



**ARCH Parallel Private Equity IC Limited**  
**Placing Scheme Particulars**  
Dated: April 2008



# ARCH Parallel Private Equity IC Limited

## Placing Scheme Particulars

Dated: April 2008

### **ARCH PARALLEL PRIVATE EQUITY IC LIMITED**

(an incorporated cell registered with limited liability in Guernsey with registration number 46103)

### **An incorporated Cell of**

### **ARCH GUERNSEY ICC LIMITED**

(an incorporated cell company registered with limited liability in Guernsey with registration number 46098)

### **SUPPLEMENTAL SCHEME PARTICULARS**

These Supplemental Scheme Particulars containing information relating to a placing ("Placing") of an unlimited number of new Sterling Class participating preference shares of no par value (the "Placing Shares") in ARCH Parallel Private Equity IC Limited (the "Fund") and the application for admission of the Placing Shares to the Channel Islands Stock Exchange.

These Supplemental Scheme Particulars should be read and construed in conjunction with the Scheme Particulars relating to ARCH Guernsey ICC Limited (the "ICC") dated January 2007 (the "Principal Particulars"). This document is deemed to be incorporated in and to form part of the Principal Particulars and may not be distributed unless it is accompanied by them and such other documentation as the Principal Particulars may prescribe.

No offering is being made, and no securities are to be offered or sold, in the United Kingdom other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Financial Services and Markets Act 2000 (as amended).

The Placing Shares will be issued at a price per share no more than the market offer price of a Sterling Class Share as at the Placing Date which is expected to be on or around 15 January 2008 (the "Placing Date"). Any issue premium will be set to ensure, so far as practicable, that the costs of the Placing will be borne by the placees

Under the Placing, each investor will receive such number of Placing Shares as is calculated by dividing the subscribed amount by the placing price, save that any fractional Share shall be rounded down to the nearest whole share

The Placing Shares will rank pari passu in all respects with the existing Shares, including the right to receive all dividends and other distributions declared, paid or made on the Shares after the Placing Date.

The Placing is conditional on the admission of the Placing Shares to the Channel Islands Stock Exchange becoming effective. The costs and expenses of, and incidental to, Admission will be met by the Fund and are estimated to amount to £5,100.

The Principal Particulars and these supplemental Scheme Particulars form the Listing Document for the purpose of listing the Shares on The Channel Islands Stock Exchange, LBG. (the "CISX").

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

This Listing Document includes particulars given in compliance with the Listing Rules of the CISX for the purpose of giving information with regard to the Issuer. The Directors of the Fund, whose names appear under the heading "Directors" under the Directory, accept full responsibility for the information in this document and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.



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### DEFINITIONS

Save as provided below, words and expressions defined in the Principal Particulars shall have the same meanings herein. In these supplemental particulars, the following words shall have the meanings opposite them unless the context in which they appear requires otherwise:-

**Closing Date**

Such date as determined by the Director as being the closing date for the offer of Shares via the Placing;

**Euro Class**

The class of Shares denominated in Euros and "Euro Shares" shall be construed accordingly;

**Fund**

ARCH Parallel Private Equity IC Limited, the incorporated cell to which these Supplemental Particulars relate;

**ICC**

ARCH Guernsey ICC Limited;

**Parallel Private Equity or Parallel**

Parallel Private Equity Limited, the manager of the Limited Partnership;

**Offer Period**

From the date of these supplemental particulars to the Closing Date;

**Principal Particulars**

Scheme Particulars relating to ARCH Guernsey ICC Limited;

**Shares**

An unlimited number of participating preference shares;

**Sterling Class**

The class of Shares denominated in Pounds Sterling and "Sterling Shares" shall be construed accordingly; and

**US\$ Class**

The class of Shares denominated in US Dollars and "US\$ Shares" shall be construed accordingly.



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### DIRECTORY

#### Directors of the ICC and the Fund

Neal Meader  
Peter Radford  
Robert Addison

Each of whose address is the registered office of the ICC

#### Administrator, Secretary, and Listing Sponsor of the Fund

Bordeaux Services (Guernsey) Limited  
Bordeaux Court  
Les Echelons  
St Peter Port  
Guernsey  
Channel Islands  
GY1 6AW

#### Legal Advisers in Guernsey

Carey Olsen  
PO Box 98  
7 New Street  
St Peter Port  
Guernsey  
Channel Islands  
GY1 4BZ

#### Custodian and Bankers

Fortis Bank (CI) Limited  
Martello Court  
Admiral Park  
St Peter Port  
Guernsey  
Channel Islands  
GY1 3HB

#### Registered Office

PO Box 466  
Bordeaux Court  
Les Echelons  
St Peter Port  
Guernsey  
GY1 6AW

#### Registrar

Anson Registrars Limited  
Anson House  
St George's Place  
St Georges Esplanade  
St Peter Port  
Guernsey  
Channel Islands  
GY1 3WX

#### Investment Manager

ARCH Financial Products LLP  
7 Savile Row  
London  
W1S 3PE

#### Auditors

Moore Stephens  
Town Mills South  
La Rue du Pré  
St. Peter Port  
Guernsey  
Channel Islands  
GY1 3HZ

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### ARCH PARALLEL PRIVATE EQUITY IC LIMITED

#### Introduction

The Fund is an Incorporated Cell registered with limited liability in Guernsey on 21 December 2006 with registration number 46103, an Incorporated Cell of ARCH Guernsey ICC Limited, a closed-ended incorporated cell company registered with limited liability in Guernsey on 21 December 2006 in accordance with the Companies (Guernsey) Law, 1994 (as amended) and the Incorporated Cell Companies Ordinance, 2006 (the "Ordinance").

The initial shares in the Fund were listed on the CISX on 31st January 2007. As at the 31 March 2007, the total number of fully paid Shares in issue was 6,863,350 and the Net Asset Value of the Fund was GBP 7,115,976. Application has been made for the Placing Shares in the Fund to be listed on the CISX and it is expected that a listing will take place on or about 15 January 2008. The first dealing day is expected to be on or about 15 January 2008. The particulars of the capital of the Fund detailed herein have not changed since the incorporation of the Fund. Likewise, no capital of the Fund is under option or agreed conditionally or unconditionally to be put under option. The Fund is not subject to any legal or arbitration proceedings.

#### Investment Objective

The investment objective of the Fund is to provide Shareholders over the medium term with capital appreciation through an economic exposure to a diverse range of investments in private equity initially made through an investment in Parallel Ventures Limited Partnership. There is no guarantee of performance and past or projected performance is not necessarily a guide to the future. The investment objectives and policies contained herein will not materially change for three years from the date of listing without the consent of a majority of the Shareholders.

#### Investment Policy

The investment policy is initially to commit to invest substantially all of the monies raised by the Fund into a vehicle called Parallel Ventures Limited Partnership, a Scottish Limited Partnership (the "Limited Partnership") established by a limited partnership agreement dated 23 October 1997 (as subsequently amended) and made between Parallel Ventures General Partner Limited and various investors as limited partners. The Fund will become a limited partner under the agreement constituting the Limited Partnership. The Limited Partnership is managed by Parallel Private Equity.

The terms of the Limited Partnership require investors to make a commitment no later than December in each year to invest a fixed amount of no less than £10m in the Limited Partnership's annual investment pool of the following year. Private equity investments will then be sourced by Parallel Private Equity through its network of appointed managers and the Limited Partnership will call on the partners including the Fund for their share of the monies committed until substantially all the commitment has been invested. It is anticipated that all committed monies will have been invested during the course of 2007 and the Fund will have no right to any further investments made by the Limited Partnership in subsequent years unless an additional commitment is made. If for any reason the Fund's commitment is not utilised in 2007 it may commit that unused portion to a subsequent annual commitment.

Monies committed by the Fund but waiting to be drawn down by the Limited Partnership will be invested by the Investment Manager in a variety of short term deposits and other money market instruments. The Fund may subsequently commit to further pools of investment with the Limited Partnership or other suitable private equity funds, or invest directly in private equity.



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#### **Borrowings**

The Directors have the power to borrow, for the account of the Fund, to fund the purchase of assets, pay ongoing fees and expenses, and for general liquidity purposes, including meeting timing differences arising on the settlement of investments, financing the payment of introducers' fees and paying hedging costs.

The Directors are in the course of negotiating facilities on what they consider to be competitive terms. It is likely that these facilities will be secured against the assets held in the Fund.

#### **Hedging**

The Directors do not intend to hedge out any currency, but may do so at a later date.

#### **Base Currency**

The base currency of the Fund is Sterling.

#### **Conflicts of Interest**

The Investment Manager and connected parties (including but not limited to its employees, partners, affiliates and beneficial owners) may provide investment advisory and management services to other clients in addition to the Fund. The Investment Manager or its affiliates or employees may also have investments in the Fund or the underlying private equity investments held by the Fund or the Limited Partnership. The Investment Manager and connected parties where applicable will act in a fair and equitable manner in allocating investment opportunities among the respective investment vehicles managed by them and the accounts of their other clients, although situations may arise in which the account activities of the Investment Manager, connected parties or other clients may disadvantage the Fund. The Directors and the Investment Manager will endeavour to ensure that any conflict which does arise, will be resolved fairly.

Subject to the provisions of the Law, and provided that he has disclosed to the other Directors the nature and extent of any material interest of his, a Director notwithstanding his office may be a party to, or otherwise interested in, any transaction or arrangement with the Cell, or in which the Cell is otherwise interested.

A Director shall be counted in the quorum at any meeting in relation to any resolution in respect of which he has declared an interest and may vote thereon.

#### **Distribution Policy**

It is the intention of the Directors to accumulate all income receipts and capital gains of the Fund for reinvestment and not to make distributions to Shareholders, although the Directors reserve the right to declare or recommend that Shareholders resolve to declare dividends should they consider it appropriate.

#### **Parallel Private Equity**

Parallel Private Equity is the investment manager of the Limited Partnership, in which the Fund will initially commit substantially all of its assets.

Parallel was established in 1997 and as of the end of October 2006 has completed over 280 deals and invested more than £1bn in private equity. In realising over half of those deals to date it has returned over £1.3bn to investors.

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Parallel Private Equity works with leading private equity houses who are contracted to source UK and European investments for the Limited Partnership. Using their diverse expertise alongside Parallel's thorough investment approval process allows the Limited Partnership to undertake many deals across a wide range of industries. Parallel believes that its unique low fee structure, predictable draw down rate and more extensive use of committed funds will allow the Limited Partnership investors to reap extensive long term benefits.

Parallel Private Equity does not source private equity transactions in seed capital, start up or venture capital investments. It focuses on investments in established private companies with a track record across all industry sectors. The type of company the Limited Partnership might invest in includes:

- management buyouts or spin offs from existing companies;
- companies seeking to raise additional capital;
- management buy ins, where the existing owners or management wish to sell or retire from the business; and trade sales of businesses.



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## SUBSCRIPTION AND REDEMPTION OF SHARES

### Subscriptions

The Placing Shares will be available for subscription during the Offer Period by eligible investors at the price determined on the Placing Date.

Prospective investors should refer to the section headed Eligible Investors and "US Persons" in the Principal Particulars to establish whether or not they are eligible to invest.

### Minimum Subscription

The minimum subscription for Shares in the Fund that will be accepted is £75,000. The Directors may vary this amount from time to time and may at their absolute discretion accept applications for a lower amount.

### Application Procedure

Settlement for subscriptions for Shares in the Fund may be made by telegraphic transfer the bank details outlined in the application form for the Fund.

Applications for Shares in the Fund may be refused at the absolute discretion of the Directors. Contract notes will be sent out to investors within 15 days of the Closing Date. Any interest earned on monies sent to the Fund prior to the Closing Date will be for the account of the Fund. No interest will be paid to early investors.

### Compulsory Redemption

The Directors will have the right in their absolute discretion compulsorily to redeem at any time the Shares of any investor who:-

- holds Shares directly or beneficially in breach of any law or requirement of any country, governmental or regulatory authority; or
- whose existence as a Shareholder in the Cell causes or threatens to cause the Cell to incur any liability to taxation or to suffer any pecuniary or other disadvantage in any jurisdiction which it would otherwise not have expected to incur or suffer; or
- whose existence as a Shareholder may cause the ICC or a Cell to be classified as an "investment company" under the 1940 Act.

The Directors have resolved that they may at their discretion compulsorily redeem at any time the Shares in the Fund of any investor which, as a result of a transfer of any part of the investor's holding, have a value of less than £40,000 or the sterling equivalent of €50,000, if greater (or its equivalent in any relevant currency).

The Directors also have the power to give not less than 21 clear days' notice in order compulsorily to redeem all Shares in issue, if at any time after the first anniversary of the date of the ICC's incorporation, the aggregate Net Asset Value of all cells of the ICC then in existence as at each Valuation Point falling within a period of three consecutive months is less than, or less than the equivalent of, £5 million.

### Publication of Net Asset Value per Share

The Net Asset Value per Share calculated as at close of business on the last Business Day of every quarter will be available on request from the Administrator and will be notified to the CISX and available on their

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website, which is [www.cisx.com](http://www.cisx.com) and the Investment Manager's website, which is [www.archfunds.com](http://www.archfunds.com).

### Life of the Fund

The nature of the private equity investments and the Limited Partnership make it extremely difficult to be able to realise the assets of the Fund within a known time frame. The initial commitment to the Limited Partnership will have a life of ten years (extendable by up to two one year periods by the general partner with the approval of the limited partners), and the directors anticipate committing to further annual vintages of private equity as existing investments are realised.

Shareholders will not be entitled to require the Company to redeem their Shares in the Fund at any time. The Directors do not anticipate that an active secondary market will develop in the Shares. It is the intention of the Directors to assist in the creation of liquidity for Shareholders by appointing market-makers in respect of the Fund to seek to maintain a market for the Shares. No fee will be paid by the Fund to them in respect of their role as market makers. Any change in the appointment of any market-maker will be notified to Shareholders in the annual report of the Company.

In maintaining a market for Shares, the market-maker may realise profits or sustain losses in the amount of any differences between the prices at which it buys Shares and the prices at which it sells Shares. Any profit made by the market-maker may be retained for its absolute use and it shall not be liable to account to the Company in respect of such profits.

The Fund does not guarantee that at any particular time the market-maker will be willing to make a market in the Shares nor does it guarantee the price at which a market will be made as this will be dependant on prevailing market conditions. Shareholders seeking to dispose of their Shares have no assurance of the return of their capital investment in the Company. Accordingly, the dealing price of the Shares may not reflect exactly any changes in the net asset value per Share. Consequently there may be no liquidity whatsoever in Share dealings.

### Calculation of Net Asset Value

The Net Asset Value of the Fund will be calculated at midday on the last Business Day of each quarter. The main initial investment of the Fund is the portfolio of private equity held by the Limited Partnership which is valued according to the International Private Equity and Venture Capital Valuation guidelines which have been developed by the Association Francaise des Investisseurs en Capital, the British Venture Capital Association and the European Private Equity and Venture Capital Association. A copy of the guidelines can be found at [www.privateequityvaluation.com](http://www.privateequityvaluation.com).

The Limited Partnership is valued each calendar quarter end. Investors should be aware that while the Limited Partnership is valued every quarter, the underlying private equity investments are not all valued on each quarterly date. All other investments held by the Fund will be valued in accordance with the guidelines set out in the Principal Particulars.

### Transfers of Shares

The Company will be applying for permission for the Placing Shares to be transferable following admission of the Placing Shares to the Official List by means of CREST. Settlement of transfers through CREST will permit shareholders to hold their Ordinary Shares in electronic form in a CREST account.

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All transfers of shares shall be effected by transfer in writing in any usual or common form in use in the Island of Guernsey or in any other form approved by the Directors but need not be under seal, and every form of transfer shall state the full name and address of the transferor and transferee and be signed by the transferor. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof.

The Directors shall decline to recognise any transfer of Shares unless the instrument of transfer is deposited at the Registered Office or such other place as the Directors may reasonably require, accompanied by such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and the instrument of transfer relates to Shares only.

If the Directors decline to register a transfer of any share they shall, within one month after the date on which the transfer was lodged with the Fund, send to the transferee notice of the refusal.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, PROVIDED ALWAYS that such registration of transfers shall not be suspended for more than thirty days in any year.

The Directors may, by notice to a Shareholder, at any time request a Shareholder to furnish a declaration, in a form satisfactory to the Directors, as to his place of residence, citizenship or domicile and any such other information as may be reasonably required by the Directors to satisfy themselves that such person is qualified to hold shares in the Fund.

All instruments of transfer which shall be registered shall be retained by the Fund, but any instrument of transfer which the Directors may decline to register shall (except in any case of fraud) be returned to the person depositing the same.

### **Fees of Parallel Private Equity**

Parallel Private Equity is not remunerated directly by the Fund or the Investment Manager. Rather, it takes its fees as the general partner in the Limited Partnership. The nature of the investment model used by Parallel means that it has varied fee arrangements with each private equity house with whom it sources deals but in general terms its fees are (a) a 2% fee in the first year based on the committed amount (b) in subsequent years an annual management charge of 2% based on the value of the private equity portfolio paid quarterly, (c) a 20% carried interest and/or right to co-invest. The carried interest component is subject to either a Preferred Return or Hurdle.

### **Risk Factors**

Investment in the Company is subject to certain risk factors. Investors should carefully consider the risks associated with acquiring and holding the Shares in the Fund together with the risks outlined in the Principal Particulars of the ICC. The risk factors are set out below.

#### *Suitability of Investment*

Each investor should decide whether to invest in the Fund after careful consideration with their advisers as to the suitability of such investment in light of the risk factors and other information set out in these Supplemental Scheme Particulars. It should be borne in mind that the risks involved in this type of investment are greater than those normally associated with other types of investments, as the investments in which it is proposed (the private equity investments) are illiquid and can be subject to substantial price movements and various other risks. Consequently, substantial losses as well as gains in the Net Asset Value per

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While leverage presents opportunities for increasing total return, it can also have the effect of increasing losses as well. If income and appreciation on investments made with borrowed funds are less than the cost of the borrowing the Net Asset Value of the private equity investments and, as a consequence, the Net Asset Value per Share will decrease. The effect of the use of borrowing is to increase investment exposure, the result is that in a market that moves adversely the possible resulting loss to investors' capital would be greater than if leverage was not used.

Repayment of any credit facility will be from the realisation of investments made by the Limited Partnership but there can be no assurance as to the timing of such sales.

Generally, it can be expected that any credit facility obtained will entail the Fund providing a charge over its assets namely the Limited Partnership.

Terms upon which credit facilities are available may be subject to change and there is no assurance that any credit facility will be renewed and loss of, or a reduction in, a credit facility may result in the Fund being required to liquidate some or all of its investments at prevailing prices which may be unfavourable or the credit facility provider exercising their charge over the assets of the Fund. The renewal of a credit facility may be subject to a change in its terms and/or applicable interest margins. The entity providing the credit facility will rank in priority to any investor in the event of the Fund's liquidation.

A breach of the terms of any credit facility constituting an event of default would entitle the relevant entity providing the credit facility to require repayment, which may also require the Company to liquidate some or all of its investments at prevailing prices which may be unfavourable.

### *Performance*

There is no assurance that the information on the Investment Manager, Parallel, the investments or the investment objectives as set out herein will be in any respect indicative of how they will perform in the future.

### *Credit Risk*

Investors should be aware that all of the money raised by the Fund will not be immediately invested in private equity upon the launch of the Fund but rather will be called for by the Limited Partnership in tranches. In the meantime monies held by the Fund will be invested by the Investment Manager in short term deposits and money market instruments. While it is expected that the nature of these investments and the underlying counterparties will be of a sufficient quality to safeguard the Fund's money, should a counterparty become bankrupt then the Fund will become an ordinary creditor of that counterparty and may lose money.

### *Reliance on the Investment Rate of the Limited Partnership and ability to find suitable investments*

Parallel Private Equity relies on its arrangements and agreements with certain leading European private equity houses to source suitable investments. While Parallel has a good track record of sourcing private equity investments there is no guarantee that it will be able to continue to source suitable investments.

### *Valuation*

The calculation of the Fund's Net Asset Value, in relation to its investment in the Limited Partnership, is derived from estimates provided by the Limited Partnership, which may be unaudited or subject to little verification. The valuation of the underlying investments may be infrequent and may not be updated each

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time a valuation of the Limited Partnership is provided and based on accounting practices rather than market pricing. In addition, such valuations may not be considered "independent" or may be subject to potential conflicts of interest.

### *Illiquidity*

Private equity by its nature is an illiquid investment with no readily realisable market for the underlying investments. Assets are realised through trade sales or public offerings rather than an active equity secondary market.

### *Limited Recourse to the Limited Partnership*

The Fund will not have, and the Limited Partnership's interest it holds will not represent, any direct ownership interest in the assets of the Limited Partnership's underlying private equity investments. The Fund will hold an economic exposure to the performance of the assets of the private equity investments under the terms of the Limited Partnership Agreement.

### *Non legal separation of Pools of Assets*

The structure of the Limited Partnership is such that the separation of investments between the annual commitments made by the limited partners (known as a vintage) is an accounting rather than a legal separation. The annual pools of investment are not legally segregated from each other. While the value of each pool is substantial and the liability of the limited partners is limited to their initial investment there is a risk of contagion between each vintage.

### *Foreign Currency Risk*

Investment in the Fund must be made in the currency of the share class. Shareholders should be aware that exchange rate fluctuations could cause the value of their investment to diminish or increase. The Limited Partnership may invest in private equity which is denominated in and derives its revenue substantially in a currency other than pounds sterling. Therefore the relevant investment's sterling value could be significantly affected by movements in foreign exchange rates.

### *Income Risk*

There is no guarantee or certainty that any dividend will be paid on the Shares. Investors should not rely on an investment in the Shares to provide a dividend income.

### *Other Risks associated with Private Equity Investments*

Investments by the Fund or the Limited Partnership either directly or indirectly, may be concentrated and a significant proportion of its assets may, directly or indirectly, be in the securities of a single issuer, or industry sector. To the extent it does concentrate in any of these ways, the overall impact of adverse developments in the business of such issuer or such industry or in relation to the currency in which such securities are denominated could be considerably greater than if it did not concentrate its investments to such an extent.

### *Conflicts of Interest*

There may be potential conflicts of interest between the activities of the Limited Partnership and the activities of the Investment Manager or Parallel Private Equity. The Investment Manager, Parallel and/or their affiliates or employees may invest in the Fund or the same investments as the private equity investments or may

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take the same, different or opposite positions to those they take on behalf of the private equity investments (as principal or agent) in respect of any instrument or any market.

### *Regulatory Change*

Future regulatory changes in applicable jurisdictions could limit the ability of the Investment Manager, Parallel or the Limited Partnership to carry out its business as described herein and/or could have material adverse effect on the Net Asset Value per Share.

### *Change in Taxation*

Any change in the Fund's tax status, or in taxation legislation in either Guernsey, the United Kingdom or in any taxation legislation affecting the taxation of the assets of the Fund, the Limited Partnership or the VAT treatment accorded to the provision of services to the Fund could affect the Fund's ability to achieve its investment objective, the amount paid to Shareholders on a redemption of their Shares and/or alter the post tax returns to Shareholders. Statements in this document concerning the taxation of UK Shareholders are based upon current UK tax law and practice which is subject to change that could adversely affect the ability of the Fund to meet its investment objective.



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#### FEES AND EXPENSES

##### Establishment Costs

All the costs and expenses associated with the organisation and the initial offering of Shares of the Fund, including the costs incurred in connection with the preparation of these Supplemental Scheme Particulars and the Fund's pro rata share of registration fees, document duty and professional fees and expenses incurred in the establishment of the Fund are not expected to exceed £7,000 and will be amortised over a five year period commencing on the launch of the Fund.

##### Fees of the Investment Adviser

The Investment Manager has agreed with the Fund that the Investment Manager shall be entitled to a periodic management fee from the Fund for its services under the Management Agreement.

The Investment Manager has agreed with the Fund that its investment management fee shall initially be one percent of the Net Asset Value of the Fund per annum payable monthly in arrears.

The Investment Manager may, from time to time, at its sole discretion decide to rebate to some or all investors (or their agents, including the Directors) or to intermediaries part or all of the investment management fee.

##### Initial Dealing Charge & Initial Commission

An initial charge of up to 2 percent of the Subscription Price is payable out of the subscription monies received in respect of the Fund to the Investment Manager. For the purpose only of calculating the Net Asset Value of the Fund, this 2 percent charge will be amortised over a five year period commencing on the launch of the Fund. The Investment Manager may pay any part of this charge on to intermediaries as commission.

##### Fees of the Administrator

The Administrator shall be paid a fee calculated by reference to the Net Asset Value of the Fund, payable monthly in arrears according to the following schedule:

<b>Net Asset Value Range</b>	<b>Relevant % of Cell's NAV</b>
£0 million ≤ £50 million	0.16%
£50 million ≤ £100 million	0.13%
>£100 million	0.11%

The Administrator's fee will be subject to an annual minimum of £40,000 for all cells in the ICC, which minimum fee shall be *pro rated* by reference to the Fund's Net Asset Value.

##### Fees of the Auditors

The fees of the Auditors are expected to be £4,000 per annum.

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### Fees of the Custodian

The Custodian shall be paid a fee equal to 0.065% of the Net Asset Value of the Fund, payable monthly in arrears, and subject to a minimum annual fee of £6,000.

### Fees of the Registrar

The Registrar shall be paid an annual fee equal to £1,500 payable monthly in arrears. An additional annual fee of £1,500 for UK transfer agent services shall be paid pro rata by each Cell that uses the services of the Registrar.

### Fees of the Directors

The fees of the Directors will be decided by the Fund in general meeting. Such remuneration shall be deemed to accrue from day to day and shall be allocated amongst the Directors as they see fit. The Directors and any alternate Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Fund or in connection with the business of the Fund.

The Directors may in addition to such remuneration grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Fund. The Directors may also fix the remuneration of any managing director.

Initially the Directors fees will be set at £5,000 per annum including the cost of purchasing and maintaining insurance for or for the benefit of any persons who are or were at any time Directors, officers or employees of the ICC (including professional indemnity insurance). Robert Addison has agreed to waive his fee.

### Fees for the Listing on the Channel Islands Stock Exchange

The following fees are payable in connection with the application for and continuation of the admission of the Fund's Shares to the Official List of the Channel Islands Stock Exchange:

Application Fee (one off fee):	£3,300
Maintenance Fee (annual):	£1,500
Sponsor's Fee:	£2,500 first year, £1,500 subsequent years

Where the above fees are payable by the ICC as a whole, the Fund shall bear a proportion of such expense *pro rata* to the Fund's Net Asset Value.



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### ADDITIONAL INFORMATION

#### 1. Incorporation and Share Capital

The Fund was incorporated with an authorised share capital of £2 divided into 2 Management Shares of £1.00 each, (the "Management Shares") both of which have been allotted and issued to the Investment Manager credited as fully paid up, and an unlimited number of participating preference shares of no par value. The Management Shares have been created in order that the Shares may have a preference over some other class of share capital.

Shares may not be issued at a price which is less than the net asset value per Share at the time of such issue unless authorised by a majority of the Shareholders or offered first on a pro-rata basis to those Shareholders.

Shares may not be converted into a different class without the approval of a majority of shareholders of that class, except where such conversion is for the consolidation of different classes.

#### 2. Articles of Association

The following is a summary of the principal provisions of the Articles of Association of the Fund in so far as they have not been described earlier in this document, and the defined terms hereinafter are in accordance with the Articles of Association.

##### *Variation of Class Rights and Alteration of Capital*

- 1) Subject to the provisions of the Law, all or any of the special rights for the time being attached to any class of shares for the time being issued (including, for the avoidance of doubt Shares) may (unless otherwise provided by the terms of issue of the shares or these Articles) from time to time (whether or not the Fund is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of an Extraordinary Resolution passed at a separate meeting of the holders of such shares. To any such separate meeting all the provisions of these presents as to general meetings of the Fund shall mutatis mutandis apply, but so that the necessary quorum shall be two Shareholders holding or representing by proxy not less than ten per cent of the issued shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those holders of shares of the class who are present shall be a quorum), that every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him and that any holder of shares of the class present in person or by proxy may demand a poll. Notwithstanding the foregoing this Article shall not derogate from any power the Fund would have had if this Article were omitted.
- 2) The rights attached to the Shares shall be deemed to be varied by the creation or issue of any shares (other than Shares whether now in existence or hereafter created), ranking *pari passu* with or in priority to them as respects participation in the profits or assets of the Fund.
- 3) Subject to the preceding paragraph, the special rights attached to any class of shares having preferential rights shall (unless otherwise expressly provided by the conditions of issue of such shares) be deemed not to be varied by:-
  - a) the creation, allotment or issue of further shares ranking *pari passu* therewith; or
  - b) the creation, allotment or issue of Management Shares; or
  - c) the creation of Shares; or



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- d) if the Fund shall be wound up, by the exercise by the Liquidator of his powers.
- 4) The Fund may from time to time by ordinary resolution increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe.
- 5) All new shares shall be subject to the provisions of these Articles with reference to transfer, transmission and otherwise.
- 6) Subject to the provisions of the Law, the Fund may by Special Resolution from time to time reduce its share capital in any way, and in particular, without prejudice to the generality of the foregoing power, may:
  - a) extinguish or reduce the liability on any of its shares in respect of share capital not paid up; or
  - b) with or without extinguishing or reducing liability on any of its shares:-
    - i) cancel any paid-up share capital which is lost, or which is not represented by available assets; or
    - ii) pay off any paid-up capital which is in excess of the requirements of the Fund, and may, if and so far as is necessary, alter its Memorandum by reducing the amount of its share capital and of its shares accordingly.
- 7) The Fund may by Ordinary Resolution from time to time alter its share capital by:-
  - a) consolidating and dividing all or any of its share capital into shares of larger amount than its existing shares;
  - b) sub-dividing its shares, or any of them, into shares of smaller amount than that fixed by its Memorandum of Association so, however, that in the sub-division the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived;
  - c) cancelling any shares which, at the date of the passing of the Ordinary Resolution in that behalf have not been taken, or agreed to be taken, by any person, and diminish the amount of its share capital by the amount of the shares so cancelled.
- 8) The Fund may from time to time, subject to the provisions of The Companies (Purchase of own shares) Ordinance, 1998 (the "Ordinance"), purchase its own shares (including any redeemable shares) in any manner authorised by the Ordinance.

#### Shares

The rights attaching to the Shares are as follows:-

#### *Voting Rights:*

Subject to any special rights or restrictions for the time being attached to any class of shares:-

- 1) on a show of hands every Shareholder who is present shall have one vote;



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- 2) on a poll every Shareholder who is present in person or by proxy shall be entitled to one vote in respect of each whole Participating Share held by him and a further part of one vote proportionate to any fraction of a Participating Share held by him.

#### *Dividends:*

- 1) The Shareholders of the Fund may from time to time by Ordinary Resolution declare dividends payable to holders of Shares of the Fund up to an amount recommended by the Directors. The Directors may from time to time if they think fit pay interim dividends on Shares if justified by the profits of the Fund.
- 2) No dividend shall be payable in respect of the Fund except out of such funds as may be lawfully distributed as dividends.
- 3) The rate of dividend on the Shares in respect of any Annual Accounting Period of the Fund shall be calculated by the Directors and shall be arrived at by dividing the amount of income after tax attributable to the Shares of the Fund which the Directors deem advisable for distribution divided by the number of Shares entitled to the dividend.
- 4) Unless a Shareholder otherwise elects, either generally or in any particular case, dividends to which that shareholder is entitled may be applied in acquiring additional shares for that Shareholder on the Dealing Day on which dividend is paid at the Subscription Price ruling on that Dealing Day free on any preliminary charge.
- 5) The Directors may, with the sanction of an Ordinary Resolution of the holders of Shares of the Fund, satisfy any dividend or capital sum payable to holders of Shares of the Fund in whole or in part by distributing to them in specie any of the assets of the Fund provided always that no such distribution shall be made which would amount to a reduction of capital save with the consents required by Law.
- 6) All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Fund until claimed. No dividend shall bear interest against the Fund. The payment by the Directors of any unclaimed dividend or other moneys payable on or in respect of a share into a separate account shall not constitute the Fund a trustee in respect thereof and any dividend unclaimed after a period of six years from the date of declaration of such dividend shall be forfeited and shall revert to the relevant Fund.

#### *Winding Up:*

The Fund may be wound up at any time by Special Resolution.

If the Fund shall be wound up, the Liquidator shall discharge the liabilities of the Fund out of the assets comprised in the Fund and no recourse shall be had to the assets of the Fund to meet liabilities of any other Fund of the Company or liabilities of the Company itself.

The assets available for distribution among the Shareholders shall then be applied as follows:-

- 1) first, in the payment to the holders of the Shares of any balance then remaining in the Fund such payment being made in proportion to the number of Shares held;
- 2) in the payment to the holders of the Management Shares of the amounts paid up thereon.



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#### Borrowings

The Directors may exercise all the powers of the Fund to borrow money for the account of the Fund and hypothecate, mortgage, charge or pledge, the property, and assets or any part thereof of the Fund.

#### Litigation

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

#### 3. Material Contracts

The following contracts have been entered into by Fund and are all dated on or around 28 December 2006, unless otherwise stated:-

- 1) an investment management agreement whereby ARCH Financial Products LLP will advise on and manage the investments of the Fund;
- 2) an administration agreement whereby Bordeaux Services (Guernsey) Limited will act as administrator and secretary to the Fund; the agreement is terminable on three months' notice by either party;
- 3) a custodian agreement whereby Fortis Bank (CI) Limited will hold the investments of the Fund; the agreement is terminable on three months' notice by either party;
- 4) a registrars agreement signed on 26 April 2007 whereby Anson Registrars Limited will act as the registrar; the agreement is terminable on three months' notice by either party; and
- 5) a UK transfer agent agreement signed on 26 April 2007 whereby Anson Administration (UK) Limited will provide certain UK transfer agent services; the agreement is terminable on three months' notice by either party.

The documents detailed above together with the Memorandum and Articles of Association of the Fund and the statutory records of the Fund will be available for inspection at the registered office of the Fund.