



ARCH Real Estate 2 IC Limited
Supplemental Scheme Particulars
Dated: April 2008



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ARCH REAL ESTATE 2 IC LIMITED

(an incorporated cell registered with limited liability in Guernsey with registration number 47653)

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 Real Estate 2 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 03 April 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:-

Business Day

A day on which commercial banks are open for business in London and Guernsey;

Closing Date

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

Euro Class

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

Fund

ARCH Real Estate 2 IC Limited, the incorporated cell to which these Supplemental Particulars relate;

ICC

ARCH Guernsey ICC Limited;

Offer Period

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

Offer Price

The Subscription Price of 100p per Sterling Share, Eur1 per Euro Share and US\$1 per US\$ Share;

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 REAL ESTATE 2 IC LIMITED

Introduction

The Fund is an Incorporated Cell registered with limited liability in Guernsey on 4 September 2007 with registration number 47653 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 31 October 2007. As at the 11 January 2008, the total number of fully paid Shares in issue was 18,216,404 and the Net Asset Value of the Fund was GBP 18,216,404. 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 03 April 2008. The first dealing day is expected to be on or about 03 April 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 with capital appreciation over the medium to long term through economic exposure to a diverse range of real estate investment opportunities selected by the Investment Manager.

There is no guarantee of performance and past or projected performance is not necessarily a guide to the future. Any return targets quoted are based on performance projections of the investment approach using a historical portfolio constructed by the Investment Manager with similar anticipated investment exposures.

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

In order to obtain exposure to real estate and property related investments the Fund may invest in a variety of instruments including but not limited to physical assets, single strategy funds or fund of funds, debt and equity instruments, and derivative products. These investments may or may not be regulated or listed on a stock exchange. Property assets will initially be in the United Kingdom and Europe but will eventually be worldwide when suitable assets are identified.

The Fund will seek, over a period of time, to obtain exposure to a range of investments within the Fund's investment objective and whilst it is the Investment Manager's intention to obtain exposure to a well-diversified portfolio of investments across geographic and industry sectors, such exposure may be obtained indirectly through a limited number of assets held by the Fund.

Investors should therefore be aware that it may take time for the fund to become fully invested. Monies waiting to be invested in real estate investments will be invested in a variety of short term deposits, other money market instruments and financing related investments.



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Outline of Real Estate related Investments

Investments in global real estate and property can offer an attractive addition to an already diversified portfolio, investments realising differing returns based upon the property characteristics (residential or commercial), property use (current and future), geographical location and local market conditions. A global investment horizon can offer the investor the scope to capitalise on regions with strong GDP growth, good macro-economic growth forecasts and increasing population growth all of which often underpin property demand and subsequent price rises, both in value and rental terms.

The Fund seeks to invest in private sector residential, mixed-use and development properties, suitable for either single or multiple rental occupation. The principal focus of the Fund will be to invest in multi-let properties in London, although investment capital may be allocated to a number of other sectors:

- residential multi-let properties
- mixed-use properties
- residential single-let properties
- houses in multiple occupation (HMO)
- student accommodation property
- development property
- overseas property
- special situations / other

Residential multi-let properties:

Multiple let (or multi-let) residential properties are those where the property is let to a group of tenants, either jointly or separately, but who legally do not form more than one household. They provide affordable housing in a variety of formats, particularly for young professionals without the necessary capital base to acquire their own properties. Owing to the increase in recent years in the house price to income ratio, the average age of first time buyers has also increased, so that it is now not uncommon for young people to jointly rent flats or else to rent properties together in multiple occupation.

Mixed-use properties:

Mixed-use properties involve a combination of uses e.g. blocks with commercial shops and offices, combined with residential accommodation. The Fund may invest in such properties as a way of maximizing longer-term occupancy at attractive yields and reducing project risk.

Residential single-let properties

Single let properties are those where the property is let to one tenant only. This market sector has also demonstrated strong growth and is characterized by a combination of young professionals, divorcees and older tenants.

Houses in multiple occupation (HMO)

The houses in multiple occupation (HMO) sector comprises properties occupied by persons who in legal terms, do not form a single household. Under the national mandatory licensing scheme an HMO must be licensed by the local authority if it is a building consisting of three or more storey's and occupied by five or more tenants in two or more households. Generally, they may share parts of the accommodation or amenities provided, or both and grants may be available in respect of conversions to HMO properties. The most common types of HMO are shared flats and houses, but may also include hostels, hotel/hospital staff accommodation, bedsits, student halls of residence and other types of supported accommodation.

Development Property

Development property may comprise a variety of property types and development applications, with the general objective of increasing the rental floor space and improving the general quality of the space offered.

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Development properties are in general selected based on growth potential for rental yield and capital value, as well as softer factors such as social demographics, planning policy and vicinity.

Overseas Property

Overseas property may be included in the Fund, particularly where opportunities exist to acquire cheaply and to achieve excellent occupancy rates.

Special Situations

Special situations may include other forms of property such as holiday homes, floating properties (e.g. houseboats) and overseas property.

Hedging

The Investment Manager may undertake currency hedging.

Base Currency

The base currency of the Fund is Sterling.

Conflicts of Interest

The Investment Manager or its employees and affiliates may provide investment advisory and management services to other clients in addition to the Fund. The Investment Manager, its employees and its affiliates will act in a fair and equitable manner in allocating investment opportunities among the Fund, other Cells of the ICC, other 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 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 Fund, or in which the Fund 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.



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Risk Factors

These risk factors should be read in conjunction with the risk factors outlined in the Scheme Particulars. An investment in the Fund involves significant risks and potential conflicts of interest and should only be undertaken by investors who are capable of evaluating and bearing those risks. Each prospective investor should carefully consider and evaluate these risks and conflicts prior to purchasing shares in the Fund.

The investments made by the Fund may be very illiquid, and consequently the Fund may not be able to sell such investments at prices that reflect the Fund's assessment of their net asset value or the amount paid for such investments by the Fund. Illiquidity may result from the absence of an established market for the investments as well as legal, contractual or other restrictions on their resale by the Fund and other factors. The nature of the Fund's investments may require a long holding period in order to realise return potential.

There is no restriction upon the Fund's investment in the securities or other obligations of any one issuer albeit that the Fund has an overriding obligation to spread investment risk. Although the Investment Manager does not expect to concentrate the Fund assets in any one issuer, to the extent the Fund's portfolio is concentrated in a limited number of issuers the risk of erroneous investment judgments is increased.

The Fund may invest in companies for which a single asset, such as a block of flats, may comprise a significant proportion of its value. Accordingly, the investment's return will be based on that specific asset's performance. The risks of the individual assets would include, but are not limited to, construction, operating and commercial risk, catastrophic and force majeure risks.

The Fund will purchase and hold physical assets such as land and property. These assets will have risks not normally associated with financial instruments. These include, but are not limited to weather related incidents such as flooding or frost, accidental damage, and logistical risks such as storage and dealing with tenants. Physical assets may also have higher costs associated with buying and selling, insurance and maintenance.

Sourcing and purchasing of suitable property and real estate related assets is a time consuming business. Consequently it may take some years before the Fund is fully invested in those assets. Similarly there are risks in maintaining the yield on property through sourcing and maintaining suitable and credit worthy tenants to produce rental income.

The Custodian may not undertake to take custody of certain physical assets and these will be held in the name of the Fund rather than the Custodian.

The buying, holding and selling of certain of these assets may be unregulated thus affording less investor protection than certain financial assets traded on regulated markets.

The Fund may invest in a number of geographical areas which will expose investors to differing currency, legal, and repatriation regimes. All of these may mean that it will be difficult or unattractive for an investor to realise their assets in the fund. Secondly, the fund may operate in a number of tax jurisdictions all of which may be liable to change. Investors should seek independent tax advice on their specific situation.

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The Investment Manager may allocate part of the Fund to investments in which it or its affiliates and distributors have a substantial economic interest either as shareholders or key service providers on which they earn a fee.

Whilst the long term intention is to gain exposure to diverse investments in property, due to the size and value of individual developments and the availability of suitable properties the fund will initially only be invested in a limited number of investments.

Remittance of income and capital gains generated by investments by the Fund in certain countries may be dependent on the absence of foreign exchange controls that would otherwise inhibit or prevent the repatriation of such gains.

The Fund may engage in borrowing or leverage to finance its operations in order to enhance its returns. Using leverage will increase both the possibility of gain and risk of loss. Consequently, the effect of fluctuations in the market value of the Fund's portfolio would be amplified. Interest on borrowings will be a portfolio expense of the Fund and will affect the operating results of the Fund. Also, the Fund could potentially create leverage via the use of instruments such as derivatives.

The Fund or managers of underlying investment vehicles may invest in securities of issuers organized or based in offshore unregulated funds or in debt instruments issued by unrated entities that are not listed on a stock exchange and for which no readily realisable market exists. These investments may be subject to a variety of risks and other special considerations not affecting securities of issuers in developed markets. Many emerging securities markets are not as developed or efficient as those in developed markets. Securities of some emerging issuers are less liquid and more volatile than securities of comparable developed markets. Similarly, volume and liquidity in many emerging securities markets are less and, at times, volatility of price can be greater than in developed markets. The issuers may also be subject to less stringent financial reporting and disclosure requirements than those applicable in developed markets. As such they carry a higher degree of regulatory, legal and operational risk compared to equivalent onshore regulated or listed instruments.

Since foreign securities transactions are often denominated in currencies other than the currency in which the Fund is denominated, the Fund or underlying managers may incur currency exchange costs when effecting these transactions, and the value of these securities as measured in the currency of the Fund may be adversely affected by subsequent changes in currency rates and exchange control regulations. Currency exchange rates may fluctuate significantly over short periods of time. The Investment Manager may choose to hedge out such risks, and if so, this may represent a cost to the Fund.

The Fund's activities may include the allocation of Fund assets to underlying managers which may invest on the basis of short-term market considerations. The portfolio turnover rate for these managers may be significant, potentially involving substantial brokerage commissions and fees which will adversely impact the Net Asset Value of the Fund.

Managers of fund investments selected by the Investment Manager normally will be entitled to two forms of compensation: a fee based on net assets under management (typically ranging from 1% to 2% annually), plus performance compensation based on the appreciation in the value of the Fund's investment with the manager (typically ranging from 20% to 25% of net profits). While the performance compensation arrangements may call for realised or unrealised losses to be carried forward as an offset against net profits in subsequent periods, managers generally are not otherwise penalised for realised losses or decreases in the value of such an account.



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The Investment Manager's entitlement to the performance fee may create an incentive to select managers that engage in transactions or make investments that are riskier or more speculative than would be the case in the absence of such performance fee.

Some of the underlying managers and investments will be subject to varying levels of regulation. These funds and investment advisors are likely to be based offshore and not regulated by a financial regulator or subject to the same standard of comprehensive legal, government and commercial regulation as a similar fund based onshore in a developed country. The managers of such investments may not be covered by insurance. Moreover, the Fund generally will have no control over the selection of the custodians or administrators of the assets under such managers, which also may be subject to a lesser degree of government supervision or regulation than a company based in the United Kingdom or other developed countries.

The success of some of the Fund's investments will depend to some extent upon the ability of underlying investments to correctly assess the future course of price movements of stocks, bonds and other financial instruments and markets. There can be no assurance that these managers will accurately predict such movements. In addition, it is expected that certain of the securities in which these managers may invest will have limited liquidity. This lack of liquidity, together with a failure to accurately predict market movements, may adversely affect the ability of managers to execute trade orders at desired prices in rapidly moving markets.

The Fund or its underlying investments may also invest in the over-the-counter market in contracts which involve dealing with counterparties and their ability to meet the terms of the contracts. In particular, a manager may enter into repurchase agreements, forward contracts and swap arrangements, each of which expose the managed capital to credit risk to the extent that the counterparty defaults on its obligations to perform under the relevant contract.

Certain of the managers in the underlying investments may engage in other forms of related and unrelated activities in addition to advising the investment of the Fund. They may also make investments in securities and other assets for their own account. Activities such as these could detract from the time a manager devotes to the affairs of the Fund investments. In addition, certain of the managers may engage affiliated entities to furnish brokerage services and others may themselves provide market-making services, including those of counterparty in stock and OTC transactions. As a result, in such instances the choice of broker, market-maker or counterparty and the level of commissions or other fees paid for such services (including the size of any mark-up imposed by a counterparty) may not have been made at arm's length.

As of the date of these Supplementary Scheme Particulars there is no past performance of the Investment Manager and of the Fund that can be used by potential investors to evaluate an investment in the Fund. Past performance is not necessarily an indication of future investment results.

No assurance is given that the collective performance of the assets of the Fund will result in profitable returns for the Fund as a whole under all or any conditions. The possibility exists that good performance achieved by one or more investments may be neutralized by poor performance experienced by other investments.

Since the Fund does not generally intend to pay dividends, an investment in the Fund is not suitable for investors seeking current distributions of income.



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SUBSCRIPTION AND REDEMPTION OF SHARES

Subscriptions

The Placing Shares will be available for subscription by eligible investors during the Offer Period 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 aggregate minimum subscription for Shares in the Fund that will be accepted is £75,000 in the case of the Sterling Shares, Eur100,000 in the case of the Euro Shares or US\$150,000 in the case of the US\$ Shares. 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 to 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:-

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

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.

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Calculation of Net Asset Value

The fund will value its assets on a quarterly basis using commonly accepted industry standards. On an annual basis the fund will calculate NAV using independent professional valuers.

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 website, which is www.cisx.com and the Investment Manager's website, which is www.archfunds.com.

Life of the Fund

The Fund has no planned end date.

Shareholders will not be entitled to require the Company to redeem their Shares in the Fund at any time. 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.

Transfers of Shares

The Company will be applying for permission for Ordinary Shares to be transferable following admission of the Ordinary 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.

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.



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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.

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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 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 Manager

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 two per cent (2%) of the Net Asset Value of the Fund per annum payable quarterly 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.

Performance Fee

The Fund will pay the Investment Manager a performance fee ("Performance Fee") which will be reflected in each Net Asset Value calculation and will be paid at the end of each Performance Period in arrears.

A "Performance Period" will be a three month period ending on the last Business Day of March, June, September and December of each year (each a "Performance Date"), except for the initial performance period which shall be from the Closing Date to the next available Performance Date.

At the end of the relevant Performance Period, the Company will pay the Investment Manager an amount equal to twenty percent (20%) of the amount by which the Net Asset Value per Share of the Fund as at the last Business Day in such Performance Period exceeds the greater of:

- i) the highest Net Asset Value per Share of the Fund by reference to which a Performance Fee has previously been paid in respect of any previous Performance Period
- ii) £1.00

provided, however, that the Performance Fee may only be charged to the extent it does not reduce the rate of return achieved by such Fund below the Cumulative Hurdle Rate.

The "Cumulative Hurdle Rate" with respect to any Performance Period is seven per cent (7%) per annum. The Cumulative Hurdle Rate is not cumulative from one Performance Period to another. In no event shall the Investment Manager have to return any Performance Fees previously charged and paid with respect to any Shares.

Initial Dealing Charge & Initial Commission

An initial charge of up to two per cent (2%) of the Subscription Price is payable in respect of the Fund to the Investment Manager. This charge is payable in addition to the five per cent (5%) initial commission referred



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to below and is paid out of and calculated by reference to the subscription monies received net of the five per cent (5%) initial commission. For the purposes only of calculating the Net Asset Value of the Fund this two per cent (2%) 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.

An initial commission of up to five per cent (5%) of the amount subscribed by an investor for Shares may be payable to an intermediary. Under the issue, each investor will receive such number of Shares as is calculated by deducting from the total amount subscribed the initial commission payable to the intermediary, and dividing the resultant amount by the Offer Price, save that any fractional Share shall be rounded down to the nearest whole share. If the investor's intermediary waives its right to receive the initial commission or if the subscription is not made through an intermediary, no deduction of the initial commission will be made and the relevant investor will receive Shares corresponding to the full amount subscribed.

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:

Net Asset Value Range	Relevant % of Cell's NAV
£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.

Fees of the Custodian

The Custodian shall be paid a fee equal to 0.075% 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 Directors shall be entitled to such remuneration as may be voted to them 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.

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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.

Other Expenses

Investors should be aware that due to the nature of the underlying assets the Fund will bear additional costs in relation to its holdings such as independent valuation fees and maintenance expenses.



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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

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- b) the creation, allotment or issue of management shares; or
 - c) the creation of Shares; or
 - 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 Guernsey 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 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.



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- 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;
- 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.

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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.

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 20 August 2007:-

- 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 whereby Anson Registrars Limited will act as the registrar; the agreement is terminable on three months' notice by either party;
- 5) a UK transfer agent agreement 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.