

**28 February 2013**

THIS NOTICE IS IMPORTANT AND REQUIRES THE IMMEDIATE ATTENTION OF SERIES A CONVERTIBLE SECURITYHOLDERS. IF SERIES A CONVERTIBLE SECURITYHOLDERS ARE IN ANY DOUBT AS TO THE ACTION THEY SHOULD TAKE, THEY SHOULD SEEK THEIR OWN PROFESSIONAL ADVICE, INCLUDING AS TO ANY TAX CONSEQUENCES, IMMEDIATELY FROM THEIR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER INDEPENDENT FINANCIAL ADVISER.

**Eurocastle Investment Limited (the “Company”)**  
**€75,000,000 20 per cent. Perpetual Subordinated Convertible Securities**  
**(the “Series A Convertible Securities”)**

Notice is hereby given to the holders (the “**Series A Convertible Securityholders**”) of Series A Convertible Securities that, for the reasons described under “*Background to the Proposal*” below, the Company is seeking the consent by resolution in writing (in the form set out in Annex 1 hereto (the “**Written Resolution**”)) of the Series A Convertible Securityholders to:

- (i) authorise the Company, at any time on or prior to 31 May 2013 and having given not less than two days’ notice to the Series A Convertible Securityholders and the Trustee, to mandatorily convert all but not some only of the Series A Convertible Securities outstanding into Ordinary Shares at a Conversion Price of €0.05 per Ordinary Share (the “**Mandatory Conversion**”), subject to certain specified conditions; and
- (ii) amend the Trust Deed and the Conditions to give effect to the amendments referred to in paragraph (i) above,

in each case, conditional upon the passing of a substantially similar written resolution (the “**Series B Written Resolution**”) in respect of the Company’s €24,750,000 20 per cent. Perpetual Subordinated Convertible Securities (the “**Series B Convertible Securities**”, and together with the Series A Convertible Securities, the “**Convertible Securities**”).

The Company is therefore seeking the consent of the Series A Convertible Securityholders to authorise BofAML Trustees Limited (the “**Trustee**”) to enter into a supplemental trust deed (the “**Supplemental Trust Deed**”) to amend the Conditions in order to enable the Company to effect the Mandatory Conversion (the “**Consent Solicitation**”). If passed, each Series A Convertible Securityholder will be bound by the Written Resolution, whether or not such Series A Convertible Securityholder gave its consent in writing to the Written Resolution.

In addition to the Consent Solicitation, the Company intends to amend and restate its management agreement with its investment manager, FIG LLC (the “**Manager**”), as further described below under “*Background to the Proposal*” and “*Amendments to the Existing Management Agreement*”. Such amendments together with the Consent Solicitation are referred to herein as the “**Proposal**”.

To be passed, Series A Convertible Securityholders holding not less than two-thirds of the aggregate principal amount of the Series A Convertible Securities outstanding are required to sign the Written Resolution in accordance with the procedures set out below.

If both of the Written Resolution and the Series B Written Resolution are passed, the Company and the Trustee expect to execute the Supplemental Trust Deed on or around 2 April 2013, or on or around such earlier date as the Principal Paying, Transfer and Exchange Agent receives signed Written Resolutions from Series A Convertible Securityholders and Series B Convertible Securityholders holding an aggregate principal amount of Series A Convertible Securities and Series B Convertible Securities, respectively, sufficient to pass the Written Resolution and the

Series B Written Resolution (as applicable) in accordance with the previous paragraph (the “**Effective Date**”). See “*Termination, Withdrawal and Amendment by the Company*” below. The Company intends to exercise the Mandatory Conversion as soon as practicable following the execution of the Supplemental Trust Deed. Whether Series A Convertible Securityholders deliver Definitive Convertible Securities to the Company or not, such Definitive Convertible Securities will become void on the Mandatory Conversion Date (as defined in Annex 1) and holders thereof will receive Ordinary Shares in accordance with the Conditions (as amended).

If either the Written Resolution or the Series B Written Resolution is not passed, the Company and the Trustee will not be permitted to execute the Supplemental Trust Deed, the Series A Convertible Securities will remain unamended and the Company will not be permitted to mandatorily convert the Series A Convertible Securities into Ordinary Shares.

An indicative timetable with respect to the Consent Solicitation is set out in Annex 2 hereto.

Capitalised terms used in this notice of written resolution (the “**Notice**”) shall have the same meaning as given to them in the trust deed dated 25 June 2009 relating to the Series A Convertible Securities (the “**Trust Deed**”) and/or the Conditions, unless otherwise stated.

### **Background to the Proposal**

As at 31 December 2012, the aggregate principal amount of the Convertible Securities outstanding was approximately €86.5 million, together with approximately €75.2 million in interest having accrued or been deferred since their issue date. After servicing external debt and meeting the other operating costs of the Company, the Company’s available cash is currently, and since the issue date of the Convertible Securities has been, insufficient to pay the interest due on the outstanding Convertible Securities, with the consequence that the outstanding amount of principal and interest due on the Convertible Securities has increased year on year as a result of the deferral and accrual of unpaid interest. The Company does not expect this position to change in the short to medium term. The Company has estimated that the outstanding amount of principal and interest due on the Convertible Securities will increase to more than €400 million by 31 December 2017. If the Company’s investment portfolio is liquidated over the next five years, the proceeds that the Company expects to be available to repay the outstanding principal and interest amount of the Convertible Securities will not be sufficient to repay this amount in full.

The Company is therefore putting forward a package of measures which, taken together, would simplify the capital structure of the Company by removing the debt represented by the Convertible Securities, reduce the operating costs of the Company by re-setting the annual management fee payable to FIG LLC, the Company’s investment manager (the “**Manager**”), re-align the Manager’s incentives and make available additional cash for investment into new opportunities.

In more detail, the Proposal comprises:

- Amending the Conditions of the Series A Convertible Securities so that the Conversion Price is reduced from €0.30 to €0.05 and granting to the Company the right to convert the outstanding Series A Convertible Securities (including an amount in respect of accrued interest) into Ordinary Shares on a mandatory basis at any time on or before 31 May 2013;
- Amending and restating the Second Amended and Restated Management Agreement dated as of 23 June 2004, under which the Manager manages the Company’s investment portfolio (the “**Existing Management Agreement**”), to take effect following conversion of all outstanding Convertible Securities into Ordinary Shares, such that:
  - (i) the annual management fee payable by the Company to the Manager is reduced with effect from 1 April 2013 from 1.5% of aggregate proceeds raised through the

issue of common or preferred equity share capital (at the date of this Notice, approximately €1.46 billion) to 1.5% of €300 million plus any future proceeds raised through the issue of common or preferred equity share capital; and

- (ii) the basis for the calculation of the Manager's Incentive Compensation (as defined below) is also reduced to €300 million.

Further details relating to the amendments to the Existing Management Agreement are set out in "*Amendments to the Existing Management Agreement*" below; and

- Using the additional cash available to the Company to invest in new investment opportunities, including Italian real estate assets (see "*Italian Real Estate Assets*" below).

If the Proposal is implemented, and subject to profits being available for the purpose, the Company intends to reinstate regular dividend payments to holders of its Ordinary Shares in due course.

The benefits of the Proposal to Series A Convertible Securityholders include the fact that following the Mandatory Conversion, they will receive Ordinary Shares, thereby providing enhanced liquidity through the listing on Euronext Amsterdam. The amendment to the Conversion Price will also entitle Series A Convertible Securityholders to receive an increased number of Ordinary Shares upon conversion.

Based upon the number of Convertible Securities outstanding and the amount of accrued and unpaid deferred interest at 31 December 2012, if all of the outstanding Convertible Securities were to be converted into Ordinary Shares at a Conversion Price of €0.05, this would result in the issue of 3,234,266,118 new Ordinary Shares, representing 96% of the resultant aggregate number of Ordinary Shares in issue. Upon exercising the Mandatory Conversion, a higher number of new Ordinary Shares will be issued, to take account of additional interest which has accrued from 31 December 2012 to the date on which the Mandatory Conversion Notice (as defined in Annex 1) is delivered.

### ***Italian Real Estate Assets***

The Proposal is expected to allow the Company to use more of the cash generated by its on-going investment activities to invest in new opportunities. It is also expected to better position the Company to raise additional equity capital which could also be used for making new investments.

The Company believes that there are attractive returns to be made through the acquisition of portfolios of Italian non-performing loans and other Italian real estate related assets. Fortress has significant experience and a strong track record of investing in this asset class having been an active investor in Italy since 2000. It has acquired, along with its co-investors, €16.5 billion of non-performing loans in seven transactions, producing a combined IRR of 15.4% and a multiple of 1.7x since 2000. Fortress owns Italfondiario, the largest independent non-performing loan servicer in Italy, which it acquired from Bank of Italy in 2000. Italfondiario currently services €33.5 billion of loans. Fortress is also the 8<sup>th</sup> largest Italian real estate fund manager, with €1.4 billion under management, primarily in commercial real estate.

The estimated volume of non-performing loans in the Italian banking system is €122 billion (and rising)<sup>1</sup> and Italian banks are under pressure to dispose of these assets and deleverage. The Company believes that this market opportunity, coupled with Fortress' extensive expertise and track record, makes this asset class an attractive one for the Company to pursue.

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<sup>1</sup> Bank of Italy Statistical Bulletin, October 2012

### ***Amendments to the Existing Management Agreement***

The Manager currently manages the assets of the Company pursuant to the Existing Management Agreement. The Manager and the Company have agreed to make certain amendments to the Existing Management Agreement by agreeing to enter into a Third Amended and Restated Management Agreement (the “**New Management Agreement**”). The amendments, which will take effect automatically upon all of the outstanding Convertible Securities being converted into Ordinary Shares, are as follows:

- (i) **Management Fee:** Under the Existing Management Agreement, the Manager is entitled to an annual management fee (the “**Management Fee**”) equal to 1.5% of Total Equity. Total Equity is defined as “the total net proceeds to the Company from any common or preferred equity capital heretofore or hereafter raised by the Company or any Subsidiary of the Company (exclusive, with respect to any Subsidiary, of capital of such Subsidiary consisting of a capital contribution or other form of capital investment made by the Company or another Subsidiary of the Company)”.

Under the New Management Agreement, the definition of Total Equity would be revised so that it refers to “€300,000,000 plus the total net proceeds to the Company from any common or preferred equity capital raised hereafter by the Company or any Subsidiary of the Company (exclusive, with respect to any Subsidiary, of capital of such Subsidiary consisting of a capital contribution or other form of capital investment made by the Company or another Subsidiary of the Company)”. The effect of this amendment would be to reduce the Total Equity by approximately €1.16 billion and the Management Fee by approximately €17.5 million per annum. Provided that all of the outstanding Convertible Securities are converted into Ordinary Shares on or before 31 May 2013, the reduction in the Management Fee will take effect as of 1 April 2013.

- (ii) **Incentive Compensation:** Under the Existing Management Agreement, the Manager is entitled to annual incentive compensation (“**Incentive Compensation**”) on a cumulative, but not compounding, basis, in an amount equal to the product of (A) 25% of the Euro amount by which (1) Funds from Operations (as defined below) of the Company before the Incentive Compensation per Ordinary Share calculated on a weighted average number of shares outstanding, exceeds (2) an amount equal to (a) the weighted average of the price per Ordinary Share in any offerings by the Company (adjusted for any prior capital dividends or capital distributions) multiplied by (b) a simple interest rate of eight per cent (8%) per annum multiplied by (B) the weighted average number of Ordinary Shares outstanding during such period.

“**Funds from Operations**” for these purposes means the Company’s net profit after taxation (computed in accordance with International Financial Reporting Standards) excluding (i) changes in fair value of investment properties net of attributable deferred taxation, and (ii) changes in fair value of financial instruments that are taken to the income statement (including but not limited to interest rate swaps, total return swaps and fund units), as amended from time to time in accordance with the Company’s accounting policy.

Under the New Management Agreement, the Manager will be entitled to receive annual Incentive Compensation on a cumulative, but not compounding, basis, in an amount equal to the product of (A) 25% of the Euro amount by which (1) Funds from Operations of the Company before the Incentive Compensation exceeds (2) an amount equal to (a) (i) €300 million plus (ii) the proceeds of any equity offering by the Company (adjusted for any prior capital dividends or capital distributions) multiplied by the ratio of (x) the number of days in

the computational period subsequent to the settlement of such offering divided by (y) the total number of days in the computational period, multiplied by (b) a simple interest rate of eight per cent (8%) per annum. The definition of Funds from Operations will also be amended to include a further exclusion relating to accounting losses on investments made with non-recourse financing.

If all of the outstanding Convertible Securities have not been converted into Ordinary Shares on or before 31 May 2013, the agreement to enter into the New Management Agreement will lapse and the Existing Management Agreement will continue in full force and effect.

If the Written Resolution and the Series B Written Resolution are passed, the Company intends to exercise the Mandatory Conversion as soon as practicable following execution of the Supplemental Trust Deed.

### **Procedures for Voting**

A Series A Convertible Securityholder may give its consent in writing to the Written Resolution by completing and signing the enclosed copy of the Written Resolution and returning it, together with the definitive certificates representing the Series A Convertible Securities which are the subject of such Written Resolution (the “**Definitive Convertible Securities**”) and the Ordinary Share Delivery Instructions (as defined below), to the specified office of the Principal Paying, Transfer and Conversion Agent by no later than 5.00 p.m. (London time) on 28 March 2013 (the “**Expiration Deadline**”), subject to any prior amendment, early termination or withdrawal as described in “*Termination, Withdrawal and Amendment by the Company*” below.

Each Series A Convertible Securityholder must specify in its signed Written Resolution the aggregate principal amount of Series A Convertible Securities in respect of which its consent is being given (which should be in multiples of €10) and the Series A Convertible Securityholder’s full name and address.

**Do not send signed Written Resolutions, Definitive Convertible Securities or Ordinary Share Delivery Instructions to the Company or the Trustee - they should be sent only to the Principal Paying, Transfer and Conversion Agent.**

Series A Convertible Securityholders who do not consent in writing to the Written Resolution should take no action and should not return a signed copy of the Written Resolution to the Principal Paying, Transfer and Conversion Agent, but may deliver an Ordinary Share Delivery Instruction in accordance with the procedures set out in the following paragraph.

### **Delivery of Ordinary Shares**

In order to receive the Ordinary Shares following the Mandatory Conversion, each Series A Convertible Securityholder must complete the enclosed Ordinary Share delivery instructions (the “**Ordinary Share Delivery Instructions**”) and deliver them to the Principal Paying, Transfer and Conversion Agent by no later than the Expiration Deadline.

Each Ordinary Share Delivery Instruction must clearly state:

- (i) for those Series A Convertible Securityholders who wish to receive Ordinary Shares through CREST, the CREST Participant ID and Member Account ID relating to the CREST account into which the Ordinary Shares should be credited, following the Mandatory Conversion; or
- (ii) for those Series A Convertible Securityholders who wish to receive Ordinary Shares through Euroclear Nederland, the Euroclear Nederland Participant ID and Euroclear

Nederland Member Account ID relating to the Euroclear Nederland account into which the Ordinary Shares should be credited, following the Mandatory Conversion; and

- (iii) in either case, the name and address of the person or entity whose name should be entered on the shareholders register of the Company following the Mandatory Conversion.

Following the Mandatory Conversion, any Ordinary Shares to be delivered to any Series A Convertible Securityholder which has not signed the Written Resolution or which has failed to validly deliver a completed Ordinary Share Delivery Instruction, will be delivered to the Series A Convertible Securityholder in certificated form in accordance with Condition 6(g).

If the Company does not exercise the Mandatory Conversion on or prior to 31 May 2013, Definitive Convertible Securities which have been surrendered to the Principal Paying, Transfer and Conversion Agent will be returned to Series A Convertible Securityholders by mail (free of charge but at the risk of the recipient).

The delivery of Ordinary Shares in, or to certain persons who are resident in, or citizens or nationals of, jurisdictions outside of the United Kingdom or to custodians, nominees and trustees for such persons, may be affected by the laws of the such jurisdictions. Series A Convertible Securityholders who are residents, citizens or nationals of jurisdictions outside of the United Kingdom are required to inform themselves about and observe any applicable legal requirements. It is the responsibility of any such person to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with any other necessary formalities.

### **Representations and Warranties**

By delivering a signed Written Resolution to the Principal Paying, Transfer and Conversion Agent, each Series A Convertible Securityholder shall be deemed to acknowledge, represent, warrant and undertake that:

- (i) it has received and reviewed, and accepts the terms and conditions, and other considerations of, the Proposal, as described in this Notice;
- (ii) it is assuming all risks inherent in participating in the Consent Solicitation and has undertaken all the appropriate analyses of the implications of the Consent Solicitation without reliance on the Company, the Trustee, the Principal Paying, Transfer and Conversion Agent or the Registrar;
- (iii) it agrees to indemnify the Company, the Trustee, the Registrar and the Principal Paying, Transfer and Conversion Agent against all and any losses, costs, claims, liabilities, expenses, charges, actions or demands which any of them may incur or which may be made against any of them as a result of any breach of any of the terms of, or any of the representations, warranties and/or undertakings given pursuant to, the Consent Solicitation by any such Series A Convertible Securityholder;
- (iv) all authority conferred or agreed to be conferred pursuant to these acknowledgements, representations, warranties and undertakings shall be binding upon its successors, assigns, heirs, executors, trustees in bankruptcy and legal representatives and shall not be affected by, and shall survive, the death or incapacity of the Series A Convertible Securityholder;
- (v) none of the Company, the Trustee, the Principal Paying, Transfer and Conversion Agent or the Registrar has given it any information with respect to the Consent Solicitation nor has

any of them made any recommendation as to whether to sign the Written Resolution and it represents that it has made its own decision with regard to the Consent Solicitation based on any legal, tax or financial advice that it has deemed it necessary to seek;

- (vi) no information has been provided to it by the Company or any of its directors, employees or affiliates, with regard to the tax consequences for Series A Convertible Securityholders of the Consent Solicitation, or in relation to the Ordinary Shares, and it acknowledges that it is solely liable for any taxes and similar or related payments imposed on it under the laws of any applicable jurisdiction as a result of its participation in the Consent Solicitation or in relation to the Ordinary Shares and agrees that it will not and does not have any right of recourse (whether by way of reimbursement, indemnity or otherwise) against the Company or any of its directors, employees or affiliates, or any other person in respect of such taxes and payments;
- (vii) it has observed the laws of all relevant jurisdictions, obtained all requisite governmental, exchange control or other required consents, complied with all requisite formalities and paid any issue, transfer or other taxes or requisite payments due from it in each respect in connection with any offer or acceptance, in any jurisdiction and that it has not taken or omitted to take any action in breach of the representations or which will or may result in the Company or any other person acting in breach of the legal or regulatory requirements of any such jurisdiction in connection with the Consent Solicitation;
- (viii) either it is (A) the beneficial owner of the Series A Convertible Securities and is not a US person (a "**US Person**") as defined in Rule 902(k) under the Securities Act of 1933 (the "**Securities Act**") and is located outside the United States and its consent in writing to the Written Resolution will be delivered from outside the United States, (B) the beneficial owner of the Series A Convertible Securities and is located in the United States and is a qualified institutional buyer ('QIB') within the meaning of Rule 144A under the Securities Act or an accredited investor ('AI') as defined in Rule 501(a) under the Securities Act and is also a qualified purchaser ('QP') or a knowledgeable employee ('KE') as defined in Section 2(a)(51) of, or Rule 3c-5(a)(4) under, the US Investment Company Act of 1940 (the "**Investment Company Act**"), respectively, or (C) it has otherwise contacted the Principal Paying, Transfer and Conversion Agent to inform it that it is unable to make the representation in (A) or (B) above and has provided details of its location and investor status;
- (ix) it is not resident and/or located in the United Kingdom or, if it is resident and/or located in the United Kingdom, it is a person falling within the definition of investment professional (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or within Article 43 of the Order, or to whom this Notice and any other documents or materials relating to the Proposal may otherwise lawfully be communicated in accordance with the Order;
- (x) it has full power and authority to deliver and sign the Written Resolution and it will, upon request, execute and deliver any additional documents and/or do such other things deemed by the Company to be necessary or desirable to effect the Mandatory Conversion or to evidence such power and authority;
- (xi) it agrees to ratify and confirm each and every act or thing that may be done or effected by the Company and any of its directors or any person nominated by the Company in the proper exercise of his or her powers and/or authority to effect the Consent Solicitation; and

- (xii) the courts of England will have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Consent Solicitation, and accordingly, such Series A Convertible Securityholder agrees that any suit, action or proceeding arising out of or in connection with the Consent Solicitation may be brought in such courts and such Series A Convertible Securityholder will not argue to the contrary.

The acknowledgements, representations, warranties and undertakings set forth above are given to, and are for the benefit of, the Company, the Trustee, the Principal Paying, Transfer and Conversion Agent and the Registrar and shall be deemed to be repeated by the relevant Series A Convertible Securityholder at the date on which the Written Resolution is delivered to the Principal Paying, Transfer and Conversion Agent, at the Expiration Deadline and on the Effective Date.

If a Series A Convertible Securityholder is unable to give these acknowledgements, representations, warranties and undertakings, such Series A Convertible Securityholder should contact the Principal Paying, Transfer and Conversion Agent.

### **Lost Definitive Convertible Securities**

A Series A Convertible Securityholder wishing to deliver a signed Written Resolution who has lost its Definitive Convertible Securities that will be the subject of such Written Resolution, should notify the Principal Paying, Transfer and Conversion Agent by telephone as soon as possible and, in any event, no later than the Expiration Deadline to obtain a form of declaration and indemnity. Such declaration and indemnity must be completed and delivered to the Principal Paying, Transfer and Conversion Agent (together with the signed Written Resolution) for receipt no later than the Expiration Deadline. Indemnities will only be accepted by the Company in lieu of a Definitive Convertible Security at the sole discretion of the Company.

A signed Written Resolution will not be valid unless and until the Definitive Convertible Securities to which such Written Resolution relates have been received by the Company or a duly completed declaration and indemnity has been received and accepted by the Company.

Notwithstanding anything in this document to the contrary, if both of the Written Resolution and the Series B Written Resolution are passed and the Supplemental Trust Deed is executed, then the Company shall be entitled pursuant to the Conditions (as amended) to exercise the Mandatory Conversion even if Series A Convertible Securityholders have not delivered their Definitive Convertible Securities to the Principal Paying, Transfer and Conversion Agent. Any such Definitive Convertible Securities will automatically become void on the Conversion Date and should be destroyed by Series A Convertible Securityholders following receipt of the Ordinary Shares to which they are entitled following the relevant Mandatory Conversion.

### **Taxation**

In view of the number of different jurisdictions where tax laws may apply to a Series A Convertible Securityholder, this Notice does not discuss the tax consequences to Series A Convertible Securityholders of the Consent Solicitation. Each Series A Convertible Securityholder is encouraged to consult its own professional advisers regarding these possible tax consequences under the laws of the jurisdictions that apply to it. Each Series A Convertible Securityholder is liable for its own taxes and has no recourse to the Company, the Trustee, the Registrar or the Principal Paying, Transfer and Conversion Agent with respect to taxes arising in connection with the Consent Solicitation.

### **Termination, Withdrawal and Amendment by the Company**

The latest time and date for receipt by the Principal Paying, Transfer and Conversion Agent of signed Written Resolutions, Definitive Convertible Securities and Ordinary Share Delivery

Instructions is 5.00 p.m. (London time) on 28 March 2013. However, if prior to the Expiration Deadline, the Principal Paying, Transfer and Exchange Agent has received signed Written Resolutions from Series A Convertible Securityholders holding in aggregate not less than two-thirds of the aggregate principal amount of the Series A Convertible Securities outstanding, the Company will terminate the Consent Solicitation early. The Company shall give notice of (but need not give prior notice of) any such early termination to Series A Convertible Securityholders by regulatory information service and in accordance with the Conditions. Any such notice shall specify the date on which the Company expects to execute the Supplemental Trust Deed.

In addition, the Company reserves the right, in its sole discretion but subject to the terms of the Trust Deed and to applicable law, at any time on or prior to Expiration Date to:

- (i) extend, withdraw or terminate the Consent Solicitation;
- (ii) modify any term of the Consent Solicitation; or
- (iii) amend or modify any of the documents which have been made available for inspection by Series A Convertible Securityholders as described under "*Documents Available for Inspection*" below.

The Company will give notice of any termination, extension, withdrawal, modification or amendment (other than any such modification or amendment which is of a minor or technical nature and made to correct a manifest error or mistake) to Series A Convertible Securityholders via a regulatory information service and specify a time period of not less than three business days from the date of such notice during which Series A Convertible Securityholders will have the right to revoke their signed Written Resolution.

### **Irregularities**

The Company's interpretation of the terms and conditions of the Consent Solicitation shall be final and binding. Unless waived by the Company, any defects or irregularities in connection with the delivery of a signed Written Resolution or Ordinary Share Delivery Instruction must be cured prior to the Expiration Deadline. Neither the Company nor any other person will be under any duty to give notification of any defects or irregularities in any signed Written Resolution or Ordinary Share Delivery Instruction nor will such entities incur any liability for failure to give such notification. Signed Written Resolutions and Ordinary Share Delivery Instructions will be deemed not to have been delivered until such defects or irregularities have been cured or waived.

All questions as to the validity, form and eligibility (including timing of receipt) in relation to any signed Written Resolution or Ordinary Share Delivery Instruction will be determined by the Company in its sole discretion, which determination shall be conclusive and binding. The Company reserves the right to reject any or all signed Written Resolutions or Ordinary Share Delivery Instructions that are not in proper form or the acceptance of which could, in the opinion of the Company or its counsel, be unlawful. The Company also reserves the right to waive any and all defects or irregularities in connection with deliveries of particular signed Written Resolutions or Ordinary Share Delivery Instructions, including, without limitation, with respect to the timing of delivery of such signed Written Resolutions or Ordinary Share Delivery Instructions, whether or not similar defects or irregularities are waived in respect of other signed Written Resolutions or Ordinary Share Delivery Instructions.

### **Further Information**

Series A Convertible Securityholders who need assistance with respect to the procedures for participating in the Consent Solicitation should contact the Principal Paying, Transfer and Conversion Agent, the contact details for which are listed below.

This Notice does not constitute a recommendation by the Company, the Trustee, the Registrar or the Principal Paying, Transfer and Conversion Agent to Series A Convertible Securityholders to consent in writing to the Written Resolution. None of the Company, the Trustee, the Registrar or the Principal Paying, Transfer and Conversion Agent have authorised any third party to make any such recommendation. Series A Convertible Securityholders should thoroughly examine the information contained in this Notice, consult their personal legal, tax and investment advisers and make an independent decision whether or not to consent in writing to the Written Resolution.

Further information with respect to the Company, including its historical financial statements, may be obtained by qualified persons from <http://www.eurocastleinv.com> or from the specified office of the Principal Paying, Transfer and Conversion Agent as detailed below under "*Documents Available for Inspection*".

Series A Convertible Securityholders should note that the Company intends to publish its audited financial statements for the year ended 31 December 2012 in the second half of March (which may fall after the Expiration Deadline). The Company can give no assurance as to whether the contents of such financial information would be consistent with the preliminary 2012 financial results of the Company published on the date hereof or material for the purposes of a Series A Convertible Securityholder's decision to consent in writing to the Written Resolution, if such financial information were available as at the date of this document.

### **Documents Available for Inspection**

Series A Convertible Securityholders may, at any time during normal business hours on any business day from the date hereof up to and including the Expiration Deadline, inspect copies of the documents listed below relating to the Series A Convertible Securities at the specified office of the Principal Paying, Transfer and Conversion Agent set out at the end of this Notice.

The documents available for inspection are:

- (i) the Trust Deed;
- (ii) the latest draft (subject to modification) of the Supplemental Trust Deed;
- (iii) the Company's annual report and accounts for the year ended 31 December 2011;
- (iv) the Company's half yearly report for the six months ended 30 June 2012; and
- (v) the Company's interim management statement dated 14 November 2012 for the nine months ended 30 September 2012.

In addition, the documents listed in paragraphs (iii) to (v) above shall be deemed to be incorporated by reference into this Notice.

A Series A Convertible Securityholder will be required to produce evidence satisfactory to the Principal Paying, Transfer and Conversion Agent (in the case of an individual) of his or her status as a Series A Convertible Securityholder or (in the case of a corporation) that he or she is a duly authorised representative of the Series A Convertible Securityholder before (in either case) being permitted to inspect the documents listed above.

Any revised drafts of the Supplemental Trust Deed, and marked to indicate changes to the draft made available on the date of this Notice, will supersede the previous draft of such document and Series A Convertible Securityholders will be deemed to have notice of any changes contained therein.

## **Governing Law and Jurisdiction**

The terms of the Consent Solicitation shall be governed by and construed in accordance with English law.

## **Contact Details**

Any questions regarding participation in the Consent Solicitation or the completion and delivery of Written Resolutions and Ordinary Share Delivery Instructions may be directed to the Principal Paying, Transfer and Conversion Agent at the address and telephone number specified below:

### **Anson Registrars Limited**

Anson Place, Mill Court

La Charroterie

St Peter Port

Guernsey GY1 1EJ

Telephone: 01481 711301

Fax: 01481 729829

Email: [registrars@anson-group.com](mailto:registrars@anson-group.com)

This notice is given by:

Eurocastle Investment Limited

Regency Court

Glategny Esplanade

St Peter Port

Guernsey GY1 1WW

## **Important Information**

This Notice does not constitute or form part of, and should not be construed as, an invitation or offer for sale or subscription of, or a solicitation of any offer to buy or subscribe for, any securities of the Company or any other entity. The distribution of this Notice may nonetheless be restricted by law in certain jurisdictions. Persons into whose possession this Notice comes are required by the Company, the Trustee, the Registrar and the Principal Paying, Transfer and Conversion Agent to inform themselves about, and to observe, any such restrictions. This Notice does not constitute a solicitation in any circumstances in which such solicitation is unlawful. None of the Company, the Trustee, the Registrar or the Principal Paying, Transfer and Conversion Agent will incur any liability for its own failure or the failure of any other person or persons to comply with the provisions of any such restrictions.

None of the Trustee, the Principal Paying, Transfer and Conversion Agent or the Registrar has authorised the publication of this Notice or any of the statements contained in this Notice and accordingly accepts no responsibility for any of the statements contained in this Notice.

This Consent Solicitation involves the securities of a non-US company. The Consent Solicitation is subject to disclosure requirements that are different from those of the United States. It may be difficult for Series A Convertible Securityholders to enforce their rights and any claim they may have arising under the US securities laws, since the Company and some or all of its officers and directors are not residents of the United States. Series A Convertible Securityholders may not be able to sue a non-US company, such as the Company, or its officers or directors, in a non-US court for violations of the US securities laws. It may be difficult to compel a non-US company and its affiliates, or a foreign sovereign state, to subject themselves to a US court's judgment.

The securities described herein have not been and will not be registered under the Securities Act or any US state securities laws or the laws of any other jurisdiction, and the Company will not be registered as an "investment company" under the Investment Company Act. This document is not being distributed to, and the securities described herein may not be offered or sold within the United States or to, or for the account or benefit of, a US person, except pursuant to an exemption from, or in a transaction not subject to, the Securities Act. Accordingly, each Series A Convertible Securityholder must be either (A) not a US Person and located outside the United States or (B) (i) a qualified institutional buyer ('QIB') as defined in Rule 144A under the Securities Act or an accredited investor ('AI') as defined in Rule 501(a) under the Securities Act and also (ii) a qualified purchaser ('QP') or a knowledgeable employee ('KE') as defined in Section 2(a)(51) of, or Rule 3c-5(a)(4) under, the Investment Company Act.

The communication of this Notice is not being made, and this Notice has not been approved, by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, this Notice is not being distributed to, and must not be passed on to, the general public in the United Kingdom. Rather, the communication of this Notice as a financial promotion is being made to, and is directed only at: (a) persons outside the United Kingdom; (b) those persons falling within the definition of Investment Professionals (contained in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**")) or within Article 43 of the Order, or other persons to whom it may lawfully be communicated in accordance with the Order; or (c) any person to whom it may otherwise lawfully be made (such persons together being "**relevant persons**"). This document is only available to relevant persons and the transaction contemplated herein will be available only to, or engaged in only with relevant persons, and this financial promotion must not be relied or acted upon by persons other than relevant persons.

In accordance with normal practice, the Trustee, the Registrar and the Principal Paying, Transfer and Conversion Agent (none of which have not been involved in the formulation of the Proposal) make no recommendation in connection with the Consent Solicitation and express no opinion on the merits of the Proposal nor the Written Resolution nor do they accept any responsibility for the accuracy or completeness of this Notice or any other document prepared in connection with the Proposal.

As a majority of the Company's board is not resident in the United Kingdom or the Channel Islands, the Company is not subject to the jurisdiction of the UK Panel on Takeovers and Mergers. Consequently, based upon the current provisions of the City Code on Takeovers and Mergers (the "**City Code**"), the City Code will not apply to the Proposal. The amendments being proposed to the terms of the Convertible Securities would not permit the Company to mandatorily convert the Convertible Securities into Ordinary Shares if the City Code, or any equivalent rules or regulations, became applicable to the Proposal and as a result the Manager, or any of its affiliates, would be required to make a mandatory offer for all of the Ordinary Shares of the Company not owned by them.

## Annex 1

### Form of Written Resolution

"We, the undersigned, hereby irrevocably resolve to:

1. assent to and sanction, and authorise, direct, request and empower the Trustee to assent to the amendment to the Conditions (as defined in the Trust Deed) of the Series A Convertible Securities by way of a supplemental trust deed substantially in the form of the draft available for inspection at the offices of the Principal Paying, Transfer and Exchange Agent with such additions or modifications, if any, as shall be agreed between the Company and the Trustee (the "**Supplemental Trust Deed**") and, in particular but without limitation, to the modification of the Conditions set out in Schedule 2 to the Trust Deed as follows:

In Schedule 2 of the Trust Deed, the following paragraph shall be inserted as a new Condition 6(m):

*"(m)      Mandatory Conversion*

The Issuer may elect, at any time on or prior to 31 May 2013 and having given not less than two days' notice (the "**Mandatory Conversion Notice**") to Convertible Securityholders and the Trustee in accordance with this Condition 6(m), to mandatorily convert (the "**Mandatory Conversion**") all but not some only of the Convertible Securities outstanding into Ordinary Shares at a Conversion Price of €0.05 per Ordinary Share (the "**Mandatory Conversion Price**"), provided that:

- (i) the Issuer shall, upon posting the Mandatory Conversion Notice, deliver a notice to the holders of its €24,750,000 20 per cent. Perpetual Subordinated Convertible Securities (the "**Series B Convertible Securities**") to mandatorily convert the Series B Convertible Securities into Ordinary Shares in accordance with Condition 6(m) of the Series B Convertible Securities; and
- (ii) the Issuer shall not deliver any Mandatory Conversion Notice if, as a consequence of the conversion of the Convertible Securities and the Series B Convertible Securities into Ordinary Shares, FIG LLC and/or any of its affiliates would be required, under the City Code on Takeovers and Mergers or any other applicable rules or legislation, to make a mandatory offer for the Ordinary Shares of the Issuer not held by them.

Any Mandatory Conversion shall (to the extent applicable) be effected according to the provisions of this Condition 6, but with the following amendments:

- (i) The "Conversion Date" in respect of a Mandatory Conversion shall be the business day in London immediately following the deemed date of delivery of the Mandatory Conversion Notice (such date, the "**Mandatory Conversion Date**");
- (ii) The number of Ordinary Shares to be issued or transferred and delivered following the Mandatory Conversion shall be determined by dividing the Mandatory Conversion Reference Amount by the Mandatory Conversion Price, and for the avoidance of doubt, no Deferred Interest shall be paid in cash;
- (iii) The Mandatory Conversion Price shall not be subject to adjustment in accordance with Condition 6;

- (iv) The Ordinary Shares to be delivered in relation to each Convertible Security following Mandatory Conversion shall be delivered in accordance with any instructions which the relevant Convertible Securityholder has notified in writing to the Issuer (and not revoked) in the six months preceding the date of the Mandatory Conversion Notice, provided that where such instructions have not been provided as aforesaid, the Ordinary Shares shall be delivered in certificated form in accordance with Condition 6(g);
- (v) Definitive Convertible Securities will automatically become void on the Conversion Date and should be destroyed by Convertible Securityholders following receipt of the Ordinary Shares to which they are entitled following the Mandatory Conversion, or surrendered to the specified office of any Paying, Transfer and Conversion Agent;
- (vi) There shall be no requirement for a Convertible Securityholder to deliver a Conversion Notice upon Mandatory Conversion and all references in these Conditions to the "Conversion Notice" and the "Conversion Period" shall be disregarded, and the relevant provisions which contain references to such terms, shall be construed accordingly; and
- (vii) The Mandatory Conversion Notice shall be posted to Convertible Securityholders in accordance with Condition 17, save that it shall be deemed to have been given on the first weekday (being a day other than a Saturday or a Sunday) after the date of mailing.

For the purposes of this Condition 6(m), the "**Mandatory Conversion Reference Amount**" means the principal amount of the Convertible Securities to be converted, together with (i) any unpaid and Deferred Interest, and (ii) the interest accrued from, and including, 30 June 2012 to, but excluding, the Mandatory Conversion Date, in each case in respect of such principal amount of Convertible Securities to be converted.";

2. authorise, direct, request and empower the Trustee (i) to concur in, and execute, the Supplemental Trust Deed, to effect the amendments and modifications referred to in paragraph 1 of this Written Resolution and other consequential and/or related modifications to the Conditions and the Trust Deed, and (ii) to concur in, execute and do all such other deeds, instruments, acts and things as may be necessary or desirable to carry out and give effect to this Written Resolution;
3. discharge and exonerate the Trustee from all liability for which it may have become or may become responsible under the Trust Deed or the Series A Convertible Securities in respect of any act or omission in connection with this Written Resolution or its implementation, the amendments and modifications referred to in paragraphs 1 and 2 of this Written Resolution or the implementation of those amendments and modifications; and
4. sanction and assent to every abrogation, variation, amendment, modification, compromise or arrangement in respect of the rights of the Series A Convertible Securityholders against the Company or against any of its property whether such rights shall arise under the Trust Deed or otherwise be involved in or resulting from the amendments and modifications referred to in paragraphs 1 and 2 of this Written Resolution and the implementation of this Written Resolution,

**PROVIDED THAT** this Written Resolution shall not become effective unless and until the written resolution to enable a mandatory conversion of the Company's €24,750,000 20 per cent.

Perpetual Subordinated Convertible Securities has been passed, written notice of which will be given to the Series A Convertible Securityholders and the Trustee in accordance with the Conditions.”

## Annex 2

### Indicative Timetable

*The times and dates below are indicative only. Subject to applicable laws and to Schedule 3 of the Trust Deed, the actual timetable may differ significantly from the expected timetable set out below. See in particular, the section entitled "Termination, Withdrawal and Amendment by the Company" above.*

<b>Event</b>	<b>Description</b>	<b>Date/Time</b>
<b>Announcement Date</b>	Announcement of the Consent Solicitation.  This Notice, the Written Resolution and Ordinary Share Instruction Forms posted to Series A Convertible Securityholders.	28 February 2013
<b>Period during which signed Written Resolutions may be delivered to the Principal Paying, Transfer and conversion Agent</b>	From and including the Announcement Date to and including the Expiration Deadline.	
<b>Expiration Deadline</b>	Last date and time for receipt of signed Written Resolutions, Definitive Convertible Securities and Ordinary Share Delivery Instructions by the Principal Paying, Transfer and Conversion Agent.	5.00 p.m. (London time) on 28 March 2013, or such earlier time and date as the Company notifies Series A Convertible Securityholders that the Written Resolution has been validly passed.
<b>Effective Date</b>	The Company notifies the Trustee and the Series A Convertible Securityholders that the Written Resolution (and the Series B Written Resolution) have been passed.  Supplemental Trust Deed executed.	2 April 2013, or such other date as the Company shall notify to Series A Convertible Securityholders if the Consent Solicitation is terminated early.
<b>Mandatory Conversion</b>	The Company delivers the Mandatory Conversion Notice to effect the Mandatory conversion.  Delivery of Ordinary Shares following Mandatory Conversion.	The Company intends to exercise the Mandatory Conversion as soon as practicable following the execution of the Supplemental Trust Deed.  In accordance with the procedures and time limits set out in the Conditions.