of the Cayman Islands on March 7, 2016 and having its registered office at Advanced Fund Administration (Cayman) Ltd., 27 Hospital Road, Cayman Corporate Centre, 5th Floor, George Town, Grand Cayman, KY1-1109, Cayman Islands.

As more particularly set out in the Confidential Explanatory Memorandum, EGL Income Properties Ltd. will and may:

- 1) invest in income generating assets and an annual target coupon to participating shareholders of 6.50%; and
- 2) invest into any kind of registered and non-registered securities. It is anticipated that it will invest through a Florida LLC in shares of a EPC Multifamily Partners III, LLC for investment in multifamily apartment communities in the United States.

The appointed director is SGG Management (BVI) Ltd., a BVI regulated fund management company which maintains an address at Akara Building, 24 de Castro Street, Wickhams Cay 1, POB 3136, Tortola, British Virgin Islands.

### *Lack of diversification*

To the extent that all of the proceeds arising from the issue of the Notes are invested in Income Properties Preferred Shares, such asset may be more susceptible to a single adverse economic or regulatory occurrence, and lead to greater fluctuations in the value of Notes than may have been the case when investing in a diversified pool of assets.

### *Security for the Notes*

As the Series Assets held in respect of the Notes are held in, and governed by the law of the Cayman Islands, the Issuer will grant security interests over the Charged Assets pursuant to a security instrument governed by the law of the Cayman Islands entered into between the Issuer and the Trustee dated on, or as soon as reasonably practicable thereafter, the date of the purchase of the relevant Charged Assets. The Issuer will also grant security interests over the Mortgaged Property pursuant to the Trust Deed. See "Description in relation to the Security Arrangements in respect of the Notes" below.

### *Redemption and transfer of the Charged Assets*

Realisation of the Charged Assets may in certain circumstances be deferred in accordance with their relevant terms. The period of deferral may be significant. Therefore in certain circumstances, including where the Security for the Notes (and any Further Notes) becomes enforceable, there may be a significant delay in payments under the Notes and/or it may be impossible to transfer the Charged Assets as a means of realising their value.

### *Security may be declared invalid*

The Issuer will grant security interests in favour of the Trustee for itself and for the benefit of the Noteholders in the Mortgaged Property pursuant to the Trust Deed. However, if the security interest of the Trustee in the Mortgaged Property was determined to be invalid or unperfected, Noteholders would be unsecured creditors and would rank on a *pari passu* basis with other unsecured creditors (if any) of the Issuer. Each of the foregoing factors may delay or reduce investors' return on their Notes and investors may suffer a loss (including a total loss) on their investment.

*Not a bank deposit*

Any investment in the Notes does not have the status of a bank deposit in Ireland and is not within the scope of the deposit protection scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland by virtue of the issue of the Notes.

**AS WITH ANY INVESTMENT YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT IN THE NOTES AND THE NOTES' PERFORMANCE COULD TRAIL THAT OF OTHER INVESTMENTS. YOUR ATTENTION IS DRAWN TO THE CONFIDENTIAL EXPLANATORY MEMORANDUM AS DEFINED BELOW AND ATTACHED AS APPENDIX OR APPENDIXES TO THIS SERIES MEMORANDUM. IN PARTICULAR PROSPECTIVE INVESTORS SHOULD NOTE THE SECTION OF THE CONFIDENTIAL EXPLANATORY MEMORANDUM ENTITLED "RISK FACTORS". PROSPECTIVE INVESTORS SHOULD NOT INVEST IN THE NOTES WITHOUT TAKING INDEPENDENT ADVICE ON THE RISKS SET OUT THEREIN.**

**THE CONSIDERATIONS SET OUT ABOVE ARE NOT, AND ARE NOT INTENDED TO BE, A COMPREHENSIVE LIST OF ALL CONSIDERATIONS RELEVANT TO A DECISION TO PURCHASE OR HOLD ANY NOTES. THE ATTENTION OF INVESTORS IS ALSO DRAWN TO THE SECTIONS HEADED "RISK FACTORS" IN THE PROGRAMME MEMORANDUM.**

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## Summary of the Transaction

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The following summary of the transaction does not purport to be complete and is qualified in its entirety by the more detailed information contained elsewhere in this Series Memorandum including, without limitation, the Conditions of the Notes. Words and expressions used but not expressly defined in this summary of the transaction shall have the meanings given to them in the Conditions.

<b>Issuer:</b>	IA Capital Structures (Ireland) plc, a special purpose company incorporated for the sole purpose of carrying out the activities described in the Programme Memorandum. See " <i>Information relating to the Issuer</i> " below.
<b>Programme:</b>	The Notes are issued pursuant to the Issuer's €5,000,000,000 Secured Note Programme.
<b>Arranger:</b>	FlexFunds Ltd.
<b>Calculation Agent:</b>	FlexFunds Ltd.
<b>Placing Agent:</b>	Both GWM Group, Inc. and GWM LTD
<b>Sale Agent:</b>	Both GWM Group, Inc. and GWM LTD
<b>Issue Agent:</b>	Citibank N.A., London Branch.
<b>Principal Paying Agent:</b>	Citibank N.A., London Branch.
<b>Trustee:</b>	Sanne Fiduciary Services Limited.
<b>Principal Amount:</b>	USD 50,000,000 (subject to the provisions of Further Notes and Redemptions below).
<b>Currency:</b>	USD.
<b>Authorised Denomination:</b>	USD 1,000
<b>Issue Price:</b>	100% of the Authorised Denomination.
<b>Interest:</b>	Interest is determined based on the total return of the Portfolio, such that an amount in respect of Interest shall be payable in respect of each Note on the Interest Payment Date equal to the greater of:  (a) Net Proceeds; and  (b) Zero.
<b>Interest Payment Date:</b>	Any Business Day determined by the Calculation Agent or the Issuer which falls within fifteen (15) Business Days of the Issuer receiving an interest payment, distribution or similar payment in respect of the Series Assets.



<b>Issue Date:</b>	18 April 2016.
<b>Charged Assets:</b>	The Series Assets and the Related Rights. See " <i>Information relating to the Charged Assets</i> " below.
<b>Fees:</b>	<p>The amounts payable under the Notes are based on the performance of the Charged Assets after deduction of fees due to the Arranger. Such fees are in addition to the fees due to the Trustee and any Agents, and any other transaction related fees incurred by the Issuer in respect of the issuance of the Notes as determined by the Calculation Agent.</p> <p>All fees are payable prior to any amounts being payable in respect of the Notes to any Noteholders. The fees will be applied in calculating the value of the Portfolio and therefore will result in a reduction in the value of the Notes.</p>
<b>Scheduled Maturity Date:</b>	16 April 2021
<b>Reports:</b>	<p>The Arranger will publish a summary of the NAV Report received from the Calculation Agent on Bloomberg and will disseminate the NAV to SIX Financial Information USA Inc. and to the Vienna Stock Exchange</p> <p>See Special Condition V below.</p>
<b>Redemption Amount:</b>	<p>Unless previously redeemed the Notes will be redeemed by a payment in respect of each Note on the Final Maturity Payment Date of an amount in USD (the "<b>Redemption Amount</b>") equal to the Net Proceeds.</p> <p>See "<i>Limited recourse</i>" below.</p> <p>The Final Maturity Payment Date may be significantly later than the Maturity Date. See "<i>Risk Factors – Payments</i>" above.</p>
<b>Optional Redemption by the Noteholder:</b>	Noteholders have no right to request the Issuer to redeem the Notes at any time prior to their Scheduled Maturity Date.
<b>Optional Redemption by the Issuer:</b>	The Issuer may, on giving not less than ten (10) Business Days' prior notice to Noteholders, the Trustee and the Principal Paying Agent redeem any amount of the Notes by a payment to the holders of the Notes that are so redeemed on the Optional Redemption Payment Date of an amount equal to the Early Redemption Amount.
<b>Early Redemption:</b>	<p>(a) If the Notes become due and repayable in accordance with Condition 2(b)(1), the Notes will be redeemed by a payment in respect of each Note on the Early Redemption Payment Date of an amount in USD equal to the Net Proceeds of the Charged Assets.</p> <p>(b) If the Notes become due and repayable in accordance with Condition 2(b)(2) or Condition 2(c) (as the case may be), the</p>

Notes will be redeemed at the applicable Early Redemption Amount by a payment in respect of each Note on the Early Redemption Payment Date of an amount in USD equal to the Early Redemption Amount.

**Early Redemption Amount:** Subject to the provisions of Special Condition (IV) below, the Early Redemption Amount shall be determined as an amount equal to the Redemption Amount as if the Early Redemption Date was the Final Maturity Payment Date.

**Net Proceeds:** An amount determined by the Calculation Agent being the *pro rata* share of the Sale Proceeds of the Charged Assets in respect of one Note; *less* any redemption and settlement costs and expenses in respect of the Charged Assets; *less* any fees, costs or expenses owing to the Trustee and the Agents in connection with the Notes; and *less* any fees payable to the Arranger pursuant to the Conditions of the Notes, less USD 1,000 per annum to be retained by the Issuer.

**Sale Proceeds:** An amount determined by the Calculation Agent being the *pro rata* share in respect of one Note of: (a) the proceeds of sale or other means of realisation of the Charged Assets; *less* (b) any costs, expenses, taxes and duties incurred in connection with the disposal or transfer of the Charged Assets by the Sale Agent or any agent of the Issuer.

**Payment:** Payments in respect of redemption of the Notes will be made on the Final Maturity Payment Date, the Optional Redemption Payment Date or the Early Redemption Payment Date, as the case may be, in accordance with the Conditions.

**Limited recourse:** Amounts due under the Notes will be payable only to the extent that funds are available from the Mortgaged Property and the proceeds thereof. If the Mortgaged Property is insufficient to pay any amounts due in respect of the Notes, the Issuer will have no other assets available to meet such insufficiency. In the event that Charged Assets are sold or realised or the Security is enforced and after payment of all other claims with a senior priority in the relevant order of priority the remaining proceeds of such sale, realisation or enforcement are insufficient to pay in full all amounts whatsoever due in respect of the Notes, then the Noteholders' claims against the Issuer in respect of the Notes shall be limited to their respective shares of such remaining proceeds and, after payment to each Noteholder of its respective share of such remaining proceeds, the obligations of the Issuer to such Noteholder shall cease to be due and shall be extinguished.

**Security:** The Security for the Notes will be constituted by the Constituting Instrument, a Trust Deed entered into by the execution of a Constituting Instrument dated the Issue Date between the Issuer and the Trustee, amongst others (the "**Trust Deed**") and the Charging Instrument as described in the Conditions of the Notes. See "*Description of the Security Arrangements in respect of the Notes*"

below.

**Priority on Enforcement of Security:** On enforcement of Security in respect of the Notes the Trustee will apply the enforcement proceeds in the following order of priority:

1. payment of the fees, costs, charges, expenses (including legal fees), liabilities, indemnity payments and all other amounts payable to the Trustee or incurred by the Trustee or by any receiver, custodian or other person appointed by it in connection with the performance of its duties and obligations;
2. *pro rata* and *pari passu* according to the respective amounts thereof payment of the fees, costs, charges, expenses (including legal fees), liabilities, indemnity payments and all other amounts payable to the respective Agents in connection with the performance of their respective duties and obligations;
3. payment of any unpaid taxes or other governmental duties or charges owing by the Issuer;
4. in meeting the amounts due to Noteholders *pari passu* and rateably; and
5. in payment of the balance (if any) to the Issuer.

**Events of Default:** The Security in respect of the Notes will become enforceable in the circumstances described in Condition 4 relating to Events of Default. The Events of Default include, without limitation, unremedied defaults by the Issuer relating to the payment of amounts due on the Notes and the insolvency of the Issuer. Upon the occurrence of an Event of Default the Trustee may at its discretion (or, in certain cases, shall) deliver a notice to the Issuer and others declaring the Notes to be immediately due and payable and the amount payable in respect of each Note is set out in Condition 2(e)(2). See also Conditions 4 and 5.

**Form:** The Notes will initially each be represented by beneficial interests in a temporary global note (the "**Temporary Global Note**") in bearer form. Pursuant to the Conditions of the Notes, each Temporary Global Note may be exchanged for a permanent global note in bearer form (the "**Permanent Global Note**"). Except in limited circumstances, bearer definitive Notes will not be issued in exchange for beneficial interests in the Permanent Global Notes.

**Status:** The Notes are limited recourse obligations of the Issuer secured in the manner described herein.

**Use of Proceeds:** The entire net proceeds from the issue of the Notes will be used by the Issuer to purchase the Charged Assets.

**Further Notes:** Further Notes may be issued which will be consolidated and form a single series with the Notes.

- Listing:** Application has been made to list the Notes on the Third Market of the Vienna Stock Exchange. Listing is expected to take place on or about the Issue Date but no assurance can be given that such application will be granted.
- Rating:** The Notes will not be rated.
- Business Days:** New York, Dublin and London
- Governing Law:** The Notes and all non-contractual obligations and any other matters arising from them will be governed by, and construed in accordance with, the laws of Ireland. The courts of Ireland shall have non-exclusive jurisdiction in respect of any dispute. The Supplemental Cayman Islands Security is governed by Cayman Islands law and the Cayman Islands Courts may have jurisdiction over any dispute or enforcement proceedings relating thereto.
- Placing Agreement:** The Issuer has entered into the Placing Agreement with the Placing Agent, whereby the Placing Agent agreed to place the Notes with investors, subject to the selling restrictions.
- The Issuer, after prior consultation with the Arranger, reserves the right to modify the total nominal amount of the Notes to which investors can subscribe.
- Risk Factors:** The Notes are not principal protected and involve significant risks. The attention of prospective Noteholders is drawn to the section "*Risk Factors*" in the Programme Memorandum and in this Series Memorandum and the section "*Information Relating to the Charged Assets*" of this Series Memorandum.

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## Conditions of the Notes

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### Income Properties (Series 58) Notes due 2021

The Noteholders should note that words and expressions not otherwise defined below shall have the meanings respectively ascribed to them by Special Condition (I) below.

The Notes designated as above (the "**Notes**") shall have the following terms and conditions which shall complete, modify and amend the Master Conditions (March 2014 Edition), which shall apply to the Notes as so completed, modified and amended. References to "**Conditions**" or "**Condition**" shall mean references to the Conditions of the Notes as modified herein.

The Issuer intends that any Further Notes which are issued pursuant to Condition 16 as amended by Special Condition (VI) (as defined herein) shall (save in respect of the relevant issue date) have the same Conditions as, and form a single Series with, the Notes of this Series.

1. (i) Issuer: IA Capital Structures (Ireland) plc.  
(ii) Arranger: FlexFunds Ltd.
2. (i) Series Number: 58.  
(ii) Tranche Number: 1.
3. Principal Amount: USD 50,000,000.  
  
The Principal Amount of the Notes may be increased, at the discretion of the Issuer, by the issue of Further Notes from time to time (without requiring the consent of Noteholders) which shall be consolidated and form a single Series with the Notes of this Series, subject as provided in Special Condition (VI).
4. Issue Price: 100% of the Authorised Denomination.
5. Authorised Denomination: USD 1,000
6. (i) Issue Date: 18 April 2016  
(ii) Interest Commencement Date: Not applicable.
7. Maturity Date: The earlier of (i) 16 April 2021 (the "**Scheduled Maturity Date**"); (ii) any Extended Maturity Date, and (iii) the date that all of the Notes are fully redeemed.
8. Extended Maturity Date: The date to which the term of the Notes may be extended under Special Condition (XIII)
9. Interest Basis: Variable Coupon Amount with a target rate of 6.5%

annually

10. Status of the Notes:
- (i) Status of the Notes: Secured and limited recourse obligations of the Issuer ranking *pari passu* without any preferences amongst themselves secured as set out under Security below and subject to the priority set out under Priority below.
  - (ii) Priority: Counterparty Priority applies.
11. Listing: An application has been made for admission of the Notes to the official list of the Third Market of the Vienna Stock Exchange. Such listing is expected to take place on or about the Issue Date. However, no assurance is given that approval of such application will be granted.
12. Fixed Rate Note Provisions: Not applicable.
13. Floating Rate Note Provisions: Not applicable.
14. Zero Coupon Note provisions: Not applicable.
15. Dual Currency Note Provisions: Not applicable.
16. Variable Coupon Amount Note Provisions: Applicable.
- (i) Interest Period: As regards the first interest period, the period from and including the Issue Date to and excluding the first Interest Determination Date and as regards all subsequent interest periods the period from and including an Interest Determination Date to and excluding the next Interest Determination Date or to and including the Scheduled Maturity Date or an Extended Maturity Date as applicable.
  - (ii) Interest Determination Date: Any Business Day at the discretion of the Arranger, or the Issuer.
  - (iii) Interest Rate: The Notes shall receive a total return based on the performance of the Portfolio during the Interest Period.
  - (iv) Interest Amounts: The greater of:
    - (a) Net Proceeds; and
    - (b) Zero.

	(v) Interest Payment Date:	Any Business Day determined by the Calculation Agent or the Issuer which falls within fifteen (15) Business Days of the Issuer receiving an interest payment, distribution or similar payment in respect of the Series Assets.
	(vi) Business Day Convention:	Following Business Day Convention in Dublin, London, and New York.
17.	Optional Redemption:	Condition 2(f)(2) applies as amended by Special Condition (III).
18.	Redemption Amount:	Special Condition (II) applies.
19.	Early Redemption Amount:	Special Condition (IV) applies.
20.	Redemption Amount on redemption for taxation:	Condition 2(c)(A)(1) shall apply as amended by Special Condition (IV).
21.	Form of Notes:	Bearer Notes:
	(i) The Notes will initially be represented by:	Temporary Global Note.
	(ii) Applicable TEFRA exemption:	D Rules
	(iii) Temporary Global Note exchangeable for Permanent Global/Definitive Bearer/Registered Notes:	Condition 10(a) applies.
	(iv) Permanent Global Note exchangeable for Definitive Bearer/ Registered Notes:	Permanent Global Note is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note.
	(v) Registered Notes:	Not applicable.
22.	Additional Financial Centre(s) or other special provisions relating to Payment Dates:	Not applicable.
23.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	No.
24.	Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made:	Not applicable.
25.	Redenomination applicable:	Not applicable.

26. Portfolio Management:

- (i) Portfolio Manager: Not applicable.
- (ii) Portfolio Management Agreement: Not applicable.
- (iii) Investment Objective: Not applicable.
- (iv) Management Criteria: Not applicable.
- (v) Portfolio: Not applicable.

27. Security:

- (i) Charged Assets: The Charged Assets shall be the Series Assets and the Related Rights.

On the Issue Date, or as soon as practicable thereafter, the Issuer shall invest in the Series Assets set out in the section "*Information relating to Charged Assets*" below, (such Series Assets, together with the Related Rights applicable thereto, the "**Original Charged Assets**").

If the Issuer issues Further Notes pursuant to Condition 16 as amended by Special Condition (VI) with the intention that such Further Notes be consolidated and form a single Series with the Notes issued on the Issue Date (and all other Further Notes issued from time to time) the Issuer shall, in connection with each such issue of Further Notes, invest in further assets which shall be combined with the Series Assets (such further assets, together with the Related Rights applicable thereto, referred to as the "**Further Charged Assets**") with the issue proceeds of the relevant Further Notes such that the Notes and the Further Notes from time to time so issued shall be secured collectively on the Original Charged Assets and all of the Further Charged Assets. All references to "*Charged Assets*" shall be to the Original Charged Assets and the Further Charged Assets from time to time so purchased by the Issuer.

The assets comprising the Portfolio will be registered in the name of the Issuer and certificates in respect of the Charged Assets will be held by the Issuer subject to the security constituted by the Constituting Instrument and the Charging Instrument.



(ii)	Charging Instrument	Pursuant to a security deed in respect of the Income Properties Preferred Shares entered into between the Issuer and the Trustee dated on, or as soon as reasonably practicable thereafter, the date of the purchase of the relevant Charged Assets (the " <b>Charging Instrument</b> ") the Issuer will grant in favour of the Trustee, as security for itself, and the Secured Parties, a security interest governed under the law of the Cayman Islands over the Issuer's interest in the Charged Assets from time to time (such security the " <b>Supplemental Cayman Islands Security</b> ").
(iii)	Depository Account	Not applicable.
(iv)	Charged Agreement:	Not applicable.
(v)	Swap Counterparty:	Not applicable.
28.	Securities Lending Agreement:	Not applicable.
29.	Portfolio Administrator:	Not applicable.
30.	Fees:	Special Condition (XI) applies.
31.	Additional selling restrictions	As set out in " <i>Selling Restrictions</i> " below.
32.	ISIN Code:	XS1394744145
33.	Common Code:	139474414
34.	Alternative Clearing System:	Not applicable.
35.	Delivery:	Free of payment.
36.	Principal Paying Agent:	Citibank N.A., London Branch.
37.	Sub-Custody:	Not applicable.
38.	Calculation Agent:	FlexFunds Ltd.

The Calculation Agent shall provide the NAV Report to the Arranger on each NAV Report Date.

The Arranger will publish a summary of the NAV Report received from the Calculation Agent on Bloomberg and will disseminate the NAV to SIX Financial Information USA Inc. and to the Vienna Stock Exchange.

All determinations made by the Calculation Agent hereunder shall, in the absence of manifest error, be final and conclusive. Whenever a Calculation

Agent is required to act or to exercise judgment in any way, it will do so in good faith and in a commercially reasonable manner. Furthermore, each party agrees that the Calculation Agent is not acting as a fiduciary for or as an advisor to such party in respect of its duties as Calculation Agent in connection with any determinations hereunder.

39. Exchange of Permanent Global Note: The Permanent Global Note will be exchangeable, in whole but not in part, for a definitive Bearer Note if:
- (i) Euroclear or Clearstream, Luxembourg or any other clearing system in which the Permanent Global Note is for the time being deposited is closed for business for a period of 14 days (other than by reason of holidays statutory or otherwise) or announces an intention to permanently cease business or to cease to make its book-entry system available for settlement of beneficial interests in such Permanent Global Note or does in fact do either of such things and no alternative clearing system, satisfactory to the Trustee and the Principal Paying Agent is available, or
  - (ii) the Notes become due and payable in accordance with Condition 4 and payment is not made on due presentation of the Permanent Global Note for payment.

40. Governing law: The Notes and all non-contractual obligations and any other matters arising from it will be governed by and construed in accordance with the laws of Ireland. The courts of Ireland shall have non-exclusive jurisdiction in respect of any dispute. The Supplemental Cayman Islands Security is governed by Cayman Islands law and the Cayman Islands Courts may have jurisdiction over any dispute or enforcement proceedings relating thereto.

### **Admission to trading, public offer and listing**

Application has been made to list the Notes on the Third Market of the Vienna Stock Exchange.

The Notes will not be offered to the public in any jurisdiction. See "*Selling Restrictions*" below and in the Programme Memorandum.

GWM Group, Inc. and GWM LTD, in their capacity as the Placing Agent, will be solely responsible for the placing of the Notes with prospective investors.

## Special Conditions:

### (I) Definitions

Words set out in italics in these Conditions do not form part of the definitions for the purpose of the Constituting Instrument and the documents constituted thereby. In the event of a conflict between the Conditions and the Special Conditions, the Special Conditions shall prevail.

**"Additional Mandatory Redemption Event"** means, for the purpose of Condition 2(b)(2) (as amended), that the Issuer determines that its obligations under the Notes at any time become illegal.

**"Agents"** means, the Principal Paying Agent, the Issue Agent, the Sale Agent, the Placing Agent and the Calculation Agent.

**"Arranger Default"** means if any of the follow events occur (in the sole discretion of the Issuer) in respect of the Arranger. If the Arranger:

- (i) is dissolved (other than pursuant to a consolidation, amalgamation or merger);
- (ii) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;
- (iii) makes a general assignment, arrangement or composition with or for the benefit of its creditors;
- (iv) (A) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official, or (B) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and such proceeding or petition is instituted or presented by a person or entity not described in clause (A) above and either (I) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (II) is not dismissed, discharged, stayed or restrained in each case within 15 days of the institution or presentation thereof;
- (v) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);
- (vi) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets;
- (vii) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 15 days thereafter;
- (viii) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (i) to (vii) above (inclusive);

- (ix) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or
- (x) becomes unable to, or fails to within 10 days of receiving notice from the Trustee or the Issuer, perform its duties under the Notes.

**"Business Day"** means a day on which banks are generally open for business in New York, Dublin and London.

**"Calculation Agent"** means FlexFunds Ltd. and any successor appointed by the Issuer (with the prior approval of the Trustee) in accordance with the provisions of the Agency Agreement.

**"Collateral Default"** means either (i) a compulsory redemption (howsoever described) of the Charged Assets; or (ii) a distribution or return of capital and / or assets to holders of the Charged Assets following the winding up or liquidation of the Income Properties Preferred Shares.

**"Confidential Explanatory Memorandum"** means the Confidential Explanatory Memorandum, dated March 2016, appended to this Series Memorandum.

**"Early Redemption Date"** means in relation to Conditions 2(b) or 2(c), the date specified in the notice given by or on behalf of the Issuer to the Noteholders in accordance with the Conditions.

**"Early Redemption Payment Date"** means five (5) Business Days following the day that the Issuer receives the aggregate Sale Proceeds pursuant to Special Condition (IV). The Early Redemption Payment Date may be significantly later than the Early Redemption Date. See "*Risk Factors – Payments*".

**"Extended Maturity Date"** means the date to which the term of the Notes may be extended under Special Condition (XIII).

**"Final Maturity Payment Date"** means, subject as provided in Special Condition (VII), five (5) Business Days following the day that the Issuer receives the aggregate Sale Proceeds pursuant to Special Condition (II). The Final Maturity Payment Date may be significantly later than the Scheduled Maturity Date or the Extended Maturity Date, as applicable. See "*Risk Factors – Payments*".

**"Income Properties Preferred Shares"** means the non-voting preference shares of EGL Income Properties Ltd.

**"Mandatory Redemption Event"** means any of the events described in Conditions 2(b)(1), (2) or (3).

**"Monthly NAV High"** means a Net Asset Value calculated per Note (by dividing the Net Asset Value by the number of Notes outstanding) as at a NAV Report Date which is higher than the previous highest Net Asset Value calculated per Note as at a NAV Report Date, provided that the first Monthly NAV High shall be the Net Asset Value calculated per Note as at the Issue Date.

**"NAV Report"** means a report provided to the Issuer by the Calculation Agent setting out the calculation of the Net Asset Value of the Portfolio (net of any fees as described under Special Condition (XI) below).

**"NAV Report Date"** means the last Business Day of each calendar month.

**"Net Asset Value"** means the value for each component of Series Assets (net of any fees as described under Special Condition (XI) below), as provided by the Calculation Agent to the Issuer, as the case may be, on or before the NAV Report Date, and **"Net Asset Value of the Portfolio"** means the aggregate of the Net Asset Value of each component (net of any fees as described under Special Condition (XI) below) comprised in the Portfolio.

**"Net Proceeds"** means an amount determined by the Calculation Agent being the *pro rata* share of the Sale Proceeds of the Charged Assets in respect of one Note less any redemption and settlement costs and expenses in respect of the Charged Assets and less any fees, costs or expenses owing to the Trustee and the Agents in connection with the Notes, and less any fees payable to the and the Arranger pursuant to the Conditions of the Notes, less USD 1,000 per annum, to be retained by the Issuer

**"Optional Redemption Date"** means the date specified in an Optional Redemption Notice given by the Issuer or the Arranger pursuant to Condition 2(f)(2), as amended by Special Condition (III) (*Optional Redemption by the Issuer*).

**"Optional Redemption Payment Date"** means five (5) Business Days following a day that the Issuer receives the aggregate Sale Proceeds pursuant to Special Condition (III). The Optional Redemption Payment Date may be significantly later than the Optional Redemption Date. See *"Risk Factors – Payments"*.

**"Placing Agent"** means both GWM Group, Inc. and GWM LTD.

**"Portfolio"** means the Series Assets.

**"Related Rights"** means all rights of the Issuer derived from or connected to the Series Assets including, without limitation, any rights to receive additional shares or other securities, assets or rights or any offers in respect thereof (whether by way of bonus issue, option rights, exchange, substitution, conversion or otherwise) or to receive monies (whether by way of redemption, return of capital, interest, dividend, distribution, income or otherwise) in respect of the Series Assets.

**"Sale Agent"** means both GWM Group, Inc. and GWM LTD.

**"Sale Proceeds"** means an amount determined by the Calculation Agent being the *pro rata* share of the proceeds of sale or other means of realisation of the Charged Assets in respect of one Note less any costs, expenses, taxes and duties incurred in connection with the disposal or transfer of the Charged Assets by the Sale Agent.

**"Series Assets"** means the Income Properties Preferred Shares acquired by the Issuer and any and all investments, monies, credit balances, assets or related contracts and deposit accounts, trading positions or beneficial interests in any assets to the extent any of the foregoing is:

(i) held, carried and / or maintained by the Issuer and / or any of the Agents, in relation to the Notes, or

(ii) established, agreed or obtained by the Issuer in relation to the Notes.

See "*Information relating to the Charged Assets*" below.

**"Security"** means the Charging Instrument and the security constituted by the Trust Deed entered into by the execution of the Constituting Instrument dated the Issue Date between the Issuer and the Trustee, amongst others.

(II) **Redemption Amount**

Unless previously redeemed the Notes will be redeemed by a payment in respect of each Note on the Final Maturity Payment Date of an amount in USD (the "**Redemption Amount**") equal to the Net Proceeds.

No interest or other amount shall accrue or be payable in respect of the Notes in respect of the period from and including the Scheduled Maturity Date, to and including the Final Maturity Payment Date.

(III) **Optional Redemption**

The amount payable in respect of any Notes pursuant to an Optional Redemption by the Issuer or an Optional Redemption by the Arranger will be an amount in USD determined by the Calculation Agent equal to the Early Redemption Amount (the "**Optional Redemption Amount**").

*Optional Redemption by the Issuer*

Condition 2(f)(2) shall apply to the Notes.

The Issuer:

- (A) may, on giving not less than ten (10) Business Days' prior notice to the Trustee and the Noteholders (in accordance with Condition 7);
- (B) shall, at any time after receipt of a notice pursuant to this Special Condition (III) from the Arranger,

(such notice an "**Optional Redemption Notice**") redeem any amount of the Notes at their Optional Redemption Amount on the Optional Redemption Payment Date. The provisions of Condition 2(f)(2) is hereby amended accordingly.

*Optional Redemption by the Arranger*

The Issuer shall, subject to compliance with all relevant laws, regulations and directives, at the option of the Arranger, where the Arranger is the holder of any Note, redeem such Note on the Optional Redemption Date.

To exercise such option the Arranger must deposit the relevant Note with any Paying Agent (in the case of Bearer Notes) or the Registrar or any Transfer Agent (in the case of Registered Notes) at their respective specified offices, together with a duly completed notice of redemption ("**Redemption Notice**") in the form obtainable from any Paying Agent (in the case of Bearer Notes) or from the Registrar or any Transfer Agent (in the case of Registered Notes) not more than 30 nor less than 2 Business Days prior to the relevant date for redemption and provided that, in the case of any Note represented by a Global Note or a Global Registered Certificate registered in the name of a nominee for Euroclear or Clearstream, Luxembourg or

an Alternative Clearing System, the Arranger must deliver such Redemption Notice together with an authority to Euroclear or Clearstream, Luxembourg or the relevant Alternative Clearing System (in each case, as appropriate) to debit such Arranger's account accordingly and provided that, in the case of any Note represented by a Global Registered Certificate registered in the name of any other person, the Arranger must deliver such Redemption Notice together with an instruction to such person to amend its records accordingly. No Note (or authority) so deposited may be withdrawn (except as provided in the Constituting Instrument) without the prior written consent of the Issuer.

(IV) **Early Redemption Amount**

Condition 2(c)(B) shall apply to the Notes.

(A) The Early Redemption Amount of the Notes (in respect of principal and interest (if applicable)) shall be determined in accordance with Condition 2(e)(2) read with this Special Condition (IV) as follows:

- (i) In the event the Notes become due and payable pursuant to Condition 2(b)(1), the Sale Agent shall, on behalf of the Issuer sell or procure the sale or other means of realisation of the Charged Assets in accordance with the Master Charged Assets Sale Terms. The applicable Early Redemption Amount payable in respect of each Note pursuant to Condition 2(b)(1) will be the *pro rata* share of the Net Proceeds; or
- (ii) If the Notes become due and repayable in accordance with Conditions 2(b)(2) or 2(c),

then the applicable Early Redemption Amount shall be determined as an amount equal to the Redemption Amount had the Early Redemption Date been the Final Maturity Payment Date.

The Early Redemption Amount shall be payable on the Early Redemption Payment Date and shall not exceed the Net Proceeds of the Charged Assets. In the event that such Early Redemption Amount is less than the Net Proceeds of the Charged Assets, Noteholders shall receive such lesser amount.

- (B) Subject as provided in Special Condition (VII), the Early Redemption Amount will be paid on the Early Redemption Payment Date. No interest or other amount shall accrue or be payable in respect of the Notes in respect of the period from and including the Early Redemption Date to and including the Early Redemption Payment Date.
- (C) The Early Redemption Payment Date may be significantly later than the Early Redemption Date, see "*Risk Factors – Payments*".
- (D) For the avoidance of doubt, reference in Condition 4 and Condition 2(e) to the Early Redemption Amount payable pursuant to an Event of Default shall mean the amount payable on redemption of each Note upon its becoming due and payable as provided in Condition 4 being the lesser of (i) the outstanding principal amount of such Note and (ii) the amount available by applying the portion available to the Noteholders pursuant to Condition 3(d) of the Net Proceeds of the enforcement of the Security in accordance with Condition 3 *pari passu* and rateably between the Notes.

(V) **Calculations, determinations and notifications**

Following receipt by the Arranger of the NAV Report from the Calculation Agent on the NAV Report Date, the Arranger will publish a summary of the NAV Report on Bloomberg, and will disseminate the NAV to SIX Financial Information USA Inc. and to the Vienna Stock Exchange

The NAV Report and the summary thereof will be an estimated valuation of the Series Assets and shall not be interpreted as an indication of expected redemption values of the Notes. The NAV Report and the summary thereof shall take account of any fees, expenses or charges that apply to the Notes, and is subject to amendments and / or corrections at any time without giving notice to any person.

Whenever any matter falls to be determined, considered or otherwise decided upon by the Calculation Agent or any other person (including where a matter is to be decided by reference to the Calculation Agent's or such other person's opinion), unless otherwise stated, that matter shall be determined, considered or otherwise decided upon by the Calculation Agent or such other person, as the case may be, in its sole and absolute discretion. The Calculation Agent has agreed in the Constituting Instrument to comply with its obligations set out in these Conditions.

Each of the Issuer, the Principal Paying Agent and the Trustee shall be entitled to rely on any certification, notification, calculation or determination of the Calculation Agent given or copied to it as being true and accurate for all purposes and none of them shall be obliged to make any investigation or enquiry into any such certification, notification, calculation or determination or into the basis on which such certification, notification, calculation or determination was prepared, given or made.

The Calculation Agent is entitled to rely on any certification, notification, calculation, determination or announcement made by or on behalf of Advanced Fund Administration (Cayman) Ltd. and / or any agent of EGL Income Properties Ltd. in connection with the Confidential Explanatory Memorandum and shall not be obliged to make any investigation or enquiry into, and shall incur no liability to any person for relying on, any such certification, notification, calculation, determination or announcement reasonably believed by it to be genuine and made by or on behalf of Advanced Fund Administration (Cayman) Ltd. and / or any agent of EGL Income Properties Ltd..

The Calculation Agent shall consider the value of Series Assets which do not have a valuation provided to remain at cost and shall not be required to modify the recorded value of such Series Assets until provided with supported valuation by Advanced Fund Administration (Cayman) Ltd. and / or any agent of EGL Income Properties Ltd.. The Calculation Agent is entitled to rely on any certification, notification, calculation, determination or announcement made by or on behalf of Advanced Fund Administration (Cayman) Ltd. and / or any agent of EGL Income Properties Ltd. in connection with the Series Assets.

(VI) **Further Notes**

Pursuant to Condition 16 as amended and supplemented by this Special Condition (VI), the Issuer shall be at liberty to issue Further Notes with the express intention that such Further Notes be consolidated and form a single series with the Notes (and with any subsequent Further Notes so issued) provided that:



- (A) the net proceeds of the issue of such Further Notes shall be used to acquire further assets (such further assets and the Related Rights applicable thereto being the Further Charged Assets);
- (B) each of the Further Notes that the Issuer may issue from time to time, together with the Notes, are secured collectively on the Issuer's right, title and interest in and to the Original Charged Assets and each of the Further Charged Assets such that the Security for the Notes and any Further Notes shall be the identical and all references to "*Charged Assets*" shall be to the Original Charged Assets and the Further Charged Assets from time to time;
- (C) the Conditions of each of the Further Notes are identical to the Conditions of the Notes (save in respect of their date of issue);
- (D) each issue of Further Notes will be constituted and secured by a supplement to the Constituting Instrument in the form substantially set out in the Constituting Instrument (or in such other form as is legally effective to constitute and secure the Further Notes) (the "**Further Constituting Instrument**") and so that upon the execution by the Issuer of the Further Constituting Instrument, all references to the Constituting Instrument shall be construed as being to such document as supplemented from time to time; and
- (E) the security interests granted by the Issuer in such Further Constituting Instrument are granted to the Trustee for all the Noteholders of the consolidated Series on a *pari passu* basis.

(VII) **Collateral Default and Arranger Default**

- (A) If the Calculation Agent determines in its sole discretion that a Collateral Default or a Charged Assets Default has occurred then it shall give notice as soon as practicable thereafter to the Issuer, the Trustee, the Principal Paying Agent and the Noteholders (in accordance with Condition 7) of the occurrence of such event. The Issuer shall redeem the Notes in full by payment to each Noteholder of a *pro rata* amount of the Net Proceeds of the Charged Assets five (5) Business Days following the day on which the Issuer receives the Sale Proceeds.
- (B) If the Issuer (in its sole discretion) determines that an Arranger Default has occurred then it shall give notice as soon as practicable thereafter to the Trustee, the Principal Paying Agent and the Noteholders (in accordance with Condition 7) of the occurrence of such event. The Issuer shall redeem the Notes in full by payment to each Noteholder of a *pro rata* amount of the Net Proceeds of the Charged Assets five (5) Business Days following the day on which the Issuer receives the Sale Proceeds.

(VIII) **Purchase**

Condition 2(g) shall apply subject as amended by this Special Condition (VIII). In determining what proportion of Charged Assets corresponds to the proportion of Notes to be purchased, the Issuer shall be entitled to rely on advice given to it by the Calculation Agent. The Issuer has absolute discretion to designate which part of the Series Assets to select in order to fulfil its obligations pursuant to Condition 2(g) as hereby amended.

(IX) **The Trustee**

The Trustee shall not be responsible for, or be obliged to monitor or verify or investigate:

- (A) the performance, operation or calculation of the Portfolio or other element of the calculation thereof but shall be entitled to rely absolutely on any calculation thereof by the Calculation Agent;
- (B) the performance, operations or financial condition of the Portfolio or the terms of the Charged Assets or the calculation of amounts payable in respect thereof;
- (C) the performance by the Issuer of any agreement relating to, or in connection with, the Portfolio and shall be entitled to assume that the Issuer is in compliance with the terms thereof unless and until expressly notified to the contrary in writing by the Issuer or the Calculation Agent;
- (D) whether or not any Additional Mandatory Redemption Event or other event referred to in Special Condition (IV), any Event of Default or any Collateral Default and shall be entitled to assume that no such event has occurred unless and until expressly notified to the contrary in writing by the Issuer or the Calculation Agent; or
- (E) save to the extent caused by its own negligence or wilful default the Trustee shall not be responsible or liable for any failure to sell, realise or redeem the Charged Assets and the Mortgaged Property or any delay in doing so nor for any loss suffered or incurred by any person as a result of the Net Proceeds, the Sale Proceeds or any other proceeds of sale, realisation or redemption of the Charged Assets or the Mortgaged Property being insufficient to discharge any Redemption Amount, Early Redemption Amount or Optional Redemption Amount in full.

(X) **Sale Agent**

The Sale Agent shall, on behalf of the Issuer, sell or procure the sale or other means of realisation of the Charged Assets and shall be entitled to deduct any costs, expenses, taxes and duties incurred in connection with any disposal, realisation or transfer of such Charged Assets.

In the event of an Early Redemption Event or Mandatory Redemption Event, at the discretion of the Issuer and the Arranger, the Sale Agent may enter into agreements with third parties for the purpose of liquidation, realisation, disposal or transfer of Charged Assets, and shall be entitled to deduct any costs, expenses, taxes, duties and / or interest due and incurred in connection with such liquidation, realisation, disposal or transfer.

The Sale Agent may sell or procure the sale or other means of realisation of the Charged Assets in such manner and to and/or involving such person as it thinks fit and shall be entitled to sell and procure the sale or other means of realisation of the Charged Assets at such price in its sole discretion. The Sale Agent shall not be responsible or liable for any failure to sell or realise the Charged Assets or any delay in doing so nor for any loss suffered or incurred by any person as a result of their sale or other means of realisation.

(XI) **Fees**

In addition to the fees due to the Trustee and any Agents, and any other transaction related fees incurred by the Issuer in respect of the issuance of the Notes, as determined by the

Calculation Agent, the Issuer has agreed to pay certain fees to the Arranger, which shall be paid by Advanced Fund Administration (Cayman) Ltd. or EGL Income Properties Ltd.. In the event that Advanced Fund Administration (Cayman) Ltd. or EGL Income Properties Ltd. fails to make such payments the fees will be deducted from the Portfolio when determining the Redemption Amount.

The following fees shall be determined by the Calculation Agent as at the date expected to be two Business Days immediately prior to the following: (i) each NAV Report Date, (ii) the Final Maturity Payment Date, and (iii) any Optional Redemption Payment Date or Early Redemption Payment Date (any such date, a "**Fees Determination Date**"):

- 1) The fees payable to the Arranger:
  - a. 0.55 % per annum of the first USD 25,000,000 of the Net Asset Value of the Portfolio and 0.45% of any sum thereafter, as applicable, as at the most recent NAV Report Date (the "**Arranger Fee**")

The Arranger Fee is subject to an aggregate minimum payment of USD 1,500 per month.

The Issuer will incur fees in relation to the issuance of the Notes, which shall be met by Advanced Fund Administration (Cayman) Ltd. or EGL Income Properties Ltd.. In the event that Advanced Fund Administration (Cayman) Ltd. or EGL Income Properties Ltd. fails to make such payments the fees will be deducted from the Portfolio when determining the Redemption Amount. Such fees will include, but shall not be limited to:

- (A) any fees, costs and expenses payable by the Issuer which are directly attributable to the Notes, including:
  - (1) costs incurred in connection with the issuance, listing, clearing of the Notes and/or the performance of obligations in relation thereto;
  - (2) any commissions, fees, costs and expenses payable by the Issuer pursuant to the Constituting Instrument and the Series Documents as defined therein;
  - (3) any fees, costs and expenses of the administrator of the Issuer payable by the Issuer or the Arranger in respect of the Notes; and
  - (4) any legal fees and disbursements payable by the Issuer or the Arranger to Mason Hayes & Curran or any other legal advisers to the Issuer or the Arranger in respect of the issuance of the Notes; and
- (B) in relation to any realisation of the Charged Assets, all commissions, fees, charges and expenses (including, without limitation, any stamp duty, documentary or transfer or other taxes or duties payable in respect of the sale or other realisation of any such Charged Assets) incurred or payable by the Sale Agent in respect of such sale or other realisation, as certified by the Sale Agent to the Issuer and the Trustee.

Any amounts payable under the Notes are based on the performance of the Charged Assets net of the fees described above. The fees will be applied in calculating the value of the Portfolio and therefore will result in a reduction in value of the Notes.

Estimated fees include a set-up fee of €15,000 (euro) and other Administration fees estimated at €8,300 (euro) per year.

2) Fees payable in respect of the underlying investment

Investors in the Notes should take note of the fees payable to Advanced Fund Administration (Cayman) Ltd. (or its designee) and any other fees payable in respect of the underlying investment. Details of the fees payable to EGL Income Properties Ltd. are set out in the Confidential Explanatory Memorandum (a copy (or copies) of which is appended hereto).

(XII) **Interest**

The Calculation Agent or the Issuer may, from time to time, on a Business Day determined by the Issuer but no later than fifteen (15) calendar days after a Distribution Date, as defined in the Confidential Explanatory Memorandum, if any, from EGL Income Properties Ltd., nominate any Business Day as an Interest Payment Date. The Interest Determination Date shall be any Business Day at the discretion of the Arranger, the Calculation Agent or the Issuer. On the Interest Determination Date the Calculation Agent shall calculate the amount of Interest owing on the Notes and shall inform the Trustee, Paying Agent and Issuer of the amount payable and interest shall be paid in accordance with the Conditions and the Agency Agreement.

(XIII) **Extended Maturity Date**

The term of the Notes may be extended for further periods of up to ten (10) years, provided that, at the request of the Issuer, the Calculation Agent, on behalf of the Issuer, has given a notice (the "**Extension Notice**") to the Trustee, the Principal Paying Agent and the Noteholders three (3) calendar months prior to the Scheduled Maturity Date or the anniversary thereof in each subsequent year, if applicable, stating that such extension shall take place in respect of the Notes. If no Extension Notice, or no further Extension Notices (if applicable) are delivered by the Calculation Agent, the Notes shall be redeemed on the Scheduled Maturity Date or on the date stated in the final Extension Notice (such date being the "**Extended Maturity Date**").

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## **Use of Proceeds**

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The entire net proceeds from the issue of the Notes and any Further Notes, will be invested by the Issuer in the Charged Assets and the relevant Further Charged Assets (in the case of any Further Notes). It is expected that the Charged Assets and the relevant Further Charged Assets (in the case of any Further Notes) will be invested in each case within 30 days of the relevant date of issue or as soon as reasonably practicable thereafter.

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## Information relating to the Charged Assets

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### General

The Issuer intends to use the proceeds of the issuance of the Notes to invest, within 30 days following the Issue Date or as soon as reasonably practicable thereafter, in the non-voting preference shares of EGL Income Properties Ltd. (the "**Income Properties Preferred Shares**"), an exempt company registered under the Companies Law (Revised) of the Cayman Islands on March 7, 2016 and having its registered office at Advanced Fund Administration (Cayman) Ltd., 27 Hospital Road, Cayman Corporate Centre, 5th Floor, George Town, Grand Cayman, KY1-1109, Cayman Islands.

As more particularly set out in the Confidential Explanatory Memorandum, EGL Income Properties Ltd. will and may:

- 1) invest in income generating assets and an annual target coupon to participating shareholders of 6.50%; and
- 2) invest into any kind of registered and non-registered securities. It is anticipated that it will invest through a Florida LLC in shares of a EPC Multifamily Partners III, LLC for investment in multifamily apartment communities in the United States.

The appointed director is SGG Management (BVI) Ltd., a BVI regulated fund management company which maintains an address at Akara Building, 24 de Castro Street, Wickhams Cay 1, POB 3136, Tortola, British Virgin Islands.

On the Issue Date, the Original Charged Assets will consist of the Series Assets and the Related Rights.

### The Series Assets

For a detailed description of the Series Assets see the **CONFIDENTIAL EXPLANATORY MEMORANDUM**, a copy (or copies) of which is appended to this Series Memorandum.

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## Description of security arrangements in respect of the Notes

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### Introduction

The Notes will be secured, limited recourse obligations of the Issuer. The purpose of this section is to provide further information in respect of these important features of the Notes, which are included in the Conditions. However, the following description is a summary only of certain aspects of the security arrangements and is subject in all respects to the terms of the Trust Deed and the Conditions of the Notes, of which Noteholders are deemed to have notice and by which they are bound.

The Issuer will, pursuant to the provisions of the Trust Deed, grant the Security described below to the Trustee as continuing security for the payment of all sums due under the Trust Deed and the Notes. The Trustee shall hold such Security on behalf of itself, the Agents and the Noteholders.

### Security arrangements

The Notes will be secured by a charge over the Series Assets.

Under the Trust Deed, as amended by the terms of the Constituting Instrument, the Issuer, in favour of the Trustee for itself and as trustee for the Secured Parties, and as continuing Security, will:

- (A) assign by way of fixed security assignment in favour of the Trustee for itself and as trustee for the Secured Parties all of the Issuer's rights, title, benefit and interest in, to and under the Series Assets;
- (B) charge by way of fixed charge and assign by way of fixed security assignment in favour of the Trustee for itself and as trustee for the Secured Parties all of the Issuer's rights, title, benefit and interest in and to all funds and any other assets now or thereafter standing to the credit of the account of the Principal Paying Agent in respect of the Notes, the Further Notes and the debts represented by such moneys;
- (C) assign by way of fixed security assignment in favour of the Trustee for itself and as trustee for the Secured Parties all of the Issuer's rights, title, benefit and interest in, to and under the Agency Agreement and the Placing Agreement and all sums and any other assets derived therefrom; and
- (D) charge by way of fixed charge and assign by way of fixed security assignment in favour of the Trustee for itself and as trustee for the Secured Parties all of the Issuer's rights with respect to (a) the Charged Assets and (b) any moneys and/or assets received in respect of such Charged Assets,

in each case on terms that the Trustee shall hold the proceeds of such Security for itself and on trust for itself, and the Secured Parties (and the holders of any Further Notes in accordance with the terms of the Trust Deed).

## **Charging Instrument**

Pursuant to the Charging Instrument the Issuer will grant a security interest governed by the law of the Cayman Islands over the Charged Assets obtained with the net proceeds of the issue of the Notes and all rights of the Issuer derived from or connected to the Charged Assets as security in favour of the Trustee for itself and as trustee for the Secured Parties.

## **Enforcement of the Mortgaged Property**

The Mortgaged Property may become enforceable if the Notes or any of them have become due and repayable (for example, due to acceleration following the occurrence of a Tax Event, Mandatory Redemption Event, Additional Mandatory Redemption Event or an Event of Default) and have not been repaid.

In such circumstances the Trustee may at its discretion, and upon being indemnified, secured and/or prefunded to its satisfaction and shall if so requested or directed by the relevant parties (as more fully described in Condition 7), realise the Charged Assets. In realising the Charged Assets the Trustee may, but shall not be obliged to, procure the sale of the Charged Assets or may request the redemption of the Charged Assets.

## **Priority of claims and potential for insufficient security on sale of Charged Assets and/or on enforcement**

In the event that any Charged Assets are required to be sold pursuant to the Conditions or the Security constituted by the Trust Deed; the Constituting Instrument and the Charging Instrument becomes enforceable in accordance with the Conditions, the net sums realised could be insufficient to pay all the amounts due to the Noteholders under the Notes. The sums realised from any such sale of the Charged Assets will be subject to deduction of the costs and expenses associated with such sale. In addition, all costs and expenses incurred by the Trustee in enforcing the Security (including any costs of a receiver or similar official) and amounts due to the Agents will be deducted from the proceeds of such enforcement before such proceeds are paid to the Noteholders. After taking action to enforce the Security as provided in the Conditions, the Trustee shall not be entitled to take any further steps against the Issuer to recover any sum still unpaid and no debt shall be owed by the Issuer in respect of such sum. In particular, no Agent or Noteholder may petition or take any other step for the winding-up of the Issuer nor shall any of them have any claim in respect of any sum over or in respect of any assets of the Issuer which are security for any other liability of the Issuer.

## **Limited recourse provisions**

The Trustee, the Agents and the Noteholders (in each case to the extent that their claims are secured) shall have recourse only to the Mortgaged Property. If, the Trustee having realised the Mortgaged Property, the proceeds thereof are insufficient for the Issuer to make all payments then due to all such parties, the obligations of the Issuer will be limited to such proceeds of realisation of the Mortgaged Property and no other assets of the Issuer will be available to meet such shortfall; the Trustee, the Agents, the Noteholders or anyone acting on behalf of any of them shall not be entitled to take any further steps against the Issuer to recover any further sum and no debt shall be owed to any such persons by the Issuer. The Trustee and the Agents, shall rank prior to the Noteholders in the application of all moneys received in connection with the realisation or enforcement of the Security. In particular, none of the Trustee and the Agents or any holder of the Notes may petition or take any other step for the winding-up of the Issuer, and none of them shall have any claim in respect of any sum arising in respect of the Mortgaged Property for any other Series.



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## **Information relating to the Arranger and Calculation Agent**

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FlexFunds Ltd. is the Arranger in respect of the Notes and has been appointed as Calculation Agent, and as such is responsible for certain management and administrative functions in relation to the Notes.

FlexFunds Ltd. is an exempted company incorporated in the Cayman Islands with limited liability. The company administers the Note program with all participants and prepares the notes for issuance and calculation of NAV.

FlexFunds Ltd. has a presence in the Cayman Islands.

As Calculation Agent, FlexFunds Ltd. is responsible for determining the Interest Payment Date and any Extended Maturity Date in addition to calculating interest payment on the Notes.

The Calculation Agent may at any time resign and the Issuer may at any time terminate its appointment, subject to giving 60 days' prior written notice. In such case the Issuer would, with the prior written consent of the Trustee, appoint a successor.

The holder of the Notes will have claims against the Issuer only, and shall not have any rights directly against the Arranger or any Agent of the Issuer.

### **Fees**

The fees payable to FlexFunds Ltd. as the Arranger are described in Special Condition (XI) of the Notes.

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## **Information relating to the Sale Agent and Placing Agent**

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GWM Group, Inc. and GWM LTD have been appointed as Sales Agent and Placing Agent, and as such are responsible for certain management and administrative functions in relation to the Notes.

GWM Group, Inc. is a full service broker dealer based in Stamford, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Its clients' accounts are introduced on a fully disclosed basis to Interactive Brokers, LLC.

GWM Group, Inc. offers execution services to clients ranging from retail clients to institutional investment firms, and services ranging from wealth management services to custody and clearing services. The company also offers investment solutions, such as fee-based programs, retirement products and programs, asset management accounts, margin borrowing, mutual fund solutions, and wealth management.

GWM Group, Inc. has a presence in each of New York, Connecticut and Miami.

GWM LTD was incorporated in Bermuda in December 2014 and is licensed to conduct investment business by the Bermuda Monetary Authority.

The Bermuda Monetary Authority granted approval to GWM LTD for a license under section 16 of the Investment Business Act 2003.

As Placing Agent, GWM Group, Inc. and GWM LTD have agreed to comply with all duties and responsibilities set out in the Conditions of the Notes, and to strictly adhere to the Selling Restrictions.

As Sales Agent, GWM Group, Inc. and GWM LTD are responsible to the Issuer for taking any steps in order to realise the Charged Assets as required for the purposes of the Notes.

The holder of the Notes will have claims against the Issuer only, and shall not have any rights directly against the Arranger or any Agent of the Issuer.

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## Information relating to the Issuer

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### General

The Issuer was incorporated in Ireland as a public limited liability company on 29 August 2011, with registration number 502865 under the name IA Capital Structures (Ireland) plc, under the Companies Acts 1963 – 2013.

The registered office of the Issuer is at 22 Clanwilliam Square, Grand Canal Quay, Dublin 2, Ireland. The telephone number of the Issuer is +353 1 609 9184. The authorised share capital of the Issuer is EUR 100,000,000 divided into 100,000,000 Ordinary Shares of EUR 1 each (“**Shares**”). The Issuer has issued 38,100 Shares all of which are fully paid. The issued Shares are held by a Jersey-incorporated company, Sanne Trustee Services Limited (the “**Share Trustee**”), on trust for charitable purposes. The Share Trustee has, inter alia, undertaken not to exercise its voting rights to wind up the Issuer unless and until it has received written confirmation from the Directors of the Issuer that the Issuer does not intend to carry on further business.

The Issuer has been established as a special purpose vehicle. The principal activities of the Issuer are the issuance of financial instruments, the acquisition of financial assets and the entering into of other legally binding arrangements.

The Issuer is not, and will not be, regulated by the Central Bank of Ireland (the “Central Bank”) by virtue of the issue of the Notes. Any investment in the Notes does not have the status of a bank deposit and is not subject to the deposit protection scheme operated by the Central Bank.

The Issuer has not underwritten and will not underwrite the issue of, place, offer, or otherwise act in respect of the Notes, otherwise than in conformity with the provisions of all laws applicable in the jurisdiction in which the Notes are offered.

### Directors and company secretary

The Directors of the Issuer are as follows:

- Wendy Merrigan
- Rory Williams

The Company Secretary is Sanne Capital Markets Ireland Limited.

Sanne Capital Markets Ireland Limited is the administrator of the Issuer. Its duties include the provision of certain administrative, accounting and related services. The appointment of the administrator may be terminated forthwith if the administrator commits any material breach of the corporate service agreement between the Issuer and the administrator, or if the administrator is unable to pay its debts as they fall due or if the administrator becomes subject to insolvency or other related proceedings. The administrator may retire upon 90 days’ written notice subject to the appointment of an alternative administrator on similar terms to the existing administrator. The business address of the administrator is 22 Clanwilliam Square, Grand Canal Quay, Dublin 2, Ireland.

The auditors of the Issuer are PricewaterhouseCoopers who are chartered accountants qualified to practice in Ireland.

**Financial statements**

The Issuer has published financial statements for up to 30 June 2014.

**Authorisation**

The issue of the Notes was authorised by a resolution of the board of directors of the Issuer passed on 18 April 2016.

**Litigation**

There are no legal, governmental or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had a significant effect on the Issuer's financial position.

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## Selling restrictions

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In addition to the Selling Restrictions set out in the Programme Memorandum the restrictions set out below shall apply.

The Notes have not been and will not be registered under the U.S Securities Act of 1933, as amended, and may not be directly or indirectly offered or sold in the United States or to or for the benefit of any U.S person (as defined in Regulation S) unless the securities are registered under the Securities Act of 1933, or an exemption from the registration requirements of the Securities Act of 1933 is available.

Where:

**“U.S person”** means a *“US person”*, as the term is defined in Regulation S under the Securities Act of 1933 (as amended from time to time) and more particularly are references to: (i) any natural person that resides in the U.S; (ii) any entity organised or incorporated under the laws of the U.S; (iii) any entity organised or incorporated outside the U.S that was formed by a U.S. person principally for the purpose of investing in securities not registered under the Securities Act of 1933, unless it is organised or incorporated, and owned, by accredited investors (as defined in Section 501 of Regulation D promulgated under the Securities Act of 1933) who are not natural persons, estates or trusts; (iv) any estate of which any executor or administrator is a US person ; (v) any trust of which any trustee is a U.S person; (vi) any agency or branch of a foreign entity located in the U.S; or (vii) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary for the benefit or account of a U.S. person; and (viii) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organised, incorporated, or resident in the U.S. For the purposes hereof, the term **“U.S person”** shall not include any discretionary or non-discretionary account (other than an estate or trust) held for the benefit or account of a non-U.S person by a dealer or other professional fiduciary organised or incorporated in the US. The term **“U.S person”** includes entities that are subject to the U.S Employee Retirement Income Securities Act of 1974, as amended, or other tax-exempt investors or entities in which substantially all of the ownership is held by U.S persons.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **“Relevant Member State”**), an offer of Notes to the public has not and may not be made in that Relevant Member State.

No action has been taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of the Programme Memorandum, this Series Memorandum or any part thereof or any other offering material, in any country or jurisdiction where action for that purpose is required.

NO OFFER, SALE OR DELIVERY OF THE NOTES, OR DISTRIBUTION OR PUBLICATION OF ANY OFFERING MATERIAL RELATING TO THE NOTES, MAY BE MADE IN OR FROM ANY JURISDICTION EXCEPT IN CIRCUMSTANCES WHICH WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. ANY OFFER OR SALE OF THE NOTES SHALL COMPLY WITH THE SELLING RESTRICTIONS AS SET OUT IN THE ISSUER'S OFFERING DOCUMENTS AND ALL APPLICABLE LAWS AND REGULATIONS.

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## General Information

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For so long as the Notes remain outstanding, the following documents will be available in physical form from the date hereof during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for inspection at the registered office of the Issuer and the specified office of the Principal Paying Agent in London:

- (a) the Master Documents which are incorporated by reference by the Constituting Instrument so as to constitute the Trust Deed, Agency Agreement, Placing Agreement and Charged Assets Sale Agreement with respect to the Notes (to the extent not otherwise amended, modified and/or supplemented by the Constituting Instrument);
- (b) any deed or agreement supplemental to the Master Documents;
- (c) the Programme Memorandum;
- (d) the Certificate of Incorporation and the Memorandum and Articles of Association of the Issuer; and
- (e) the Constituting Instrument

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**APPENDIX 1 – CONFIDENTIAL EXPLANATORY MEMORANDUM**

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**CONFIDENTIAL EXPLANATORY MEMORANDUM**

**EGL INCOME PROPERTIES LTD.**

(the “SPV”)

*A Cayman Islands Exempted Company*

**Private Offering of non-voting preference shares with non-cumulative dividend rights  
and par value of USD 1.00 each (the “Shares”)**

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**March, 2016**

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THE SHARES OFFERED HEREIN ARE SPECULATIVE SECURITIES INTENDED FOR A LIMITED NUMBER OF EXPERIENCED AND SOPHISTICATED INVESTORS. SHARES ARE OFFERED TO PERSONS WHO ARE NEITHER CITIZENS NOR RESIDENTS OF THE UNITED STATES AND TO U.S. INVESTORS WHO ARE PENSION AND PROFIT SHARING TRUSTS, CHARITIES AND OTHER SUCH TAX-EXEMPT AND NON-TAXABLE ENTITIES.

THIS EXPLANATORY MEMORANDUM IS CONFIDENTIAL  
AND IS NOT TO BE REPRODUCED



## NOTICE

THIS CONFIDENTIAL EXPLANATORY MEMORANDUM IN RESPECT TO THE SPV HAS BEEN PREPARED IN CONNECTION WITH THE OFFER AND SALE OUTSIDE OF THE UNITED STATES, ITS TERRITORIES OR POSSESSIONS, OF SHARES OF THE SPV TO A LIMITED NUMBER OF PERSONS WHO ARE NEITHER CITIZENS NOR RESIDENTS OF THE UNITED STATES OF AMERICA AND TO A LIMITED NUMBER OF UNITED STATES INVESTORS CONSISTING PRIMARILY OF TAX-EXEMPT AND NON-TAXABLE ENTITIES. THIS EXPLANATORY MEMORANDUM MAY NOT BE REPRODUCED.

NO REGISTRATION STATEMENT HAS BEEN FILED WITH THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION WITH RESPECT TO THIS OFFERING. THE SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY ONLY BE OFFERED, SOLD OR OTHERWISE TRANSFERRED DIRECTLY OR INDIRECTLY TO ANY UNITED STATES CITIZEN OR RESIDENT OR TO ANY CORPORATION, PARTNERSHIP, TRUST OR OTHER ENTITY CHARTERED OR ORGANIZED UNDER THE LAWS OF ANY JURISDICTION IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, IN PRIVATE PLACEMENTS EXEMPT FROM REGISTRATION PURSUANT TO REGULATION D OF THE SECURITIES ACT.

THE SPV WILL BE EXEMPT FROM REGISTRATION AS A MUTUAL FUND PURSUANT TO SECTION 4(4) OF THE MUTUAL FUNDS LAW (AS AMENDED) OF THE CAYMAN ISLANDS (THE "MUTUAL FUNDS LAW OR THE MFL") BY RESTRICTING THE NUMBER OF INVESTORS TO FIFTEEN (15) A MAJORITY OF WHOM CAN APPOINT OR REMOVE THE SPV'S BOARD OF DIRECTORS. ACCORDINGLY, THE SPV WILL BE EXEMPT FROM REGISTERING WITH THE CAYMAN ISLANDS MONETARY AUTHORITY ("CIMA") AS A REGULATED FUND. REGISTRATION DOES NOT IMPLY THAT CIMA OR ANY GOVERNMENTAL AUTHORITY IN THE CAYMAN ISLANDS HAS PASSED UPON OR APPROVED THIS EXPLANATORY MEMORANDUM OR THE OFFERING OF THE SHARES HEREUNDER NOR IS IT INTENDED THAT THEY WILL.

THIS EXPLANATORY MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLICITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION IS NOT AUTHORIZED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLICITATION. PURCHASERS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS WITHIN THEIR OWN JURISDICTION APPLICABLE TO THE PURCHASE OF SHARES AND TO ANY TAXATION OR EXCHANGE CONTROL LEGISLATION APPLICABLE TO THEM.

THIS EXPLANATORY MEMORANDUM IS BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN THE CAYMAN ISLANDS AND IS SUBJECT TO CHANGES THEREIN. NO INVITATION TO THE PUBLIC IN THE CAYMAN ISLANDS TO SUBSCRIBE FOR ANY SHARES IN THE SPV IS PERMITTED TO BE MADE (WHICH DOES NOT INCLUDE CAYMAN ISLANDS EXEMPTED OR ORDINARY NON-RESIDENT COMPANIES). THIS EXPLANATORY MEMORANDUM SHOULD BE READ IN CONJUNCTION WITH THE SPV'S MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION, AS AMENDED FROM TIME TO TIME.

THE SPV'S INVESTMENTS ARE SUBJECT TO MARKET FLUCTUATIONS AND THERE CAN BE NO ASSURANCE THAT APPRECIATION WILL OCCUR OR THAT LOSSES WILL NOT BE REALIZED; THE VALUE OF INVESTMENTS MAY FALL AS WELL AS RISE.

THE SPV CONSISTS OF SHARES DESCRIBED IN THIS EXPLANATORY MEMORANDUM.

THIS EXPLANATORY MEMORANDUM IS ACCURATE AS OF ITS DATE, AND NO REPRESENTATION OR WARRANTY IS MADE AS TO ITS CONTINUED ACCURACY AFTER SUCH DATE. NO PERSON HAS BEEN AUTHORIZED IN CONNECTION WITH THIS OFFERING TO GIVE ANY INFORMATION OR MAKE ANY REPRESENTATIONS OTHER THAN AS CONTAINED IN THIS EXPLANATORY MEMORANDUM.

PROSPECTIVE SHAREHOLDERS SHOULD CAREFULLY READ THIS EXPLANATORY MEMORANDUM. HOWEVER, THE CONTENTS OF THIS EXPLANATORY MEMORANDUM SHOULD NOT BE CONSIDERED TO BE LEGAL OR TAX ADVICE, AND EACH PROSPECTIVE SHAREHOLDER SHOULD CONSULT WITH ITS OWN COUNSEL AND ADVISERS AS TO ALL MATTERS CONCERNING AN INVESTMENT IN THE SHARES. AS PART OF ITS RESPONSIBILITY FOR THE PREVENTION OF MONEY LAUNDERING, THE SPV (AND ANY PERSON ACTING ON ITS BEHALF, INCLUDING THE ADMINISTRATOR) RESERVES THE RIGHT TO REQUEST SUCH INFORMATION AS IS NECESSARY TO VERIFY THE IDENTITY OF A SUBSCRIBER, ANY BENEFICIAL OWNER UNDERLYING THE ACCOUNT AND THE SOURCE OF THE PAYMENT. IN THE EVENT OF DELAY OR FAILURE BY THE SUBSCRIBER OR SHAREHOLDER TO PRODUCE ANY INFORMATION REQUIRED FOR VERIFICATION PURPOSES, THE SPV MAY REFUSE TO ACCEPT A SUBSCRIPTION OR MAY CAUSE THE REDEMPTION OF ANY SUCH SHAREHOLDER FROM THE SPV.

EACH PROSPECTIVE INVESTOR IS INVITED TO MEET WITH REPRESENTATIVES OF THE DIRECTORS TO ASK SUCH PERSONS QUESTIONS CONCERNING THE TERMS AND CONDITIONS OF THIS OFFERING OF SHARES, AND TO OBTAIN ANY ADDITIONAL INFORMATION, TO THE EXTENT THE DIRECTORS POSSESS SUCH INFORMATION OR CAN ACQUIRE IT WITHOUT UNREASONABLE EFFORT OR EXPENSE, NECESSARY TO VERIFY THE INFORMATION CONTAINED HEREIN.

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## **DIRECTORY**

<b>Registered Office:</b>	EGL Income Properties Ltd. Advanced Fund Administration (Cayman) Ltd, 27 Hospital Road, Cayman Corporate Centre 5 <sup>th</sup> Floor George Town, Grand Cayman KY1-1109
<b>Directors:</b>	SGG Management (BVI) Ltd.
<b>Administrator:</b>	Advanced Fund Administration (Cayman) Ltd, 27 Hospital Road, Cayman Corporate Centre 5 <sup>th</sup> Floor George Town, Grand Cayman KY1-1109 Tel- (345) 943-4232 Fax- (345) 943-4231 Email- <a href="mailto:investorservices@afaservices.com">investorservices@afaservices.com</a>
<b>Cayman Islands Counsel:</b>	AFA Legal Resources (Cayman) Ltd. 27 Hospital Road, Cayman Corporate Centre 5 <sup>th</sup> Floor George Town, Grand Cayman KY1-1109

Written inquiries relating to the SPV should be addressed to the SPV at the address of its Administrator set forth above.

## SUMMARY OF PRINCIPAL TERMS

The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Confidential Explanatory Memorandum (the “Explanatory Memorandum”) and each offering supplement and investment agreement (each a “Supplement”) and furthermore in the SPV’s Memorandum and Articles of Association (the “Memorandum and Articles of Association”). Capitalized terms used herein and not otherwise defined will have the same meaning as set forth in the Memorandum and Articles of Association.

**The SPV** EGL Income Properties Ltd. (the “SPV”), incorporated on March 11, 2016 as a Cayman Islands (“Cayman”) exempt company.

The name of the SPV’s Cayman registered agent is Advanced Fund Administration (Cayman) Ltd. The address of the SPV’s registered office is 27 Hospital Road, Cayman Corporate Centre, 5<sup>th</sup> Floor, George Town, Grand Cayman, KY1-1109, Cayman Islands.

**The Directors** SGG Management (BV) Ltd., a British Virgin Islands company (the “Directors”), has been appointed as director for the SPV.

**Investment Objective** The purpose of the SPV is to invest in registered and non-registered securities and, primarily to invest through a Florida LLC in shares of a EPC Multifamily Partners III, LLC for investment in multifamily apartment communities in USA as more fully described in the relevant Supplement.

There can be no assurance that the SPV will achieve its investment objective or avoid substantial losses. An investor should not make an investment in the SPV with the expectation of sheltering income or receiving cash distributions. Investors are urged to consult with their personal advisers before investing in the SPV.

**The Offering** The SPV may issue non-voting preference shares with non-cumulative dividend rights and par value of USD 1.00 each (the “Shares”) as further defined in each relevant Supplement.

Shares may be issued in one or more classes or series of Shares, issued in one or more currencies, as the Directors may determine from time to time in accordance with the Memorandum and Articles of Association. Each Common Share (defined as voting common shares of USD 1.00 par value each in the SPV) shall carry the right to one vote. The Shares do not carry any right to vote, but shall carry all the rights of the economic interest in the profits and losses generated by the SPV. The Common Shares carry no economic rights. The Common Shares will be owned by the Directors or such other entity or person designated by the Directors from time to time.

Each investor will be referred to herein as a “Shareholder” and together as the “Shareholders.”

**Risk Factors** An investment in the SPV is speculative and involves substantial risks and conflicts of interest. Shares are suitable only for investors who can afford to lose all or a substantial portion of their investment. See the section “Risk Factors” in this Explanatory Memorandum.

**Minimum Investments** The minimum initial subscription amount for new investors in the SPV is defined in each relevant Supplement. The Directors may accept or reject

subscriptions in their sole discretion.

**Subscription Procedure**

As set out in the relevant Supplement.

**Eligible Investors**

Shareholders must either be non-U.S. Persons or “Permitted U.S. Persons” and must meet other suitability requirements described below and in the Investment Agreement. A “Permitted U.S. Person” is a tax-exempt U.S. person, or an entity substantially all of the ownership interests in which are held by tax-exempt U.S. persons. Investment by tax-exempt entities requires special consideration.

The Directors, in their discretion, may decline to accept the subscription for Shares of any prospective Shareholder.

**Expenses**

The SPV will bear its own direct expenses, such expenses to include, but not be limited to the following: expenses associated with each offering; legal and recording fees and expenses; accounting, auditing, and tax preparation expenses; custodial expenses; taxes; insurance, if applicable; printing and mailing costs; brokerage commissions, clearing and settlement charges, bank service fees, interest expenses, borrowing charges, and other investment expenses; costs and expenses of entering into and utilizing credit facilities; the Administrator’s fees and expenses; and other expenses associated with the operation of the SPV, including any extraordinary expenses (such as litigation and indemnification). Reasonable travel expenses related to the business of the SPV incurred by the Directors shall be reimbursed accordingly.

The Directors bear all of its separate expenses arising out of their services to the SPV, including all of its general overhead expenses (including the rent of its offices, compensation and benefits of its administrative staff, maintenance of its books and records, and its fixed expenses, telephones, and general purpose office equipment).

**Redemption Procedure**

As set out in the relevant Supplement. The SPV may require a Shareholder to redeem its Shares, or the SPV may compulsorily redeem such Shares, in certain circumstances and as contained in the Articles.

**Administrator**

The administrator of the SPV is Advanced Fund Administration (Cayman) Ltd. (the “Administrator”). The SPV reserves the right to use other and/or additional firms for administration services.

**Auditor**

The SPV shall not appoint any auditor (the “Auditor”) for the time being.

**Business Day**

Any day other than a Saturday or Sunday when the banks in Cayman are open for business, and such other day or days as the Directors may from time to time determine.

**Initial Price**

The fixed price per Share at which Shares are offered during the Initial Offer Period in respect of the SPV as specified in the relevant Supplement.

<b>Initial Offer Period</b>	The period during which Shares are offered at the Initial Price as specified in the relevant Supplement.
<b>Illiquid Investments</b>	Investments which the Directors have determined, in their absolute discretion, to be illiquid or otherwise difficult to value or realize.
<b>Valuation Day</b>	As defined in the relevant Supplement.

## THE SPV

EGL Income Properties Ltd. (the “SPV”) is an exempt company registered under the Companies Law (Revised) of the Cayman Islands (the “Companies Law”) on March 7, 2016. The SPV’s registered agent is Advanced Fund Administration (Cayman) Ltd. The address of the SPV’s registered office is 27 Hospital Road, Cayman Corporate Centre, 5<sup>th</sup> Floor, George Town, Grand Cayman, KY1-1109, Cayman Islands.

The SPV is managed by its board of Directors and the Directors will review the activities of the Administrator, and any other counterparty and decide upon matters of general policy. Subject to the overall supervision of the Directors, the Administrator shall conduct and supervise the administration of the SPV.

## DIRECTORS

The Board of Directors of the SPV (“Board” or “Directors”) consists of:

**SGG Management (BVI) Ltd. – a BVI regulated fund management company which maintains an address at Akara Building, 24 de Castro Street, Wickhams Cay 1, POB 3136, Tortola, British Virgin Islands.**

The Articles of Association confer broad authority on the Board to manage the business and affairs of the SPV. The Board and the officers of the SPV are required to devote only such time and attention to the business of the SPV as is deemed necessary or appropriate by the Board or the officers of the SPV in their sole discretion, and each member of the Board and officer of the SPV is permitted to engage in other businesses and to make investments for his or her own account. Under the Companies Law (Revised) of the Cayman Islands, a Director of the SPV is required to, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the SPV, to disclose the interest to the Directors of the SPV and any such interested Director will otherwise act in compliance with applicable law. The SPV will compensate the Directors in accordance with industry standards. The Board has delegated certain operational functions to the service providers listed herein.

The Directors shall be indemnified out of the assets of the SPV against all actions, proceedings, costs, charges, losses, damages and expenses which they shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duties in respect of the SPV except such (if any) as they shall incur or sustain by or through their own gross negligence, or willful default. The Directors shall not be answerable for the acts, receipts, neglects or defaults of any officer, auditor nor the solvency or honesty of any banker or other persons with whom any monies or effects belonging to the SPV may be lodged or deposited for safe custody, or for any insufficiency of any security or other asset in which any monies of the SPV may be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of their office or trust, unless the same shall happen through their own gross negligence, or willful default.

Provided that a Director has disclosed the nature and extent of any material interests to the board of directors, no contract or other transaction between the SPV and any other company or firm shall be affected or invalidated by the fact that the Director has a material interest in, or is a director, associate, officer or employee of that other company or firm and such Director may count in the quorum and may vote on any resolution considered at a meeting which concerns the matter in which he has an interest.

The Articles do not provide for a retirement age for the Directors and do not provide for retirement of the Directors by rotation. Each Director shall be appointed indefinitely until such time as they resign or are removed according to the Articles. There is no shareholding qualification for the Directors.



## **INVESTMENT STRATEGY AND OBJECTIVE OF THE SPV**

### **Overview**

The purpose of the SPV is to invest in registered and non-registered securities and, primarily to invest through a Florida LLC in shares of a EPC Multifamily Partners III, LLC for investment in multifamily apartment communities in USA as more fully described in the relevant Supplement.

### **Amendment of Investment Objective and Policy**

The Directors are responsible for the formulation of the present investment objective and policy of the SPV and any subsequent changes to that policy in the light of political and/or economic conditions, may amend or propose an amendment of the present investment objective or investment policy of any of the SPV from time to time.

However, the investment objective shall not be altered or amended, nor any change in the investment policy made, without a reasonable notification period being provided by the SPV to enable Shareholders to redeem their Shares prior to the implementation of such changes. In the event of a non-material change to the investment objective or investment policy, Shareholders will be notified of such changes.

### **Investment Guidelines and Restrictions**

The investment guidelines and restrictions applicable to each may be as set out, where relevant, in the Supplement applicable to the SPV.

### **Borrowing and Leverage by the SPV**

As defined in each relevant Supplement, the SPV may secure such borrowing by passing collateral, pledging, mortgaging, charging or otherwise securing the assets it holds for the account of the SPV and the Directors shall be entitled to use such assets to repay or reduce such borrowings. Borrowing or leverage presents the potential for a higher rate of total return but also increases the volatility of the SPV of which borrowing or leverage is used, including the risk of a total loss of the amount invested.

### **Hedging**

The SPV may (but is not obliged to) enter into certain currency related transactions in order to hedge the currency exposure of the assets of that attributable to a particular Class into the currency of denomination of the relevant Class for the purposes of efficient portfolio management. Financial instruments such as forward contracts, currency options and interest rate swaps, caps and floors may be utilized by the SPV and the Directors for the SPV to seek to hedge against fluctuations in the relative values of the positions within such as a result of changes in currencies, interest rates, equities and other financial instruments. Moreover, it may not be possible for the Directors or the SPV to hedge against an exchange rate or interest rate fluctuation that is so generally anticipated that the SPV is not able to enter into hedging transactions at a price sufficient to protect the SPV's assets from the decline in value of the positions anticipated as a result of such fluctuations.

## **RISK FACTORS**

The identification of suitable and attractive investment opportunities is difficult and involves a high degree of uncertainty. Returns generated from investment operations may not adequately compensate Shareholders for the financial and business risk they assume by investing in the SPV. The SPV will be subject to those risks common to investment funds investing in foreign and emerging markets, including market volatility. An investment in the SPV is designed for long-term investors who are willing to assume the risk of investing subject to significant volatility. An investment in the SPV is not a bank deposit and is not insured by the Federal Deposit Insurance Corporation or any other U.S. or Foreign government agency.

An investment in Shares involves a degree of risk and is suitable only as an investment for persons of substantial means that have no need for liquidity with respect to such investment. Prospective investors should carefully consider the risk factors set forth below as well as other risks specified in this Explanatory Memorandum and each relevant Supplement before making a decision to invest.

General Investment Risks. The SPV's success depends on the Directors' ability to implement its investment strategy for the SPV. Any factor that would make it more difficult to execute timely trades, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. No assurance can be given that the investment strategies to be used by the SPV will be successful under all or any market conditions.

Although the SPV intends to be fully invested most of the time, it may increase its cash position to up to 100% of its assets when the Directors deem it prudent or when a defensive position is warranted in light of market conditions. During such times, investment income will increase and may constitute a large portion of the return, and the SPV will not participate in market advances or declines to the extent that it would have if it had remained fully invested.

A potential investor should note that the prices of the investments and other instruments in which the SPV invests may be unavailable. Market movements are difficult to predict and are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the inherent volatility of the marketplace. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets, and such intervention (as well as other factors) may cause these markets and related investments to move rapidly.

Illiquidity of Shares. It is not anticipated that there will be an active secondary market for the Shares and it is not expected that such a market will develop. In addition, there are limitations on transfers and redemptions of all Shares and the Shares may not be transferred or assigned without the consent of the Directors. An investment in the SPV therefore may be relatively illiquid and involves a high degree of risk. Subscription for Shares should be considered only by sophisticated investors who are financially able to maintain their investment and can afford to lose all or a substantial part of their investment in the SPV. The risks associated with illiquidity will be particularly acute in situations in which the operations require cash, and could result in the SPV borrowing to meet short-term cash requirements, incurring capital losses on the sale of illiquid assets, having to restrict redemptions or taking other measures as appropriate.

Limited Liquidity. The SPV may have limited liquidity. Investors should note that redemptions may be subject to a prior notice period which increases depending on the size of the redemption request. Shareholders should note that payment of redemptions may be delayed or suspended until such time as the SPV is in a position to liquidate its underlying investments. There is no guarantee that purchase or sale transactions can be carried out in respect of Shares of the SPV in a timely manner. The restrictions on redemptions will significantly affect the liquidity of a Shareholder's investment. A secondary market in the Shares is not expected.

Risks related to the global real estate crisis.

The United States housing bubble is an economic bubble affecting many parts of the United States housing market in over half of American states. By way of background, housing prices peaked in early 2006, started to decline in 2006 and 2007, and reached new lows in 2012. On December 30, 2008 the Case-Shiller home price index reported its largest price drop in its history. Increased foreclosure rates in 2006–2007 among U.S. homeowners led to a crisis in August 2008 for the subprime, collateralized debt obligation (CDO), mortgage, credit, hedge fund, and foreign bank markets. In October 2007, the U.S. Secretary of the Treasury called the bursting housing bubble "the most significant risk to our economy." Any collapse of the U.S. Housing Bubble has a direct impact not only on home valuations, but the nation's mortgage markets, home builders, real estate, home supply retail outlets, Wall Street hedge funds held by large institutional investors, and foreign banks, increasing the risk of a nationwide recession. Investors should note that the SPV's investments in the USA real estate markets are not immune from such effects.

Housing bubbles may occur in local or global real estate markets. In their late stages, they are typically characterized by rapid increases in the valuations of real property until unsustainable levels are reached relative to incomes, price-to-rent ratios, and other economic indicators of affordability. This may be followed by decreases in home prices that result in many owners finding themselves in a position of negative equity—a mortgage debt higher than the value of the property. The underlying causes of the housing bubble are complex. Factors include tax policy (exemption of housing from capital gains), historically low interest rates, lax lending standards, failure of regulators to intervene, and speculative fever. This bubble may be related to the stock market or dot-com bubble of the 1990s. This bubble roughly coincides with the real estate bubbles of the United Kingdom, Hong Kong, Spain, Poland, Hungary and South Korea. While bubbles may be identifiable in progress, bubbles can be definitively measured only in hindsight after a market correction, which in the U.S. housing market began in 2005–2006.

Further to the summaries of the housing crisis described above, the SPV's target real estate market in general may currently still be suffering from the severe downturn. It is uncertain when the market may begin to recover, and what the pacing of any such recovery may be. As a result, it is impossible to be certain whether real estate prices in general, and the price of the underlying properties held by the SPV in particular, will fall, remain the same, or rise during the next several years. Continuing weakness in the South Florida real estate market and the broader economy may have a negative impact on the ability of the SPV to sell the underlying properties at prices sufficient to satisfy its obligations to its creditors and/or investors, which will, in turn, have a negative impact on the value of the Shares.

Restrictions on redemptions. In addition to the issues raised in relation to illiquidity of Shares above, prospective investors should note that Shares are redeemable at the option of the Shareholder only in the circumstances either set out herein or in the relevant Supplement. The SPV may require a Shareholder to redeem its Shares or the Directors may compulsorily redeem such Shares, in certain circumstances and as contained in the SPV's Memorandum and Articles of Association. Such mandatory redemption may create adverse economic or other consequences to the Shareholder depending on the timing thereof and the Shareholder's personal circumstances. The Directors may temporarily suspend calculations of the Net Asset Value of the SPV in certain circumstances. No issue or redemptions of Shares will take place during any period where calculations are so suspended and the SPV's reserves the right to withhold payments of redemption proceeds to persons whose Shares have been redeemed prior to such suspension until after the suspension is lifted. In order to meet redemptions, the SPV may need to liquidate its underlying assets. If the SPV is unable to do this, payment of redemption proceeds will not be possible. This could materially extend the period required for Shareholders to realize their investments in the SPV .

Suspension of Redemption and Deferment of Redemption Proceeds. In certain circumstances, the Directors, in their sole and absolute discretion, may suspend the valuation of the SPV, the right or obligation to redeem Shares (including the right to receive redemption proceeds), and/or extend the period for payment on redemption. In addition, the Directors may suspend the right of redemption or postpone the date of payment for any period during which there is an extraordinary circumstance as determined in good faith by the Directors.

Operating deficits. The expenses of operating the SPV (including the fees payable to service providers) may exceed the relevant income. Any such operating deficits will be paid out of the SPV's capital, reducing the value of the SPV's investments and potential for profitability.

Lack of Diversification. Although the SPV will structure its portfolio so that investments (both individually and in the aggregate) have desirable risk/reward characteristics and so that the SPV may be able to satisfy Shareholders' requests for redemption, the SPV may not be subject to any restrictions with respect to any type of investment. The

SPV may have a non-diversified portfolio and may have large amounts of assets invested in a small number of investments. Such lack of diversification substantially increases market risks and the risk of loss associated with an investment in the SPV.

Hedging. The Directors will not, in general, attempt to hedge all market or other risks inherent in their respective portfolio positions, and will hedge certain risks, if at all, only partially. The SPV may choose not, or may determine that it is economically unattractive, to hedge certain risks – either in respect of particular positions or in respect of its overall portfolio. Furthermore, it is possible that the Directors’ hedging strategies will not be effective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged, increasing rather than reducing both risk and losses.

Potential conflicts of interest. The Directors and the service providers to the SPV may have actual and potential conflicts of interest in relation to their duties to the SPV.

Trading through a Subsidiary. The SPV may trade through subsidiaries. It is possible that the SPV will not recover any or all of the amount advanced to the Subsidiary. Investors should also note that in certain circumstances the SPV may, on the winding-up of the Subsidiary, be liable to pay to the liquidator of the Subsidiary an amount equivalent to the whole or part of any or all of the debts provable in a winding-up, if the court is satisfied that the circumstances that gave rise to the winding-up of the Subsidiary are attributable to the actions or omissions of the SPV and if the court considers that it is just and equitable to make such an order.

## **Management Risks**

Reliance on the Directors and no Authority by Shareholders. All decisions regarding the investments and the management and affairs of the SPV will be made exclusively by the Directors. Accordingly, no person should purchase Shares unless such person is willing to entrust all aspects of management of the SPV to the Directors. Shareholders will have no right or power to take part in the management of the SPV. As a result, the success of the investment strategy of the SPV for the foreseeable future depends solely on the abilities of the Directors.

Changes in Investment Strategies. The Directors of the SPV in conjunction with the Directors have broad discretion to expand, revise or contract the business of any of the SPV without the consent of the Shareholders. The investment strategies of any of the SPV may be altered, without prior approval by, or notice to, the Shareholders, if the Directors following consultation with the Directors determine that such change is in the best interest of any of the SPV.

Limitations on the Directors’ Liability and Indemnification. Subject to certain limitations, the SPV’s Memorandum and Articles of Association provide that the SPV shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings by any person who (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the SPV; or (b) is or was, at the request of the SPV, serving as a director of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise. Such indemnity only applies if the person acted honestly and in good faith with a view to the best interests of the SPV and, in the case of criminal proceedings, the person had no reasonable cause to believe that their conduct was unlawful. The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interests of the SPV and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient unless a question of law is involved. Such indemnification could hinder the SPV’s ability to realize its investment objective.

## **Other Risks**

No Operating History. The SPV is a recently formed entity and has no operating history upon which prospective investors can evaluate its likely performance. There can be no assurance that the SPV will achieve its investment objective.

Start-Up Periods. The SPV may encounter start-up periods during which it will incur certain risks relating to the initial investment of newly contributed assets. Moreover, the start-up periods also represent a special risk in that the level of diversification of each of the SPV's portfolio may be lower than in a fully invested portfolio.

**Risk of Loss. A Shareholder could incur substantial, or even total, losses on an investment in the SPV. The Shares are only suitable for persons willing to accept this high level of risk.**

Effect of Substantial Redemptions. Substantial redemptions by Shareholders within a short period of time could require the SPV to liquidate its investments more rapidly than would otherwise be desirable, possibly reducing the value of the assets and/or disrupting the investment strategies. Reduction in the size of the SPV could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

Lack of Insurance. The assets of the SPV are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by the Federal Deposit Insurance Corporation and such deposits are subject to such insurance coverage. Therefore, in the event of the insolvency of a depository or custodian, the SPV may be unable to recover all of its funds or the value of its investments so deposited.

Financial Fraud. Instances of fraud and other deceptive practices committed by senior management of certain companies in which the SPV invests (directly or indirectly) or appoints to provide services may undermine the due diligence efforts with respect to such companies, and if such fraud is discovered, negatively affect the valuation of the investments held for the account of the SPV. In addition, when discovered, financial fraud may contribute to overall market volatility which can negatively impact the investment program of the SPV.

Credit Risk. There can be no assurance that issuers of the securities or other instruments in which the SPV invests and will not be subject to credit difficulties leading to the loss of some or all of the sums invested in such securities or instruments or payments due on such securities or instruments. The s will also be exposed to a credit risk in relation to the counterparties (including other financing counterparties) with whom the SPV transacts on their account or places on their account margin or collateral in respect of transactions in derivative instruments and may bear the risk of counterparty default.

Future Regulatory Change is Impossible to Predict. The foreign exchange market is subject to comprehensive statutes, regulations and margin requirements. In addition, the exchanges are authorized to take extraordinary actions in the event of a market emergency, including, for example, the retroactive implementation of speculative position limits or higher margin requirements, the establishment of daily price limits and the suspension of trading. The regulation of the foreign exchange market is a rapidly changing area of law and is subject to modification by government and judicial action. The effect of any future regulatory change on the SPV is impossible to predict, but could be substantial and adverse.

Importance of General Economic Conditions. Overall market, industry or economic conditions, which the Directors cannot predict or control, will have a material effect on performance.

Taxation. Any change in the SPV's tax status or in taxation legislation could affect the value of the investments held by the SPV, and affect the ability to provide the investor with returns. Potential investors and Shareholders should note that the statements on taxation which are set out herein are based on advice which has been received by the Directors regarding the law and practice in force in the relevant jurisdiction as at the date of this Explanatory Memorandum. As is the case with any investment, there can be no guarantee that the tax position or proposed tax position prevailing at the time an investment is made in the SPV or any will endure indefinitely. The attention of potential investors is drawn to the tax risk associated with investing in the SPV.

Political and/or regulatory risks. The value of the SPV's assets may be affected by uncertainties such as international political developments, changes in government policies, changes in taxation, restrictions on foreign investment and

currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made. Furthermore, the legal infrastructure and accounting, auditing and reporting standards in certain countries in which investment may be made may not provide the same degree of investor protection or information to investors as would generally apply in major securities markets.

Use of leverage. The use of leverage by the SPV will accentuate any change in the Net Asset Value and thereby result in increased volatility. In addition, the intermediate vehicles in which the SPV may invest may engage in leverage for the purposes of making investments and to hedge their exposure to market and credit risk. The use of leverage creates special risk and may significantly increase the SPV's investment risk. Leverage will create an opportunity for greater yield and total return but, at the same time, will increase the SPV's exposure to capital risk and interest costs. Any investment income and gain earned on investments made through the use of leverage that are in excess of the interest costs associated therewith may cause the Net Asset Value to increase more rapidly than would otherwise be the case. Conversely, where the associated interest rate costs are greater than such income and net gains and losses, the Net Asset Value may decrease more rapidly than would otherwise be the case.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the SPV. Prospective Shareholders should read the entire Explanatory Memorandum and the SPV Memorandum and Articles of Association and consult with their own advisers before deciding whether to invest in any of the SPV. In addition, as the investment program develops and changes over time, an investment in any of the SPV may be subject to additional and different risk factors.**

## OFFERING OF SHARES

### Authorized Shares

Shares may be issued in one or more classes or series of Shares as the Directors may determine from time to time in accordance with the Memorandum and Articles of Association of the SPV. Each Common Share shall carry the right to one vote. The Shares do not carry any right to vote, but shall carry all the rights of the economic interest in the profits and losses generated by the SPV. The Common Shares carry no economic rights in the SPV. The Common Shares will be owned by the Directors.

Although the holders of Shares can vote in respect of resolutions adversely affecting the class rights of the holders of Shares, they will have no say in the conduct of the SPV's business, either directly or through the election of the SPV's Directors. There are no conversion or preemptive rights in connection with any shares. All Shares, when duly issued, will be fully paid and nonassessable. Shares will be issued as registered shares and held in bookform only.

### Conduct of the Offering

The SPV is conducting an offering of its Shares to a limited number of investors. The minimum initial subscription for Shares for each investor is defined in each offering supplement.

There is no minimum aggregate dollar amount that must be accepted before the SPV may begin business. The Directors has the right to accept or reject any subscription in whole or in part.

Shares of the SPV are being offered to investors during the Initial Offer Period and at the Issue Price per Share set out in Supplement.

Payment for Shares will be in cash via wire transfer. Prospective investors must complete and execute an investment agreement ("Investment Agreement") and deliver one executed copy of the "Investment Agreement" by facsimile to the Administrator, with the original to follow by mail.

The subscription documents to be executed and delivered by prospective subscribers contain the subscriber's agreement to indemnify and hold harmless the SPV and its Directors against any loss, liability, cost or expense

(including attorneys' fees, taxes and penalties) which may result, directly or indirectly, from any misrepresentation or breach of any warranty, condition, covenant or agreement set forth therein or in any other document delivered by the subscriber to the SPV. The acceptance or rejection of any subscription is solely at the discretion of the SPV's Directors and no reasons need be given for the rejection of any subscription.

In the case of investors subscribing for registered Shares, no share certificates representing such Shares will be delivered to the investor; Shares will be held in book form.

## **FEES AND EXPENSES**

By way of example, and not limitation, the SPV's fees will include the following:

### Administrative Fees

An administrative fee will be paid by each to cover administrative fees paid to the Administrator of the SPV.

### Organizational Expenses

The SPV will bear its own direct expenses, such expenses to include, but not be limited to the following: expenses associated with each offering; legal and recording fees and expenses; accounting, auditing, and tax preparation expenses; custodial expenses; taxes; insurance, if applicable; printing and mailing costs; brokerage commissions, clearing and settlement charges, bank service fees, interest expenses, borrowing charges, and other investment expenses; costs and expenses of entering into and utilizing credit facilities; the Administrator's fees and expenses; and other expenses associated with the operation of the SPV, including any extraordinary expenses (such as litigation and indemnification). Reasonable travel expenses related to the business of the SPV and each incurred by the Directors shall be reimbursed accordingly.

The expenses of organizing the SPV and the initial offering of Shares will be amortized across each relevant over the course of the first 5 financial years.

### Fees arising from Directors services

The Directors bears all of their separate expenses arising out of their services to the SPV, including all of their general overhead expenses (including the rent of their offices, compensation and benefits of its administrative staff, maintenance of their books and records, and fixed expenses, telephones, and general purpose office equipment).

### Payments to Sponsors

When the purchaser of Shares designates a person other than himself as the sponsor instrumental in the sale of such Shares (the "Sponsor"), to the extent permitted by law, the SPV may agree to pay to the Sponsor a portion of the attributable to such shares that would otherwise be paid to the Directors.

## **REDEMPTIONS**

### **Redemptions**

Shareholders will be generally permitted to redeem Shares as set out in the relevant Supplement.

Redemption requests will be effective only upon receipt by the Administrator. Neither the SPV, the Directors nor the Administrator will be responsible in the event that the Administrator does not receive a redemption request on a timely basis. Redemption requests may not be revoked without the consent of the Directors.

## **Compulsory Redemption**

The SPV has reserved the right, in the sole discretion of its Directors and without notice, to require any Shareholder to redeem its Shares, for any reason.

The Directors can compulsorily redeem Shares in circumstances where the retention of Shares by the Shareholder could prejudice the relevant, the Directors or other service providers. In particular, but without limitation, the SPV, or the Administrator acting strictly on the SPV's instructions, may redeem Shares that:

- (a) are held by any person or which the SPV, or the Administrator acting on the SPV's instructions, suspects are held by any person in breach of any law, code or regulatory requirement of any country or governmental authority or any of the policy, procedures and/or guidelines established by the SPV, the Administrator or any governmental authority including but not limited to those in relation to money laundering, terrorism or terrorist financing as further described in this section; or
- (b) are held by any person or which the SPV, or the Administrator acting on the SPV's instructions, suspects are held by any person who is not compliant with FATCA or may cause the SPV or the relevant to become non-compliant with FATCA; or
- (c) are held by any person whose continued holding of those Shares may in the determination of the Directors or in the determination of the Administrator acting on the Directors' instructions, cause, or be reasonably likely to cause, a legal, regulatory, pecuniary, tax, compliance or material disadvantage to the relevant or its Shareholders.

If it shall come to the notice of the SPV or if the SPV shall have reason to believe that any Shares are owned directly or beneficially by any person or persons in breach of any restrictions imposed by the SPV, the SPV shall be entitled to: (i) give notice (in such form as the Directors deem appropriate) to such person requiring him to request in writing the redemption of such Shares in accordance with the Memorandum and Articles of Association, and/or (ii) as appropriate, compulsorily redeem and/or cancel such number of Shares held by such person and may apply the proceeds of such compulsory redemption in the discharge of any taxation or withholding tax arising as a result of the holding or beneficial ownership of Shares by such person including any interest or penalties payable thereon.

Shares may be compulsorily redeemed where any Shareholder fails to produce any requisite information or documentation requested in a form satisfactory to the SPV or the Administrator (including any information or documentation requested pursuant to the Investment Agreement) or if any information previously provided by a Shareholder or any of its shareholdings or Shareholder records are subsequently found to be (in the sole opinion of the SPV or the Administrator) inaccurate, unsatisfactory, inadequate, incomplete, insufficient, questionable or in any way defective, or if new laws, regulations and rules later require additional or different information from Shareholders and that information is not provided upon request.

Shares may be compulsorily redeemed where Shares have been issued pending receipt of subscription proceeds, and the applicant for such Shares fails to make payment by the settlement date.

## **DETERMINATION OF NET ASSET VALUE**

The SPV has retained the Administrator to, amongst other things, compute the Net Asset Value of the Shares and to provide that information to the Shareholders. The Net Asset Value of a Share of each Class at any date will be the total net assets of the Shares attributable to the relevant Class divided by the number of Shares of that Class then outstanding the resulting value being rounded to the nearest four decimal places.

The total Net Asset Value per Share and any general assets of the SPV will, unless the Directors determine otherwise, be determined in the applicable currency of each as at the close of business in the relevant market or markets on each Valuation Day in accordance with United States generally accepted accounting principles and in accordance with the following:



- (a) no value will be assigned to goodwill;
- (b) accrued fees and other fees will be treated as liabilities;
- (c) currencies for which market quotations are readily available will be valued at market values determined by such currency's most recent sale price as determined from standard sources of financial information;
- (d) Net Asset Value will include any unrealized profit or loss on open positions and any other credit or debit accruing to the SPV but unpaid or not received by the SPV;
- (e) interest earned on the SPV's brokerage account, if any, will be accrued at least quarterly;
- (f) the amount of any distribution declared by the SPV, and of any redemption proceeds due but not yet payable, will be treated as a liability from the day when the distribution is declared, or the related redemption is effective, as applicable, until it is paid; and
- (g) other assets for which market quotations are not readily available are valued at fair value as determined in good faith by or under the direction of the Directors.

In connection with the determination of the Net Asset Value of the Shares, the Directors may consult with and rely upon the advice of the SPV's Administrator or Directors. In calculating the Net Asset Value of the Shares the Administrator shall, where possible, use independent sources (which may be agreed with the Directors) to obtain the value of securities owned for the SPV and may consult with the Directors as to the most appropriate valuation to be used from the aforementioned sources or to provide an appropriate valuation of securities or other assets that are illiquid or are unable to be valued by the Administrator using the aforementioned sources. To the fullest extent permitted by law, in no event and under no circumstances shall the Administrator or the Directors incur any individual liability or responsibility for any determination of such Net Asset Value made or other action taken or omitted by them in good faith.

#### **Suspension of Calculation of Net Asset Value, Redemptions and Redemption Payments**

The Memorandum and Articles of Association provide that the Directors may at any time and from time to time suspend generally or in respect of a specific Class of Shares the determination of the Net Asset Value and/or the ability of Shareholders to redeem their Shares, such suspension may be effected for the whole or any part of a period:

- (a) during which any principal stock exchange, commodities exchange, futures exchange or over-the-counter market on which any substantial portion of the investments of the SPV is listed, quoted, traded or dealt in is closed (other than customary weekend and holiday closing) or trading on any stock exchange or market is substantially restricted or suspended; or
- (b) when circumstances exist as a result of which, in the opinion of the Directors, it is not reasonably practicable for the SPV to dispose of investments or as a result of which any such disposal would not be in the best interests of the holders of the Shares; or
- (c) when a breakdown occurs in any of the means normally employed in ascertaining the value of investments or the price of investments on any market or stock exchange on which the investments are listed; or
- (d) when remittance or transfer of monies upon the redemption of Shares is not reasonably practicable; or
- (e) in which the repurchase or redemption of Shares would, in the opinion of the Directors, result in a violation of any provisions of applicable law.

If on any Redemption Date, assets of the SPV are invested in investments which the SPV is unable to realize for the account of the SPV or if realized would be at a value determined by the Directors to be a discount to their true value or the SPV is unable (or it is not practicable) to distribute any such investment to the redeeming Shareholder, then, in the discretion of the Directors payment to the Shareholder of the portion of his requested redemption may be delayed until such time as such investment may be realized or may be realized at a value which is not, in the determination of the Directors, a discounted value or the SPV is able to distribute such investment to the Shareholder and the amount otherwise due to the Shareholder will be increased or decreased to reflect the performance of such investment through the date on which such investment is realized by the SPV or to reflect the increase or decrease in the value of the investment through the date on which it is distributed to the Shareholder or otherwise disposed of by the SPV.

## **ADMINISTRATOR**

The SPV has entered into an administration agreement with Advanced Fund Administration (Cayman) Ltd. The Administrator will act as the SPV's registrar and transfer agent. As such, the Administrator will be responsible for maintaining the register of Shareholders and for administering the issuance, redemption and transfer of such Shares. The Administrator shall keep and maintain a copy of the register of Shareholders at the SPV's office in the Cayman Islands as required under the Companies Law. It will also be responsible, under the general supervision of the Board, for assisting with the maintaining of corporate records and disbursing payments of fees and other expenses of the SPV and providing clerical and administrative services.

Under the terms of the agreement with the Administrator, the agreement may be terminated upon ninety (90) days' written notice by any party to the agreement for any reason. The agreement with the Administrator also may be terminated immediately by the SPV upon the occurrence of a material breach of the agreement by the Administrator or if the Administrator goes into liquidation or if a receiver is appointed over any assets of the Administrator or the Administrator experiences a material financial default of any kind.

The Administrator will perform or supervise the performance of the following duties: (a) providing the office space and certain administrative and clerical personnel necessary to manage that portion of the business affairs of the SPV for which it is responsible; (b) instructing the SPV of payments in connection with the redemption of the Shares and of any distributions declared; (c) supervising registrar and transfer agent services with respect to the Shares; (d) distributing quarterly statements of Net Asset Value and annual and quarterly reports to the Shareholders; (e) instructing the SPV and brokers on the disbursement of payments of legal, advisory and accounting fees and expenses, its own fees and expenses, government license and filing fees, taxes, and all other costs and expenses incurred for the SPV's account or benefit (other than transaction costs and related expenses arising in connection with the investment program of the SPV); (f) preparing and maintaining financial and accounting books and records; (g) responding to and communicating with the Shareholders and prospective investors, and members of the general public; (h) calculating Net Asset Value of the SPV's Shares; and (i) such other services as may be required from time to time.

In providing services as an administrator, the Administrator does not act as guarantor or offeror of the Shares herein described. The furnishing of such services does not constitute an endorsement or recommendation by the Administrator of an investment in the SPV. Moreover, the Administrator is not responsible for any investment decision of the SPV (all of which are made by the Directors) or the effect of such investment decisions on the Net Asset Value of the SPV.

Liability of the Administrator. To the fullest extent permitted by law, the Administrator will not be liable to the SPV or any officer, director or Shareholder thereof for any loss suffered by the SPV in consequence of any service rendered by the Administrator to them, provided that the Administrator shall be liable for the Administrator's dishonesty, fraud, willful neglect, willful misconduct and bad faith (as defined under Cayman Islands law) in the performance of its duties.

Indemnification of the Administrator. To the fullest extent permitted by law, the SPV will indemnify the Administrator from and against any and all liabilities, losses, claims or damages of any kind or nature whatsoever (other than those resulting from dishonesty, fraud, willful neglect, willful misconduct and bad faith (as defined under

Cayman Islands law) on the Administrator's part in performing its obligations or duties) which may be imposed on, incurred by or asserted by third parties against the Administrator in performing its obligations.

Fees of the Administrator. The SPV will use the administrative fee collected from the Shareholders to pay the fees of the Administrator as such fees are assessed by the Administrator subject to the provisions of the written agreement in effect from time to time. A written description of the details of the Administrator's fees in effect from time to time is available for inspection at the Administrator's offices during normal business hours.

### **CONFLICTS OF INTEREST**

The Directors, its holding company, holding company's shareholders, any subsidiaries of its holding company and any of their directors, officers, employees, agents and affiliates ("Interested Parties") may be involved in other financial, investment or other professional activities which may on occasion cause conflicts of interest with the SPV. These include management of other funds, purchases and sales of securities, investment and management advisory services, brokerage services, and serving as directors, officers, advisers, or agents of other funds or other companies. In particular it is envisaged that the Directors may be involved in advising other investment funds which may have similar or overlapping investment objectives to or with the SPV. The Directors may provide services to third parties similar to those provided to the SPV and shall not be liable to account for any profit earned from any such services. Where a conflict arises the Directors will endeavor to ensure that it is resolved fairly. In relation to the allocation of investment opportunities to different clients, including the SPV, the Directors may be faced with conflicts of interest with regard to such duties but will ensure that investment opportunities in those circumstances will be allocated fairly.

The Directors and/or any company associated with it may enter into investment transactions for or with the SPV either as agent, in which case they may receive and retain customary brokerage commissions and/or cash commission rebates, or deal as a principal with the SPV in accordance with normal market practice subject to such commissions being charged at rates which do not exceed customary full service brokerage rates.

The Directors and/or any company associated with it reserves the right to effect transactions by or through the agency of another person with whom the Directors and/or any company associated with it have an arrangement under which that party will from time to time provide to or procure for the Directors and/or any company associated with it goods, services or other benefits (such as research and advisory services, computer hardware associated with specialized software or research services and performance measures) the nature of which is such that their provision can reasonably be expected to benefit the SPV as a whole and may contribute to an improvement in the performance of the SPV or of the Directors and/or any company associated with it in providing services to the SPV and for which no direct payment is made but instead the Directors and/or any company associated with it undertake to place business with that party. For the avoidance of doubt, such goods and services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payments.

### **ANTI-MONEY LAUNDERING REGULATIONS**

As part of the SPV's responsibility for the prevention of money laundering, the SPV and the Administrator (including its affiliates, subsidiaries or associates) will require a detailed verification of the applicant's identity and the source of payment. Depending on the circumstances of each application, a detailed verification might not be required where:

- (a) the prospective investor makes the subscription payment from an account held in its own name at a Qualified Financial Institution (a "QFI") and the QFI provides sufficient information along with the wire transfer which sufficiently identifies the investor; or
- (b) the prospective investor is introduced by a QFI and that QFI provides written assurance to the SPV and/or the Administrator that it has established the identity of the prospective investor and

holds evidence of that identity and will, upon request, provide such evidence.

The Administrator defines a QFI as a financial institution which is:

- (a) established in a European Union (“EU”) member state and subject to the EU Money Laundering Directives (prior to enlargement of the EU in 2004); or
- (b) established in one of the countries which make up the Financial Action Task Force (“FATF”) and/or is subject to regulation which complies with the FATF Recommendations as recognized by the Administrator.

The SPV and the Administrator reserve the right to request such information as is necessary to verify the identity of an applicant. In the event of delay or failure by the applicant to produce any information required for verification purposes, the Administrator will refuse to accept the application and the subscription monies relating thereto.

If any person who is resident in the Cayman Islands (including the Administrator) has a suspicion that a payment to the SPV (by way of subscription or otherwise) contains the proceeds of crime that person is required to report such suspicion pursuant to The Proceeds of Crime Law (as amended).

By subscribing, applicants consent to the disclosure by the SPV and the Administrator of any information about them to regulators and others upon request in connection with money laundering and similar matters both in the Cayman Islands and in other jurisdictions.

Each applicant, by executing the Investment Agreement and by owning Shares, is deemed to have consented to disclosure by the SPV and its agents to relevant third parties of information pertaining to it in respect of Requirements or information requests related thereto. Failure to honor any such request may result in redemption by the SPV or a forced sale to another investor of such applicant’s Shares.

To comply with the Anti-Money Laundering Regulations (the “Code of Practice”) and legal and regulatory requirements in the Cayman Islands, the SPV is required to verify the identity of all Shareholders. The Investment Agreement must be completed by all subscribers and proposed transferees.

In addition to the information required under the Investment Agreement, the SPV and/or the Administrator reserve the right to request such further information as they may, in their absolute discretion, require for verification purposes. In the event of delay or failure by the subscriber or proposed transferee to produce satisfactory information required for verification purposes, the SPV and/or the Administrator may refuse to accept the application for Shares or, as the case may be, to register the relevant transfer and (in the case of a subscription of Shares) any monies received will be returned without interest to the account from which the monies were originally debited. The right of the SPV and/or the Administrator to refuse to register a relevant transfer shall apply irrespective of whether the Shares are expressed as freely transferable elsewhere in this document.

Redemption proceeds will only be paid to the registered holder of the Shares shown on the register of members of the SPV on the relevant redemption date.

Subscribers should ensure all applicable documentation specified in the Investment Agreement accompanies such Investment Agreement.

If any person who is resident in the Cayman Islands (including the SPV) has a suspicion that a payment to the SPV (by way of subscription or otherwise) contains the proceeds of crime, that person is engaged in money laundering or is involved with terrorism or terrorist property and the information for that knowledge or suspicion came to his attention in the course of his trade, profession, business or employment he is required to report such belief suspicion to the relevant authorities pursuant to the Proceeds of Crime Law, Revised of the Cayman Islands if the disclosure relates to money laundering or to a police officer of the rank of constable or higher if the disclosure relates to involvement with terrorism or terrorist property, and such report shall not be treated as a breach of confidence or any restriction upon the disclosure of information imposed by any enactment or otherwise.

Approved countries (which may be subject to change from time to time under relevant Cayman Islands laws): Argentina, Australia, Austria, Barbados, Belgium, Brazil, Canada, Cyprus, China, Denmark, Finland, France, Germany, Guernsey, Greece, Hong Kong, Iceland, India, Ireland, Isle of Man, Israel, Italy, Japan, Jersey, Liechtenstein, Luxembourg, Malta, Mexico, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, United Kingdom, United States of America.

U.S. Anti-Money Laundering procedures. In order to comply with the USA Patriot Act and other applicable laws aimed at the prevention of money laundering and terrorist financing, each prospective investor whether an individual or an entity will have to provide such information as the SPV considers necessary to verify the identity and the source of the SPVs of the prospective investor. Additionally, each investor that is an individual will be required to represent in the Investment Agreement that, among other things, he is not, nor is any person or entity controlling, controlled by or under common control with the prospective investor, a “Prohibited Person” as defined in the Investment Agreement (generally, a person involved in money laundering or terrorist activities, including those persons or entities that are included on any relevant lists maintained by the U.S. Treasury Department's Office of Foreign Assets Control, any senior foreign political figures, their immediate family members and close associates, and any foreign shell bank). Further, each prospective investor which is an entity will be required to represent in the Investment Agreement that, among other things, (i) it has carried out thorough due diligence to establish the identities of its beneficial owners, (ii) it reasonably believes that no beneficial owner is a “Prohibited Person”, (iii) it holds the evidence of such identities and status and will maintain such information for at least five years from the date of its complete redemption from the SPV. Both individual and entity investors will also be required to represent that they will make available such information and any additional information that the SPV may request.

## GENERAL INFORMATION

The foregoing summary does not purport to be and should not be construed as a complete description of the Memorandum and Articles of Association of the SPV or the Investment Agreement, copies of which will be furnished in response to written requests made to the SPV at its business office.

### **Fiscal Year & Financial Statements**

The fiscal year of the SPV ends on December 31 of each year. Each year, the Shareholders of the SPV will be sent unaudited financial statements of the SPV.

As an exempt mutual fund under Cayman Islands law, the SPV is not required to file audited financial statements with the Cayman Islands Monetary Authority or any other regulatory body in the Cayman Islands.

### **Custody and Brokerage**

Brokerage and Custodial arrangements will be defined in the relevant Supplement.

### **Limitations on Transfer of Shares**

Without the prior written consent of the Directors, which consent may be withheld in the Directors' sole discretion, a Shareholder may not pledge, transfer or assign its Shares in whole or in part, except by operation of law. The Directors generally intends to permit transfers and assignments of Shares among entities having the same beneficial owners or managed by a common manager or affiliated managers.

Shares may be transferred only if the proposed transferee of such Shares obtains the prior written approval of the SPV. In this regard, the proposed transferee will be required to make the representations and warranties required of a Shareholder in form and substance satisfactory to the SPV. The SPV's Directors will have full discretion to approve or disapprove any proposed transferee, and no proposed transfer will be recognized until the documents relating to it have been approved by the SPV. The SPV need not approve any transfer that is not or may not be

consistent with any representation or warranty that the transferor of the Shares may have given to the SPV.

Among other things, the SPV's Memorandum and Articles of Association provide certain rights of indemnification in favor of directors, officers, employees and agents of the SPV against legal liability and expenses if such persons have acted in accordance with certain standards of conduct and, in connection with the matter giving rise to a particular claim, did not engage in willful misfeasance, bad faith, gross negligence (as defined under Cayman Islands law) or reckless disregard of the duties involved in the conduct of their office.

### **Regulation by the Cayman Islands Monetary Authority**

The SPV will be exempt from registration as a mutual fund pursuant to Section 4(4) of the Mutual Funds Law (as amended) ("MFL") by restricting the number of investors to fifteen (15) a majority of whom can appoint or remove the SPV's Board of Directors. Accordingly the SPV will be exempt from registering with the Cayman Islands Monetary Authority ("CIMA"). Once the SPV is prepared to register with CIMA and has more than 15 investors, the obligations of the SPV under the MFL would be (a) to register with CIMA in the prescribed manner, (b) to file with CIMA prescribed details of this Explanatory Memorandum and any changes to it, (c) to file annually with CIMA accounts audited by an approved auditor and (d) to pay a prescribed annual registration fee.

### **Investor Qualification**

The offering made hereby consists of Shares in the SPV, and is being made only to prospective shareholders who are either (i) non-U.S. Persons (a "U.S. Person" is defined herein under the heading "Suitability Requirements") or (ii) Permitted U.S. Persons. The term "Permitted U.S. Person" means a Tax-Exempt U.S. Person (as defined herein under the heading "Tax Aspects") or an entity substantially all of the ownership interests in which are held by Tax-Exempt U.S. Persons.

Persons interested in purchasing Shares should inform themselves as to (i) the legal requirements within their own jurisdiction applicable to the purchase of such Shares and (ii) any foreign exchange restrictions to which they might be subject.

Shareholders who reside in or who are citizens of certain jurisdictions may be required to comply with additional requirements regarding to their subscriptions. Payment in the amount of the subscription must be made in accordance with the terms of the Investment Agreement and the relevant Supplement of a .

**Cayman Islands Tax Considerations.** Under current legislation in the Cayman Islands, no taxes will be imposed upon the SPV or its Shareholders by the Cayman Islands Government and, there are no exchange control laws or regulations in effect. The SPV has been incorporated under the laws of the Cayman Islands as an exempted company and, as such, has applied for and expects to obtain, an undertaking from the Governor-in-Cabinet of the Cayman Islands that, for a period of 20 years from the date of the undertaking, no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or interests or gains or appreciation shall apply to the SPV or its operations and that no such tax or any tax in the nature of estate duty or inheritance tax shall be payable on the Shares, debentures or other obligations of the SPV. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

**European Union Savings Directive.** The Reporting of Savings Income Information (European Union) Law (2007 Revision) of the Cayman Islands (the "**Law**"). The Law sets out the mechanics that are in force for the European Union Savings Tax Directive (the "EUSD") to be implemented in the Cayman Islands.

Savings income includes only payments from UCITS funds or their equivalent in the Cayman Islands. Cayman Islands-domiciled investment funds registered pursuant to section 4 of the Cayman Islands Mutual Funds Law will be treated as equivalent to European non-UCITS funds under the Law. Only dividend and redemption payments from UCITS-equivalent funds will potentially be "interest payments" affected by the EUSD.

The Paying Agent pursuant to the Law is likely to be deemed to be the Administrator. Given that the Administrator is located in either (a) the Cayman Islands, (b) a jurisdiction it is believed in which the Administrator can rely on the non-UCITS designation or (c) in a jurisdiction outside the scope of the EUSD, it is considered that payments effected by the SPV or the Administrator will fall outside the EUSD.

Notwithstanding the above, the EUSD may still affect certain investors in the SPV. Where an investor in the SPV is acting as nominee or otherwise as paying agent (being an economic operator who pays interest to or secures the payment of interest for the immediate benefit of the beneficial owner) and is situated in an EU country or a country which has agreed to be subject to the EUSD, then the investor will need to consider whether payments made by them to the beneficial owner are reportable under the EUSD. This is separate from the issue as to whether a payment by the SPV to the investor is reportable under the EUSD. The SPV and all of its service providers provide no advice in respect of whether payments made by investors to beneficial owners are subject to the EUSD. Each investor should obtain his own advice in this regard.

### **Foreign Account Tax Compliance Act (FATCA) and Cayman Islands IGAs with the US**

In November 2013 the Government of the Cayman Islands has announced that the government had entered into an inter-governmental agreement (IGA) with the United States which has been enacted into local Cayman Islands law. The agreement between the two countries is based on a Model 1 inter-governmental agreement (the US IGA) to give effect to the US Foreign Account Tax Compliance Act (FATCA). Now that the US IGA has been signed, since 2013 it has been brought into force in each of the United States and the Cayman Islands. In addition, enabling legislation in the Cayman Islands has been enacted to give effect to the terms of the US IGA under Cayman Islands law. Cayman financial institutions ("CFIs") that comply with the US IGA and the enabling legislation will be treated as satisfying the due diligence and reporting requirements of FATCA and accordingly will be treated as participating foreign financial institutions ("Participating FFIs") for the purposes of FATCA. As such, those FIs will be "deemed compliant" with the requirements of FATCA, will not be subject to withholding tax, and will not be required to close recalcitrant accounts.

The US IGA categorizes CFIs as either "Reporting FIs" or "Non-Reporting FIs". By default, all CFIs will be Reporting FIs, unless they qualify as Non-Reporting FIs. The categories of Non-Reporting FIs are specified in Annex II to the US IGA. A Reporting FI is (i) not required to enter an "FFI agreement" with the US Internal Revenue Service ("IRS"), (ii) required to register with the IRS to obtain a Global Intermediary Identification Number (GIIN), (iii) required to conduct due diligence on its investors to identify whether accounts are held directly or indirectly by "Specified US Persons", and (iv) required to report information on such Specified US Persons to the Cayman Islands Tax Authority (the "CITA"). The CITA will exchange the information reported to it with the IRS annually on an automatic basis. While a Non-Reporting FI will not be subject to these requirements, it will need to provide self-certification, on US tax forms, to withholding agents to avoid the imposition of the 30% withholding tax.

Under the terms of the US IGA and the relevant regulations, FATCA withholding tax will not be imposed on payments made to the SPV, or on payments made by the SPV to an account holder, except to the extent the SPV, its investors or any other account holder fails to comply with its obligations under FATCA or the US IGA, or otherwise fails to comply with any other obligations it may have to the SPV with respect to the SPV's obligations under FATCA and/or the US IGA, as applicable. If subject to, or required to, withhold, such FATCA withholding tax will generally be at the rate of 30% of the relevant payment.

On March 19, 2015 the Cayman Islands Automatic Exchange of Information (AEOI) Portal was opened to members of the public. The AEOI Portal is now available for financial institutions to conduct their Notification and Reporting obligations to the Cayman Islands Tax Information Authority under the Tax Information Authority (International Tax Compliance) (United States of America) (Amendment) Regulations, 2015 and the Tax Information Authority (International Tax Compliance) (United Kingdom) (Amendment) Regulations, 2015 ["the Regulations"].

A User Guide for the AEOI Portal is available on the Tax Information Authority website, and can be accessed via the following link [http://tia.gov.ky/pdf/User\\_Guide.pdf](http://tia.gov.ky/pdf/User_Guide.pdf).

In March 2015 the Ministry of Finance of the Cayman Islands Government received Cabinet approval to amend the mandatory nil return requirement under the Regulations. The nil return requirement in Regulations 8(2) and 6(2) of the US and UK Regulations respectively, will be amended to be non-mandatory.

However, there will be the facility for financial institutions to submit nil returns via the Portal should they so wish. Financial institutions with no reportable accounts will still need to complete the notification requirement via the AEOI.

The Foreign Account Tax Compliance provisions of the Hiring Incentives to Restore Employment Act generally impose a new 30% withholding tax regime with respect to (i) certain US source income (including interest and dividends) and gross proceeds from the sale or other disposition of property that can produce US source interest or dividends ("withholdable payments") and (ii) "pass-through payments" (generally, withholdable payments and payments that are attributable to withholdable payments) made by foreign financial institutions ("FFIs").

Unless the SPV has an agreement (an "FFI Agreement") in effect with the IRS to comply with certain reporting and other requirements under the new rules, withholdable payments and pass-through payments made to the SPV generally will be subject to a 30% US withholding tax. The SPV does not expect that it will be in receipt of a material amount of withholdable payment, however, no assurances can be given as to the amount of withholdable payments that the SPV will receive. If an FFI Agreement is in effect between the SPV and the IRS, pass-through payments from the SPV to an investor generally will be subject to a 30% withholding tax (a) if the investor fails to provide information or take other actions requested by the SPV to comply with the FFI Agreement or (b) in the case of an investor that is an FFI, if an FFI Agreement between the investor and the IRS is not in effect. The IRS has released guidance indicating that it intends to phase in the application of the withholding rules beginning 1 January 2014.

#### **Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Cayman Islands to Improve International Tax Compliance dated 5th November, 2013 ("UK FATCA")**

In November 2013 the Governments of the United Kingdom of Great Britain and Northern Ireland and the Cayman Islands executed a form of agreement (UK IGA), herein defined as UK FATCA which is similar in scope to the US FATCA regime. Cayman Islands regulations to give effect to UK FATCA in Cayman Islands law were passed on 4 July 2014.

Points to note on UK FATCA and how this differs from US FATCA:

#### **UK FATCA - Substantive Agreement**

(a) While the definition of "Cayman Islands Financial Institution" in the UK IGA is very similar to the definition in the US IGA, the UK IGA uses the term "resident in the Cayman Islands" whereas the US IGA uses the term "organized in the Cayman Islands". It is not currently understood how this will be implemented in practice as the Cayman Islands does not have a legal concept of "residency" or "tax residency".

(b) Under Article 2 of the UK IGA, the information required to be collected and exchanged is largely the same as the requirements under the US IGA, except that a UK national insurance number is required instead of a US TIN, and for a Reporting FI which has registered with the IRS its GIIN should be supplied as part of the reporting.

(c) The UK IGA has no equivalent of Article 4 of the US IGA. In other words, there are no requirements relating to Non-participating FIs, there is no requirement to register for a GIIN equivalent, there is no concept of recalcitrant account holder, and there is no concept of branches/related entities that are Non-participating Financial Institutions.



(d) Under the UK IGA, there is no provision that anticipates future discussion between the governments on "foreign pass-through payments".

### ***Time and Manner of Exchange of Information***

1. The Cayman Islands is obliged to exchange information on United Kingdom Reportable Accounts on the same basis as the requirements set out in Article 3 of the UK IGA.

2. Any information required to be reported under subparagraphs D.1. and D.2. of Annex IV of the UK IGA shall be exchanged no later than one year and nine months after the end of the Relevant Reporting Period to which the information relates.

3. Where an election has been made under subparagraph B.1.b) of Annex IV, but the certification procedure in subparagraphs C.1. and C.2. has not been successfully completed, then the information referred to in Article 2 of the UK IGA shall be exchanged no later than one year and nine months after the end of the Relevant Reporting Period to which the information relates - subject to Article 3, Paragraph 3 of the UK IGA.

### **Alternative Investment Fund Managers Directive**

The Alternative Investment Fund Managers Directive (the AIFM Directive) of the EU has taken effect across the EU from 22 July 2013 but the effective date has been extended to July 2015.

The AIFM Directive will regulate (i) alternative investment fund managers (AIFM) based in the EU, such as the investment manager (if applicable) (ii) the management of any alternative investment fund (AIF) established in the EU (irrespective of where an AIF's AIFM is based), and (iii) the marketing in the EU of the securities of any AIF such as the SPV, whether conducted by an EU AIFM, a non-EU AIFM or a third party. In order to obtain authorization to manage or market the SPV in the EU, the Directors will be required to comply with numerous obligations in relation to its own operations and in relation to the AIFs that it manages, which may create significant compliance costs and burdens.

Pursuant to the AIFM Directive, the Directors, as a non-EU AIFM marketing a non-EU AIF to persons within the EU, will be required to, among other things: (i) register as an AIFM with the competent authorities of the member state of reference; (ii) comply with minimum capital requirements; (iii) comply with strict rules as to conduct of business, leverage, risk management, and reporting to regulators; and (iv) provide EU investors, the competent authorities and the regulators of the investors' EU countries with the SPV's annual financial report and certain additional information about the SPV.

It should be noted that any regulatory changes arising from implementation of the AIFM Directive may increase the expenses of the SPV or the Directors related to compliance therewith and may impair the ability of the Directors to market Shares in the EU in the future. As a result, such regulatory changes may have a material adverse effect on the SPV's ability to achieve its investment objective.

### **Common Reporting Standard (CRS)**

The Organization for Economic Co-operation and Development (OECD) has developed the Common Reporting Standard (CRS), a global reporting initiative to facilitate the automatic exchange of financial information for tax purposes between countries that have adopted this uniform standard. CRS is viewed by industry experts as a "Global FATCA -like regime" and will impact most if not all Reporting Financial Institutions (FRIs) domiciled in the Cayman Islands from January 1, 2016.

The Cayman Islands has adopted CRS, and has set a timetable of April 30, 2017 for affected institutions (mainly FRIs) to notify the Department for International Tax Cooperation which is an arm of the Cayman Islands

Government (the Authority) of their status. This requirement will impact both existing and new accounts of FRIs. Given the certainty of this requirement coming into effect, it is strongly recommended that FRIs take the necessary steps to ensure that they and their underlying clients are in compliance with CRS. A key component of CRS is that “hedge funds” or mutual funds (recognized under the Mutual Funds Law (Revised) of the Cayman Islands) will have 90 days after the acceptance of new investors to collect the required certifications or must otherwise treat their investor accounts as “reportable”.

In general, this standard requires jurisdictions to obtain financial information from their financial institutions and automatically exchange that information with other jurisdictions on an annual basis. The standard consists of two components:

- The CRS, which contains the reporting and due diligence rules and,
- The Model CAA (Competent Authority Agreement- also issued by the OECD), which contains the detailed rules on the exchange of information.

The good news for FRIs is that the OECD has modelled the CRS on FATCA, which means it should be possible to leverage existing and planned FATCA processes and systems. However, the data required is different, and the volume of reporting required is likely to be significantly greater under the CRS.

To prevent circumventing the CRS is designed with a broad scope across three dimensions:

- The financial information to be reported with respect to reportable accounts includes all types of investment income.
- The financial institutions that are required to report under the CRS not only include banks and custodians, but also other financial institutions such as brokers, certain collective investments vehicles (hedge funds/ mutual funds) and certain insurance companies.
- Reportable accounts include accounts held by individuals and entities (which include trusts and foundations), and finally CRS includes a requirement to look through passive entities to report on the individuals that ultimately control these entities.

## **TAXATION**

Prospective Shareholders in the SPV must be either non-U.S. Persons or Permitted U.S. Persons and meet other suitability requirements described below and in the SPV’s subscription application. The term “Permitted U.S. Person” means a Tax-Exempt U.S. Person or an entity substantially all of the ownership interests in which are held by Tax-Exempt U.S. Persons. The Directors, in its sole discretion, may decline to accept the subscription for Shares of any prospective Shareholder.

Each subscriber for Shares will be required to certify to the SPV that, among other things, the Shares are not being acquired, and will not at any time be held, for the account or benefit, directly or indirectly, of any U.S. Person (other than a Permitted U.S. Person) or any non-U.S. Person subject to the above restrictions. Shareholders are required to notify the SPV immediately of any change in such information. **IT IS THE RESPONSIBILITY OF EACH SHAREHOLDER TO VERIFY THAT IT IS NOT A U.S. PERSON THAT WOULD BE PROHIBITED FROM OWNING SHARES IN THE SPV.**

Each prospective Shareholder is urged to consult with its own advisers to determine the suitability of an investment in the Shares, and the relationship of such an investment to the purchaser’s overall investment program and financial and tax position. Each purchaser of Shares is required to represent further that, after all necessary advice and analysis, its investment in the SPV is suitable and appropriate, in light of the foregoing considerations.

### **Tax Status**

Subject to the above disclosures, the SPV should not be subject to either Cayman Islands or U.S. income taxes (other than U.S. withholding tax on dividends and certain interest income derived from U.S. sources). Shareholders of the SPV who are not otherwise subject to U.S. taxation by reason of their residence, nationality or other particular circumstances should not become subject to any such taxation by reason of the ownership, transfer or redemption of Shares. Shareholders should consult their own advisors as to the tax consequences to them from an investment in the SPV.

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