



SQUARESTONE

Brasil Limited



Placing and Admission to AIM

Nominated Adviser and Broker Liberum Capital Limited



LIBERUM
CAPITAL

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This document, which constitutes an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not contain an offer of transferable securities to the public in the United Kingdom within the meaning of section 102B of FSMA and is not required to be issued as a prospectus pursuant to section 85 of FSMA.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the United Kingdom Listing Authority nor the London Stock Exchange plc has examined or approved the contents of this document.

Application has been made for the admission to trading on AIM (a market operated by London Stock Exchange plc (the “**London Stock Exchange**”)), of the entire issued and to be issued share capital of the Company and the Warrants. It is expected that admission will become effective and dealings in the Ordinary Shares and Warrants will commence on AIM on 12 April 2010. The rules of AIM are less demanding than those of the Official List of the United Kingdom Listing Authority.

The whole of this document should be read. Attention is drawn in particular to the “Risk Factors” set out on pages 11 to 22 of this document.

SQUARESTONE BRASIL LIMITED

(Incorporated in Guernsey under The Companies (Guernsey) Law 2008, as amended, with registered number 51409)

Placing of 28,260,960 new Ordinary Shares of no par value with Warrants attached on a two for three basis at £1.00 per Ordinary Share

Admission to trading on AIM

Nominated Adviser and Broker

Liberum Capital Limited

Liberum Capital Limited (“**Liberum**”) which is authorised and regulated by the UK Financial Services Authority, is acting as nominated adviser to the Company for the purposes of the AIM Rules for Companies in connection with the Placing and admission to trading on AIM and, as such, its responsibilities are owed solely to the London Stock Exchange and are not owed to the Company, to any Director or to any other person or entity. Liberum will not be responsible to any person other than the Company for providing the protections afforded to clients of Liberum or for providing advice to any other person in connection with the Placing and admission to trading on AIM.

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IMPORTANT INFORMATION

The information below is for general guidance only and it is the responsibility of any person or persons in possession of this document and wishing to subscribe for any Ordinary Shares and/or Warrants to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. No person has been authorised by the Company to issue any advertisement or to give any information or to make any representation in connection with the contents of this document and, if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Company. This document does not constitute, and may not be used for the purposes of, an offer or solicitation to anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. In particular, this document does not constitute an offer to sell or the solicitation of an offer to buy any of the Ordinary Shares and/or Warrants in Canada, Australia, South Africa or Japan (collectively, the “**Prohibited Territories**”) and this document should not be forwarded or transmitted to or into the Prohibited Territories or to any resident, national, citizen or corporation, partnership or other entity created or organised under the laws thereof or in any other country outside Guernsey or the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement. The distribution of this document may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. Prospective investors should inform themselves as to: (a) the legal requirements of their own countries for the purchase, holding, transfer or other disposal of the Ordinary Shares and/or Warrants; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of the Ordinary Shares and/or Warrants which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of the Ordinary Shares and/or Warrants. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Statements made in this document are based on the law and practice currently in force in Guernsey, Brazil and England and Wales and are subject to change. This document should be read in its entirety. All Shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the provisions of the Articles.

For the attention of Guernsey residents

The Ordinary Shares and Warrants may not be offered directly by the Company to the public in or from within the Bailiwick of Guernsey other than to persons regulated under any of Guernsey’s financial services regulatory laws including, without limitation, a person licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended).

For the attention of United Kingdom residents

This document is only being distributed to and is only directed at: (a) persons who are outside the UK; (b) investment professionals falling within article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Financial Promotion Order**”); (c) high net worth companies, unincorporated associations and other bodies falling within Article 49(2)(a) to (d) of the Financial Promotion Order and (d) other persons to whom it may lawfully be communicated (all such persons together being referred to as “**relevant persons**”). The Ordinary Shares and/or Warrants are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such shares will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents. Persons outside the UK into whose possession this document comes are required by the Company and Liberum to inform themselves about and to observe any restrictions as to the offer or sale of Ordinary Shares and/or Warrants and the distribution of this document under the laws and regulations of any territory in connection with any applications for Ordinary Shares and/or Warrants, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such territory. No action has been taken or will be taken in any jurisdiction by the Company or Liberum that would permit a public offering of the Ordinary Shares and/or Warrants in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where actions for that purpose are required.

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In any European Economic Area (“**EEA**”) Member State that has implemented Directive 2003/71/EC (together with any applicable implementing measures in any Member State, the “**Prospectus Directive**”), this communication is only addressed to and is only directed at: (a) qualified investors in that Member State within the meaning of the Prospectus Directive; and (b) other persons who are permitted to purchase the Ordinary Shares and/or Warrants pursuant to an exemption from the Prospectus Directive and other applicable regulations. This document has been prepared on the basis that all offers of Ordinary Shares and/or Warrants will be made pursuant to an exemption under the Prospectus Directive, as implemented in member states of the EEA, from the requirement to produce a prospectus for offers of Ordinary Shares and/or Warrants. Accordingly, any person making or intending to make any offer within the EEA of the Ordinary Shares and/or Warrants which are the subject of the Placing contemplated in this document should only do so in circumstances in which no obligation arises for the Company or Liberum to produce a prospectus for such offer. None of the Company and Liberum has authorised, nor do they authorise, the making of any offer of Ordinary Shares and/or Warrants through any financial intermediary, other than offers made by Liberum which constitute the final placement of Ordinary Shares and/or Warrants contemplated in this document.

For the attention of United States residents

The Ordinary Shares and Warrants have not been and will not be registered under the US Securities Act of 1933, as amended, (the “**Securities Act**”) or with any securities regulatory authority of any State or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, “US persons” (as defined in Regulation S under the Securities Act (“**Regulation S**”)).

The Ordinary Shares and Warrants have not been approved or disapproved by the US Securities and Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares and Warrants or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and re-offer or resale of any of the Ordinary Shares and Warrants in the United States or to US persons may constitute a violation of US law or regulation.

Forward-looking statements

This document contains forward-looking statements. These relate to the Company’s future prospects, developments and strategies. Forward-looking statements are identified by their use of terms and phrases such as “believe”, “could”, “envisage”, “estimate”, “intend”, “may”, “plan”, “will” or the negative of those, variations or comparable expressions, including references to assumptions. These statements are primarily contained in Parts 1, 2 and 3 of this document. The forward looking statements in this document are based on current expectations and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements.

CONTENTS

	<i>Page</i>
Important Information	2
Directors, Registered Office and Advisers	5
Placing Statistics	6
Expected Timetable	7
Summary Information	8
Risk Factors	11
Part 1 Company Background and Strategy	23
Part 2 The Golden Square Acquisition, Prospective Pipeline and SB ManCo Acquisition	40
Part 3 Directors, Management and Corporate Governance	45
Part 4 The Brazilian Shopping Mall Opportunity	53
Part 5 Group Structure	59
Part 6 Other Information	62
Part 7 Valuation Report from Jones Lang LaSalle	66
Part 8 Principal Accounting Policies and Financial Information on SB2 FIP	128
Part 9 Pro Forma Statement of Net Assets	163
Part 10 Taxation	166
Part 11 Terms and Conditions of the Warrants	170
Part 12 Additional Information	180
Definitions	203

DIRECTORS, REGISTERED OFFICE AND ADVISERS

Directors

Timothy Graham Walker (*Non-executive Chairman*)
James Edward Morse (*Chief Executive*)
Robert Grant Sloss (*Executive Director*)
Timothy Spencer Barlow (*Executive Director*)
Quentin Spicer (*Senior Non-executive Director*)
Edwin Davies (*Non-executive Director*)

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PLACING STATISTICS

Placing Price	£1.00
Number of Placing Shares ⁽¹⁾	28,260,960
Number of Warrants being issued pursuant to the Placing ⁽²⁾	18,840,644
Estimated net proceeds receivable by the Company from the Placing	£26.3 million
Number of Consideration Shares being issued to SB2 Investors	11,240,000
Number of Warrants being issued to SB2 Investors	7,493,338
Total number of Ordinary Shares in issue on Admission ⁽³⁾	39,500,960
Total number of Warrants in issue on Admission ⁽⁴⁾	26,333,982
Market capitalisation on Admission at the Placing Price ⁽³⁾	£39.5 million
Number of Reinvestment Shares to be issued after Admission ⁽⁵⁾	1,175,000
Number of Warrants to be issued after Admission ⁽⁶⁾	783,334
Enlarged Share Capital ⁽⁷⁾	40,675,960
Total number of Warrants and Options in issue after Admission ⁽⁸⁾	27,825,766
Fully diluted share capital after Admission ⁽⁹⁾	68,501,726
Warrants and Options as a percentage of the Enlarged Share Capital	68.4 per cent.
ISIN code for Ordinary Shares	GG00B61JP354
SEDOL for Ordinary Shares	B61JP35
ISIN code for Warrants	GG00B53Q7M00
SEDOL for Warrants	B53Q7M0

⁽¹⁾ Including the Advisers' Shares.

⁽²⁾ Including the Warrants attached to the Advisers' Shares.

⁽³⁾ Comprising the aggregate of the Placing Shares and the Consideration Shares. Further details on the Consideration Shares can be found at Part 2 of this document.

⁽⁴⁾ Comprising the aggregate of the Warrants attaching to the Placing Shares and the Consideration Shares respectively. Further details on the Warrants can be found at Part 11 of this document.

⁽⁵⁾ Further details on the Reinvestment Shares can be found at paragraphs 7.9 and 7.15 of Part 12 of this document.

⁽⁶⁾ Comprising the Warrants attaching to the Reinvestment Shares.

⁽⁷⁾ Comprising the aggregate of the Placing Shares, the Consideration Shares and the Reinvestment Shares.

⁽⁸⁾ Comprising the aggregate of the Warrants attaching to the Placing Shares, the Consideration Shares and the Reinvestment Shares prior to the exercise of any such Warrants.

⁽⁹⁾ Comprising the Enlarged Share Capital and assuming the Warrants, Options and the Liberum Option are all exercised. Further details of the Warrants, Options and the Liberum Option are set out at Part 11 and paragraphs 7.4 and 7.3 of Part 12 respectively of this document.

EXPECTED TIMETABLE

Publication of Admission Document	6 April 2010
Admission and commencement of dealings in the Ordinary Shares and Warrants on AIM at 8.00 a.m. (London time)	12 April 2010
Crediting (where relevant) of CREST stock accounts in respect of the Ordinary Shares and Warrants	12 April 2010
Completion of the Golden Square Acquisition and the SB ManCo Acquisition by	30 April 2010
Share certificates and Warrant Certificates (where relevant) dispatched by	10 May 2010
Allotment of the Reinvestment Shares (and issue of the corresponding attached Warrants on a two for three basis) by	10 May 2010

Save in relation to the date on which the Admission Document is published, each of the times and dates in the above timetable is subject to change.

SUMMARY INFORMATION

The attention of potential investors is drawn to the section titled 'Risk Factors' set out at pages 11 to 22 of this document. The Ordinary Shares and Warrants are only suitable for investors who understand the potential risk of capital loss, and that there may be limited liquidity in the underlying investments of the Company for whom an investment in the Ordinary Shares and Warrants constitutes part of a diversified investment portfolio and who fully understand and are willing to assume the risks involved in investing in the Company. The following information should be read as an introduction to the full text of this document and any decision to invest in the Ordinary Shares and Warrants should be based on consideration of the full text of this document and not solely on the information in this "Summary Information" section or any other information summarised in this document.

The Company

Squarestone Brasil Limited ("**Squarestone Brasil**" or the "**Company**") is a real estate development and investment company, formed to pursue the Brazilian shopping mall development business currently operated by the São Paulo-based Squarestone Brasil Administração e Participação S.A. ("**SB ManCo**") and its London-based affiliate Squarestone Property Investment Management Limited ("**SPIM**").

The Company will be an active developer, development manager and investor, exclusively operating in the Brazilian shopping mall sector, with the objective of delivering superior returns to Shareholders.

The Squarestone Brasil Group, to be formed on Admission, will consist of:

- a 50 per cent. interest in a mall development project, Golden Square Mall, due to be completed in mid-2011. Golden Square Mall will, on completion, comprise approximately 31,000 sq m NLA, and the 100 per cent. interest has been currently valued by the Valuers at R\$134.6 million (equating to approximately £49.9 million) which equates to a gross value for the Company's 50 per cent. interest of R\$67.3 million (equating to approximately £24.9 million). The 50 per cent. interest is being acquired by the Company for an aggregate net consideration of approximately £17.5 million which is equivalent to the capital and accrued interest invested by the vendors to date and which also reflects the above 50 per cent. valuation share, after deducting, *inter alia*, outstanding committed but undrawn funding liabilities. Of this consideration approximately £6.3 million will be paid in cash with the balance payable by the issue on Admission of 11,240,000 Ordinary Shares (with Warrants attached on a two for three basis) to the SB2 Investors; and
- a pipeline of attractive potential shopping mall development opportunities (the "**Prospective Pipeline**"), which have been identified by SB ManCo and are currently in various stages of negotiation.

The Opportunity

The Company will initially focus on Southern Brazil particularly Greater São Paulo. The Directors intend to address what they perceive to be a gap in the market, by combining an international approach to shopping mall design, development and management with the local culture, tastes and fashions of Brazil in order to deliver a tailored retailing experience for Brazilian consumers.

Strategy

Following Admission, the Company will expand upon the business strategy developed and implemented by SB ManCo and SPIM to date, namely the acquisition, development, management of, and investment in, Brazilian shopping mall assets.

The Company's key strategic objectives are:

- Geographical focus on Southern Brazil
- Where funds permit, acquire outright or controlling interests
- Act as development manager with potential joint venture partners
- Develop a portfolio of area dominant shopping malls
- Deliver two different "products" to market: "B" and "C" Class malls

- Introduce quality and innovation
- Deploy international ideas and expertise
- Maximise Shareholder returns

Management

Board and Management

On Admission, the Company will benefit from:

- a highly experienced Board, comprising the three co-founders of SB ManCo, James Morse, Robert Sloss and Tim Barlow (together the “**Executive Directors**”), who have a track record of anticipating and exploiting opportunities in the real estate sector, and three Non-executive Directors who together provide extensive real estate, finance and public company experience.
- an established São Paulo-based business (to be acquired pursuant to the SB ManCo Acquisition), led by James Morse, who has a total of 15 years experience in the shopping mall sector in the UK and latterly Brazil, together with additional senior management based in London.
- three retail sector and shopping mall experts in Michael Poyner (who will work closely with the Company in both London and Brazil), Neil Varnham and Cláudio Politi (who will work alongside James Morse in Brazil), who have respectively 40 years experience in the international retail sector working for and advising numerous retailers, 33 years of shopping mall development and management experience at Henderson Global Investors and 25 years experience in the design, development and leasing of shopping malls in Brazil.

Alignment of interests

The Directors (together with the interests of related family vehicles) and Cláudio Politi will, following Admission and completion of the Conditional Acquisitions and the allotment of the Reinvestment Shares, have approximately £7.5 million invested in the Company equating to in aggregate approximately 18.4 per cent. of the Enlarged Share Capital of the Company.

The interests of the Management Team will be aligned with the interests of the Company and its Shareholders through new management incentivisation arrangements, which are designed to reward the Management Team in the event of the superior performance of the Company’s real estate assets.

Under the terms of the Limited Partnership Agreement, SLP is entitled to receive an aggregate carried interest payment from Management Incentive L.P. for any financial year (commencing on 31 December 2011) equivalent to 25 per cent. of the excess of the Net Asset Value as at 31 December in any year (the “**Relevant Calculation Date**”) over the High Water Mark. The “**High Water Mark**” shall be the higher of: (i) the Placing Shares and Reinvestment Shares multiplied by the Placing Price, as increased by an annually compounding hurdle rate of 15 per cent. calculated from the date of Admission to the Relevant Calculation Date; or (ii) the Net Asset Value on the last date in relation to which a carried interest payment was made as increased by an annually compounding hurdle rate of 15 per cent. calculated from such date to the Relevant Calculation Date.

Financing

The Company will benefit from a letter of intent from BTG Pactual, a leading independent Brazilian investment bank, wealth manager and asset manager, to potentially partner with the Company in the funding of its current and future projects at an asset level.

The Company will not have a formal borrowing policy and there are no borrowing limits enshrined in the Articles. Following Admission and completion of the Conditional Acquisitions, the Company will have no existing borrowings.

The Company’s borrowing strategy will be adapted to suit the prevailing market conditions from time-to time. The Company’s strategy will be to secure project-specific development debt financing for up to 60 per cent. of the construction costs of a project, typically equating to up to approximately 40 per cent. of total

development cost. On completion of a development project, the Directors intend to refinance construction loans, but believe that borrowings on any individual property are unlikely to exceed 60 per cent.

Use of proceeds

The Directors intend to deploy the proceeds of the Placing as follows:

- approximately £6.3 million, to satisfy the cash component of the Golden Square Acquisition, and then a further estimated £20 million to subsequently fund the Company's ongoing capital commitment, amounting to 50 per cent. of any capital required to complete the development;
- to facilitate the Company's involvement in two of the potential projects detailed in the Prospective Pipeline (namely Bandeirantes and Carapicuíba).

Given that the Proceeds of the Placing will be insufficient to enable the Company to pursue the Prospective Pipeline opportunities with majority equity ownership it is anticipated that, pending the potential raising of further equity funds, the Company may use some of the proceeds of the Placing to initially secure minority equity stakes in such projects in conjunction with third party joint venture partners.

Dividends and Exit Strategy

As a developer, the Company does not intend to pay regular dividends, however, following a refinancing or securitisation of individual assets, the Company would seek to return proceeds to Shareholders in a tax efficient manner, which could include by way of dividends, share buy-backs or tender offers.

The Company believes that, once completed, individual assets will be attractive acquisition targets for other Brazilian mall operators or institutional or private investors. The Company also believes that, subject to securing additional funding and if the Company was then able to assemble a completed portfolio of malls, it would potentially be a take-over target for a larger local trade buyer.

The Placing

The Placing comprises a limited offer by the Company of 28,260,960 million Placing Shares (with Warrants attached on a two for three basis) to raise gross proceeds of £28,260,960 million (net proceeds of approximately £26.3 million).

RISK FACTORS

Investment in the Ordinary Shares and the Warrants involves a high degree of risk and prospective purchasers of Ordinary Shares and Warrants should carefully evaluate the factors set out below. An investment in the Company should be considered speculative and long term in nature and is suitable only for sophisticated investors who understand the risks involved, including the risk of a total loss of capital.

If any of the following risks actually occur, the Company's business, financial condition, results or future operations could be materially adversely affected. In such circumstances, the trading price of the Ordinary Shares and the Warrants could decline and investors could lose all or part of their investment.

The risks listed below are not exhaustive and do not necessarily comprise all those risks and significant considerations associated with an investment in the Company and are not set out in any order of priority. Additional risks and uncertainties not currently known to the Directors, or which the Directors currently deem immaterial may also have an adverse effect on the Company. A prospective investor who is in any doubt about the action it should take, should consult a professional adviser who specialises in advising on the acquisition of shares, warrants and other securities. Prospective investors should be aware that the value of the Ordinary Shares and the Warrants and income (if any) from them may decrease and that they may not realise their initial investment.

References below to the Company are also deemed to include, where appropriate, any member of the Squarestone Brasil Group.

RISK FACTORS RELATING TO THE COMPANY

Substantial shareholder influence

Immediately following Admission, Spearpoint will hold approximately 54.8 per cent. of the issued ordinary share capital of the Company and will have the ability to exercise a controlling influence on the business and may cause or take actions that are not in, or may conflict with, the best interests of the Company or its Shareholders as a whole. Furthermore any future acquisition of Ordinary Shares by Spearpoint, provided Spearpoint continue to hold more than 50 per cent. of the issued ordinary share capital of the Company, would not result in Spearpoint having to make a mandatory offer for the entire issued share capital of the Company pursuant to Rule 9 of the UK Takeover Code. In order to minimise this risk, the Company has entered into a Relationship Agreement with Spearpoint, further details of which are set out at paragraph 7.20 of Part 12 of this document.

Management of growth

The Company's operations are expected to expand over a relatively short period of time. It is likely that the operational complexity of the Company's business, as well as the responsibilities of management will increase as a result of this growth, placing significant strain on the Company's management and other key personnel. The Company will need to continue to improve its operational and managerial controls and procedures to keep pace with the expected growth. Failure to manage this growth effectively could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may experience fluctuations in its results

The Company may experience fluctuations in its operating results, due to a number of factors, including, the performance of Golden Square Mall, any difficulties faced in the potential acquisition of any of the projects in the Prospective Pipeline and other mall assets in Brazil, the rate at which the Company can redevelop Golden Square Mall and, if acquired, any of the projects in the Prospective Pipeline or other mall assets in Brazil, the level of expenses, variations in, and the timing of, the recognition of realised and unrealised gains or losses, the degree to which it encounters competition in its markets and general economic conditions. Accordingly, results for any period should not be relied upon as being indicative of performance in future periods.

The Company may be subject to joint venture risks

Golden Square Mall is held via a joint venture arrangement and certain of the Company's future shopping mall assets are likely to be held in joint venture arrangements. Although the Company will seek, where possible to mitigate joint venture risk by maintaining project control, disputes may arise between joint venture partners which could mean that the Company is not able to manage or deal with a particular asset in the way and in the time that it would wish and this may adversely affect the Company's business, financial condition and results of operations. These arrangements involve risks that are not present with projects which are wholly-owned, including:

- the possibility that a joint venture partner might at any time have economic or other business interests that are inconsistent with those of the Company;
- the possibility that a joint venture partner may be in a position to take action contrary to the Company's instructions, or requests, or contrary to the Company's policies or objectives, or frustrate the execution of acts which the Company believes to be in the best interests of any particular project;
- the possibility that a joint venture partner may have different objectives from the Company, including with respect to the appropriate timing and pricing of any sale, or refinancing of a development and whether to enter into agreements with potential contractors, tenants or purchasers;
- the possibility that a joint venture partner might become bankrupt or insolvent; and
- the possibility that the Company may be required to provide finance to make up for any shortfall, due to a joint venture partner failing to provide such equity finance, or to furnish any required collateral to the financing banks.

Disputes or disagreements with a joint venture partner may result in significant delays and increased costs associated with the development of the Company's properties. Even when the Company has, or will have, a controlling interest, certain major decisions (such as whether to sell, refinance or enter into a lease or contractor agreement and the terms on which to do so) may require the joint venture partner's, or other third party's approval. If the Company is unable to reach, or maintain agreements with its joint venture partners, or other third parties on the matters relating to the operation of its business, its financial condition and its results of operations may be materially adversely affected.

The Company's financing arrangements

The Company intends that, going forward, it will seek to finance certain of its development projects with financing from third party banks or other lenders. The Company anticipates sourcing the majority of such bank debt from within Brazil. The Company may find it difficult to secure loans or financial funding for real estate construction and investment. In the Directors' experience, relatively few domestic or international banks offer lending on an individual asset basis. The securing of construction or investment loans could prove to be difficult in Brazil. In general, interest rates payable on commercial loans in Brazil are expected to be higher than in Western Europe and North America. These factors may create barriers to obtaining domestic or international bank funding, may result in high interest rates being payable on loans secured and may result in an inability to secure such funding. Accordingly there is no assurance that such financing will be available to the Company and, to the extent that it is, that such financing will be offered on favourable terms. It is not certain that borrowing facilities will be able to be secured at levels, or on terms, acceptable to the Company.

Increases in interest rates may increase the cost of the Company's borrowings, impacting on its profitability and having an adverse effect on the Company's ability to pay dividends to Shareholders. While the Company may seek to manage this risk through the use of hedging instruments, the Company may not be able to enter into hedging arrangements on commercially acceptable terms, or at all. The use of borrowings also presents the risk that the Company may be unable to service interest payments and principal repayments, or comply with other requirements of its loans, rendering borrowings immediately repayable in whole or in part, together with any attendant cost. The Company may be forced to sell some of its assets to meet such obligations, with the risk that borrowings will not be able to be refinanced, or that the terms of such refinancing may be less favourable than the existing terms of borrowing. For example, a decline in the real estate market, or tenant default, may result in a breach of any loan-to-value and/or debt service cover ratios specified in the Company's banking arrangements, thereby causing an event of default, with the result that the lenders could enforce their security and take possession of the underlying assets. Adverse changes to the market values of the real estate assets of the Company, could

cause the amount of refinancing proceeds to be insufficient to fully repay its existing debt upon maturity and the Company may be unable to fund payment of such shortfall. In addition, the Company may undertake certain covenants with respect to the timely commencement of its development projects, as well as certain obligations of preferred distributions to its partners in such projects. These undertakings are likely to increase the adverse effect on the Company's results of operations of any delays, or diminished sales, or profitability in relation to such projects.

Under certain loan agreements, assets of the Company may be mortgaged in favour of the lender. The inability of the Company to repay the debt to the lender may lead to subsequent transfer of the mortgaged assets, to the lender. This may result in a material loss to the Company and may materially adversely affect the Company's results of operations and the value of the Company's assets. Any amounts that are secured under a borrowing facility are likely to rank ahead of Shareholders' entitlements, and equity participations are always subordinated in accordance with the terms of the facility. Loan agreements may also provide that the relevant subsidiary may not dispose (in any way, including mortgage) of its assets prior to the settlement of its indebtedness under the agreement, other than in the course of normal business activity. In such event, any disposals of the Company's assets may lead to the violation of such loan agreement and the obligation to settle the full loan amount immediately. This may have a materially adverse effect on the business, financial condition and results of operations of the Company.

No assurance of profitability

The expenses of operating the Company may exceed the Company's income, thereby requiring the difference to be paid from the Company's capital. There can consequently be no assurance that the Company will be profitable in the future or at all.

Guernsey incorporation

The Company is a limited company incorporated under the law of Guernsey. Guernsey law does not make a distinction between private and public companies and some of the protections and safeguards that investors may expect to find in relation to a public company under the UK Companies Act 2006 are not provided for under Guernsey law.

Regulation in the UK

The Company is not currently subject to regulation in the United Kingdom, other than under the Prospectus Rules and (after Admission) under the AIM Rules (which are less demanding than the Listing Rules, to which companies listed on the Official List are subject) and the UK Takeover Code. It is possible that changes may occur in the regulatory environment in which the Company operates, and any such changes may impact on the Company's ability to continue to conduct the activities as detailed in this document. Investors should also note that the AIM Rules may be varied in the future, such that AIM is no longer an appropriate market on which to quote the Ordinary Shares and Warrants. Although it is hoped that any such revisions to the AIM Rules or the regulatory environment in which the Company operates will not prejudice the Company, there can be no assurance that this will be the case.

UK Takeover Code

Due to the current locations of residence of its Directors, the Company has received confirmation from the UK Panel on Takeovers and Mergers (the "**Panel**") that the Company is currently a company to which the UK Takeover Code applies. If the locations of residence of its Directors were to change in the future so that a majority of the Directors ceased to be resident in any one or more of the UK, the Channel Islands or the Isle of Man then the Company may cease to be covered by the jurisdiction of the Panel. There can consequently be no assurance that Shareholders and Warrantholders will be entitled to the protections of the UK Takeover Code at all times in the future.

Changes to laws applicable to the Company

A change to Guernsey law could affect the Company's ability to make distributions to Shareholders or the statements relating to tax in this document, which are based on current tax law and practice as at the date of this document. Any change to the basis on which profits or capital may be distributed by Guernsey companies could have a negative impact on the Company's ability to pay dividends. Any change in the

Company's tax status, or in tax legislation applicable to it, could affect the value of the assets held by the Company and its performance.

Maintenance of Guernsey tax residency status

In order to maintain its Guernsey tax resident status (respectively), the Company is required to be controlled and managed outside the United Kingdom and Brazil. The composition of the Board, the place of residence of the individual members of the Board, and the location(s) in which the Board makes decisions will be important in determining and maintaining the Guernsey tax residence status of the Company. While the Company is incorporated in Guernsey, continued attention must be addressed to ensure that management and control decisions are not made in the United Kingdom, or Brazil, or the Company may lose its Guernsey tax resident status. As such, management errors could potentially lead to the Company, or other members of the Squarestone Brasil Group, being considered UK, or Brazilian tax resident, could have a material adverse effect on the Company's business, financial condition and results of operations.

Dependence on the Executive Directors and other key staff and consultants

The Company's ability to provide returns to Shareholders is substantively dependent upon the performance of the Executive Directors in identifying and effecting the acquisition by the Squarestone Brasil Group of property assets in Brazil, the management of such assets and the determination of any required financing arrangements. The Company will depend to a significant extent on the experience, diligence, skill and network of business contacts of the Executive Directors and other key staff and consultants and the information and opportunities presented to the Board by them, during the normal course of their activities. The Board will monitor the performance of the Executive Directors and the other key staff and consultants but their performance cannot be guaranteed. Failure by the Executive Directors and the other key staff and consultants to identify, secure and manage the Company's underlying assets effectively, could have a material adverse effect on the Company's business, financial condition and results of operations. If any of the Executive Directors, or a significant number of the key staff or consultants depart from, or cease to be engaged by, the Squarestone Brasil Group, there is a risk that suitable and effective replacements may not be found. Therefore, the Company's business, financial condition and results of operations may be adversely affected, if the services of the Executive Directors and the other key staff and consultants cease to be available to the Squarestone Brasil Group.

Currency and inflation risk

The proceeds of any fundraising, cash pending investment, reinvestment, or distribution are generally expected to be in pounds sterling. It is anticipated that most outgoings and receipts, of both a capital and income nature, will be almost entirely paid for, and received in, Brazilian Reais. Accordingly, the Company may be subject to currency and inflation risks. The Company intends to consult with reputable local and/or international financial institutions, on an ongoing basis, to minimise the negative effects of such risks.

FIP structure

In order to create a tax efficient structure for its acquisitions in Brazil, the Company will seek, where possible, to make acquisitions through SB2 FIP, which is a *Fundos de Investimento em Participações* ("FIP"), a closed-ended investment vehicle, regulated by CVM Ruling No. 391 of July 16, 2003, as amended ("**CVM Ruling No 391/03**"). SB2 FIP is a closed-ended investment vehicle that may acquire shares, certificates of shares, debentures, subscriptions warrants, or other bonds and securities convertible, or exchangeable for shares, issued by Brazilian closely and/or publicly-held companies. The FIP regime was established in 2003 to assist foreign direct investment into Brazil within defined parameters.

Article 3 of Law No. 11.312, of 27 June 2006, established that any income earned by a foreign investor in connection with investments a FIP would be subject to a zero rate of Brazilian withholding income tax, subject to satisfaction of certain requirements. To enjoy such tax benefit, the following conditions must be met: (i) the investment must be made according to the rules and conditions defined by the National Monetary Council (*Consellio Monetário Nacional*), especially Bacen Resolution No. 2689/2000 and CVM Ruling No. 325/2000; (ii) the foreign investor cannot hold, individually or jointly with related persons, quotas representing: (a) 40 per cent. or more of all the FIP's quotas; or (b) 40 per cent. or more of the total income of the FIP; (iii) the FIP cannot hold in its portfolio, at any time, debt securities exceeding 5 per cent. of the FIP's net equity (excluding debt securities convertible into stock and debt securities issued by the Brazilian

government); and (iv) foreign investors cannot be “**Tax-Haven Residents**”, that is, a resident of a country or location that does not impose income tax, or where the maximum income tax rate is lower than 15 per cent. or where the laws of that country, or location impose restrictions on the disclosure of shareholding composition, or the ownership of the investment, or the beneficial ownership of income paid to non-resident persons. Under current legislation, a FIP is not subject to income taxes with respect to income and capital gains resulting from the acquisition and disposal of investments in Brazil (such as the shares of its portfolio).

While the FIP structure is currently advantageous to the Company, any changes to Brazilian law on the qualifying conditions for the zero rate of Brazilian withholding tax may result in such tax benefits being less advantageous or no longer being available to the Company.

In order to satisfy the above requirements in relation to the operation of SB2 FIP, the Company will invest into SB2 FIP via the Luxembourg Holding Companies, which are not currently considered Tax-Haven Resident companies under Brazilian law. There is no assurance, however, that: (i) Luxembourg will not in the future be classified as a tax-haven by the CVM; and/or (ii) that the CVM will not in the future adopt policies which mean that the Company, as the ultimate parent company of the Luxembourg Holding Companies, or Spearpoint as the controlling Shareholder of the Company, should be deemed to indirectly hold more than 40 per cent. of the shares in SB2 FIP. In either of these circumstances, SB2 FIP could cease to have the beneficial tax status outlined above, which may have a material adverse effect on the Company's business, financial condition and results of operations.

RISK FACTORS RELATING TO REAL ESTATE AND DEVELOPMENT

In addition to the risks already described, the following risks relate specifically to the Golden Square Acquisition and any future property acquisitions.

Real estate assets and businesses

Deterioration of real estate fundamentals could negatively impact the performance of the Company's underlying property assets and any future property acquisitions. Such changes in fundamentals could include fluctuations as a result of general and local economic conditions, changes in supply of, and demand for, competing properties in an area (as a result, for instance, of overbuilding), increase in vacancy rates, increase in property taxes and operating expenses, changes in building, environmental, zoning, licensing and other laws, energy and supply shortages, casual or condemnation losses, various uninsured or uninsurable risks, natural disasters, changes in government regulations (such as rent control), changes in neighbourhood values, changes in the appeal of properties to tenants, changes in interest rates, and the availability of mortgage funds which may render the sale, or refinancing of properties difficult or impracticable, negative developments in the economy that depress travel activity, environmental liabilities, contingent liabilities on disposition of assets, terrorist attacks, war and other factors that are beyond the control of the Company. There can be no assurance that there will be a ready market for the resale of Company's underlying property assets and any future property acquisitions. Illiquidity may result from the absence of an established market for the Company's underlying property assets and any future property acquisitions, as well as legal, or contractual restrictions on their resale by the Company. The profitability of a significant proportion of the Company's underlying property assets and any future property acquisitions depends to a great extent upon correctly assessing the future course of the price movements of such underlying property assets and any future property acquisitions. There can be no assurance that the Company will be able to accurately predict these price movements.

Limited asset base

The Company's asset base may be limited and will initially consist only of its interest in Golden Square Mall. As a consequence, the success of the Company may be substantially adversely affected by the unfavourable performance of even a single asset. Investors have no assurance as to the degree of diversification in the Company's asset base.

General construction and development

The Company's construction and development activities may involve the following risks:

- inability to proceed with the development of properties, as a result of failing to obtain financing upon favourable terms;
- additional construction costs for a development project being incurred in excess of original estimates, due to increased material, labour or other costs, which may make completion of the project uneconomical;
- inability to obtain, or delays in obtaining, required planning, land-use, building, occupancy, and other governmental permits and authorisations, which could result in increased costs and could require the Company to abandon a project entirely. There is also a risk that planning, or permitted use consents are not obtained or are delayed, or are granted subject to uneconomic, or unfavourable conditions. Laws may be introduced that may be retrospective and affect existing building consents which restrict development in the Company's target geographies. This could have an adverse effect on the Company's business;
- acts of nature, such as landslides and floods, that may damage or delay construction of properties;
- inability to complete the construction and leasing of a property on schedule, resulting in increased debt service expense and construction or renovation costs, which may result in the termination of existing investment agreements and further result in claims by third parties for damages and termination of respective land leases; and
- building methods or materials used in the Company's developments may prove defective and where a construction company, or subcontractor used on a development becomes insolvent, it may prove impossible to recover compensation for such defective work, or materials. In addition, the Company may incur losses as a result of repairing the defective work or paying damages to persons who have suffered loss as a result of such defective work. Furthermore, these losses and costs may not be covered by the professional liability insurance of the Company, the construction company, or the subcontractor.

Any negative change in one or more of the above factors may adversely affect the Company's business, financial condition and results of operations.

Dependence on contractors and subcontractors

The Company relies on subcontractors for all of its construction and development activities. If the Company cannot enter into subcontracting arrangements on acceptable terms (or at all) it will incur additional costs which may have an adverse effect on its business. The competition for the services of quality contractors and subcontractors may cause delays in construction, exposing the Company to a loss of competitive advantage. Subcontracting arrangements may be on less favourable terms than would otherwise be available, which may result in increased development and construction costs. By relying on subcontractors, the Company becomes subject to a number of risks relating to these entities, such as quality of performance, varied work ethics, performance delays, construction defects and the financial stability of the subcontractors. A shortage of workers would also have a detrimental effect on the Company and its subcontractors and, as a result, on the Company's ability to conclude the construction phase on time and within budget.

Development

The Company may undertake risk-controlled development (including redevelopment) or acquisitions of properties that require a complete new build or refurbishment, prior to renting or selling. The risks of development or refurbishment include, but are not limited to: (i) delays in timely completion of the project; (ii) cost overruns; (iii) poor quality workmanship; (iv) inability to rent, or inability to rent at a rental level sufficient to generate profits; and (v) inability to sell, or inability to sell at a level sufficient to generate profits. The Company may acquire developments for which end-users, or purchasers of the property have not been identified at the time of acquisition. If all, or any of these risks were to materialise, this would have an adverse effect on the Company's business, financial condition and results of operations. The Company may, from time to time, acquire options over property. In a worst case scenario, such instruments could expire with no value attributable to them.

Planning

The Company intends to mitigate planning risk by ensuring that it will not enter into a binding contract to acquire a property and/or site until suitable zoning, or detailed planning has been secured. Traditionally land in Brazil is zoned by the relevant local authority, which by UK standards is equivalent to outline consent. Detailed consents on previously zoned land is more of a formality.

The Company cannot be certain that the process of obtaining detailed planning consent will be completed with sufficient speed and cost to enable the property to be developed in accordance with projected costs and timings. Opposition by local residents to detailed planning applications may also cause considerable delays. In addition, arbitrary changes to applicable planning may jeopardise projects which have already commenced. Therefore, if the Company does not receive detailed planning approvals, or if the procedures for the receipt of such planning approvals are delayed, the Company's costs will increase which may have an adverse effect on the Company's business, financial condition and results of operations.

Financial stability of tenants and prospective tenants

The success of the Company depends on the financial stability of the tenants of the property. General economic conditions may affect the financial stability of tenants and prospective tenants and/or the demand for and value of real estate assets, including in the retail sector, resulting in a renegotiation of loan terms in favour of tenants. In the event of a delay in the making of, or a default on a lease payment or rental default by, a tenant or the expiry of a lease, the Company will suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property. If a lease is terminated, the Company may be unable to lease the property for the rent previously received or sell the property without incurring a loss.

Rental income and break rights

The performance of the Company would be adversely affected by a downturn in the Brazilian real estate market in terms of capital value or a weakening of rental yields. Furthermore, in the event of a default by a tenant, or during any other void period, the Company will suffer a rental shortfall, and incur additional expenses, until the property is re-let.

These expenses could include legal and surveyor's costs in re-letting, maintenance costs, insurance costs, rates and marketing costs. Retail income may not grow at a consistent rate and may, indeed, fall. Future income is dependent on, amongst other things, the Company negotiating suitable lease terms when compared to associated financing costs.

The Company may suffer delays in recovering any payments in arrears. In the event that a tenant in Brazil is in default of paying arrears, the ability of the Company to regain possession of a unit in arrears may be slowed by the time required to lapse before such legal process to regain possession may be commenced and the time required to finally get possession. The ability of a tenant under Brazilian law to break a lease at any time during its tenure, subject to three months' notice, may result in a high tenant turn-around. Certain of the properties owned by the Squarestone Brasil Group may have some level of vacancy, which results directly from the ease at which a tenant may break its lease. Properties may be specifically suited to the particular needs of a tenant for any vacant space it has in its properties. If the vacancy continues for a longer period of time, the Company may suffer reduced revenues, resulting in less cash being available to be distributed to Shareholders. In addition, the resale value of a property could be diminished because the market value of a particular property will depend principally upon the valuation of the rental income.

Lack of funding for future tenant improvements

When a tenant does not renew its lease, or otherwise vacates its space in one of the Company's properties, it is likely that, in order to attract one or more new tenants, the Company will be required to expend funds to construct new tenant improvements in the vacated space, or to provide financial inducements to the new tenants. While the Company intends to manage its cash position, or financing availability to pay for any improvements, or other benefits required for re-letting and to meet the loss of revenue that may result, the Company cannot be certain that it will have adequate sources of funding available to it for such purposes in the future.

Uninsured losses

The Company's properties could suffer physical damage resulting in losses (including loss of rent) which may not be fully compensated for by insurance, or at all. Although, as part of the Company's property management arrangements, the Company will attempt to ensure that properties are adequately insured to cover casualty losses, there are certain types of losses, for example, of a catastrophic nature, that may be uninsurable, or are not economically insurable. In addition, changes in the cost or availability of insurance or in building codes and ordinances, environmental considerations and other factors could expose the Company to uninsured losses. In the event that any property incurs a loss that is not fully covered by insurance, the value of the Company's assets will be reduced by any such uninsured loss. In addition, the Company may have no source of funding to repair or reconstruct a damaged property, and it cannot be certain that any such sources of funding will be available to it for such purposes in the future. The Company might also remain liable for any debt or other financial obligation in relation to which the uninsured loss is incurred.

Inability to sell a property

The real estate market is affected by many factors that are beyond the Company's control, such as general economic conditions, availability of financing, changes in property tax rates, interest rates and other factors, including investor/buyer supply and demand. The Company cannot predict whether the Company will be able to sell any property for the price or on the terms set by it, or whether any price or other terms offered by a prospective purchaser would be acceptable to the Company. Nor can the Company predict the length of time needed to find a willing purchaser and to complete the sale of a property. This may lead to a reduction in the Net Asset Value of the Company and/or its market value and/or its ability to pay dividends.

The Company may be required to expend funds to correct defects or to make improvements before a property can be sold. The Company cannot be certain that it will have funds available to correct such defects, or to make such improvements.

Valuation

The valuation of property and property-related assets is inherently subjective. As a result, valuations are subject to uncertainty.

The Valuation Report in Part 7 of this document is made on the basis of certain forecasts and assumptions regarding the Brazilian real estate market, which may not prove to be accurate in light of future developments in the market. Details of the valuation methodologies and the assumptions used by the Valuers are described in the Valuation Report.

The real estate market in Brazil is characterised by a limited amount of publicly available data and research compared to Western European countries and North America. The relative lack of such data makes it more difficult to assess market values and rental values of real estate in Brazil than in Western European countries and North America. For this and other reasons, the values the Valuers place on properties may not reflect their actual realisable values. The valuation contained in the Valuation Report is effective as of February 2010, and there is no assurance that this figure accurately reflects the market value of Golden Square Mall as at any other date. The use of different valuation methodologies and assumptions could produce different valuation results.

Prospective investors are advised to read the Valuation Report in its entirety. For the reasons stated above and in the Valuation Report, and since the valuations were made on the basis of the Valuers' forecasts and assumptions regarding the Brazilian real estate market, the market value ascribed by the Valuers to Golden Square Mall is subject to future changes in the Brazilian real estate market.

Environmental liabilities and compliance costs

The Company will mitigate environmental risk by carrying out an environmental impact assessment before a development site is acquired. The environmental laws of Brazil may impose actual and potential obligations on members of the Squarestone Brasil Group to conduct remedial action on contaminated sites. Such laws often impose liability without regard to whether the owner knew of, or was responsible for the presence of the contaminants.

The owner's liability as to any property may generally not be limited under such laws and the costs of any required removal, investigation or remediation could be substantial. The presence of such substances on, or in, any of the Company's properties, or the failure to remedy property contamination from such substances, could adversely affect the Company's ability to sell properties or to borrow funds using such properties as collateral, which could have an adverse effect on the Company's return on investment. In addition, the presence of hazardous or toxic substances on or in a property may prevent, delay or restrict development or redevelopment of such property and this could have an adverse effect on the returns generated from such property. The Company's accruals for these obligations may be insufficient if the assumptions underlying these accruals prove incorrect or if a member of the Squarestone Brasil Group is held responsible for additional, currently undiscovered contamination.

Furthermore, a member of the Squarestone Brasil Group may become involved in claims and lawsuits relating to environmental matters. An adverse outcome in any of these might have a significant negative impact on the Company's operations. Stricter environmental, safety and health laws and enforcement policies in Brazil could result in substantial costs and liabilities and could subject the real estate properties that the Company owns or operates (or those formerly owned or operated by any member of the Squarestone Brasil Group) to more rigorous scrutiny than is currently the case. Consequently, compliance with these laws could result in significant capital expenditures as well as other costs and liabilities, thereby materially adversely affecting the Company's business, financial condition and results of operations.

Competition

The Company may face significant competition from other property investors and/or developers and other competitors may have greater financial resources than the Company. Competition in the Brazilian real estate market may, for example, lead to prices being driven up through competing bids by potential purchasers and, as a consequence, lead to an over-supply through overdevelopment. Accordingly, the existence of such competition may have a material adverse impact on the Company's ability to secure tenants for its properties at satisfactory rental rates and on a timely basis and to acquire properties at satisfactory prices.

Economic and legal/political risk

The performance of the Company would be adversely affected by a downturn in the Brazilian real estate market in terms of capital value, or a weakening of rental income. Returns from property depend upon the amount of rental income generated from the property and the costs and expenses incurred in the maintenance and management of the property, as well as changes in its market value.

A recession in Brazil may also have an adverse effect on the retail sector, specifically, which, in turn, may impact any properties owned by the Company. Rental income and the market value for properties are generally affected by overall conditions in the economy, such as growth in GDP, employment trends, inflation and changes in interest rates.

Both rental income and property values may also be affected by other factors specific to the real estate market, such as competition from other property owners, the perceptions of prospective tenants of the attractiveness, convenience and safety of properties, the inability to collect rents because of the bankruptcy or insolvency of tenants or otherwise, the periodic need to renovate, repair and re-let space and the costs thereof, the costs of maintenance and insurance, and increased operating costs. In addition, certain significant expenditures, including operating expenses, must be met by the owner when the property is vacant.

Government authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use and zoning and planning restrictions, environmental protection and safety and other matters. The institution and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, properties owned by the Company.

RISKS SPECIFIC TO BRAZIL

In addition to the risks mentioned above that generally affect the real estate industry, the real estate industry in Brazil could be affected by: (i) economic conditions in Brazil; (ii) real estate companies could be

prevented in the future, as a result of new regulations or market conditions, from indexing their account receivables to certain inflation rates, as currently permitted, possibly making a project unfeasible in economic or financial terms; (iii) the bankruptcy, or significant financial difficulties of a major company in the real estate industry; (iv) local or regional real estate market conditions, such as the oversupply of space or the scarcity of land in certain areas; and (v) a decrease in the market value of the land before the commencement of the development to which the land is allocated, and the project's inability to preserve the margins previously estimated for the respective development.

Majority of business activities conducted in Brazil

The Company is a Guernsey company, but its business activity will be the development, acquisition, management and leasing of real estate in Brazil and all of the Company's revenues will be derived from Brazil. There are certain risks associated with operating in Brazil, some of which are set out below. Political and economic conditions in Brazil may have a detrimental effect on property owned by the Company.

The Brazilian legal system

The Brazilian judicial process is different to that of other more developed countries and parties seeking to rely on the Brazilian courts may find that it is difficult to obtain effective redress in respect of a breach of law or regulation, or in an ownership dispute. In particular, the judicial system is considerably slower than judicial systems in other countries.

The Company is exposed to political and economic risks in Brazil

The Brazilian market is subject to greater risks than more developed markets, including greater economic and political risks. In addition, adverse political or economic developments in neighbouring countries could have a negative impact on, among other things, Brazil's GDP, foreign trade or economy in general. The performance of the Company in Brazil could be significantly affected by events beyond the Company and its affiliates' control, such as a general downturn in the economy of the region, changes in regulatory requirements and applicable laws (including in relation to taxation, property ownership and the environment), the condition of the financial markets in Brazil and interest and inflation rate fluctuations. Such events could reduce the Company's profits and, consequently, could have an adverse impact on the Company's ability to pay dividends and the Company's Net Asset Value. With any business operation in a foreign country there exists the risk of adverse political or regulatory developments including, but not limited to nationalisation, confiscation without fair compensation, terrorism, war or currency restrictions. This latter risk may be imposed to prevent capital flight and may make it difficult, or impossible, to exchange or repatriate foreign currency.

The Brazilian economy has been previously characterised by significant involvement by the Brazilian government, which has historically changed monetary, credit and other policies to influence Brazil's economy. The Brazilian government's actions to control inflation and other economic policies have often involved wage and price controls, modifications to the Central Bank of Brazil's base interest rates, and other measures, such as the freezing of bank accounts, which occurred in 1990.

The Brazilian government's economic policies may have important effects on Brazilian corporations and other entities, operating in Brazil, and on market conditions and prices of Brazilian securities. The Company's financial condition and that of its proposed underlying property assets and future property acquisitions, may be adversely affected by the following factors and the Brazilian government's response to them, devaluations and other exchange rate movements, inflation, exchange control policies, social instability, price instability, energy shortages, interest rates, liquidity of domestic capital and lending markets and tax policy.

Restrictions on the movement of capital out of Brazil

Restrictions on the movement of capital out of Brazil may adversely affect the Company's ability to receive dividends from its Brazilian operations. Brazilian law provides that whenever a serious imbalance in Brazil's balance of payments exists or is anticipated, the Brazilian government may impose temporary restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and on the conversion of Brazilian currency into foreign currency. For example, for approximately six months in 1989 and early 1990, the Brazilian government restricted fund transfers in order to conserve Brazil's foreign currency reserves. There can be no assurances that the Brazilian government would not in the future impose

restrictions or more restrictive exchange control policies, which could have the effect of preventing or restricting the Company's ability to take cash out of Brazil.

Downturn in consumer sentiment

The Company's business strategy will focus upon developing and potentially holding shopping mall assets in Brazil. It is likely that the performance of these assets will be affected by general economic conditions, including the rate of GDP growth and the level of consumer sentiment in Brazil and also by factors affecting the wider global economy. A downturn in GDP growth and/or a sustained constriction on disposable income, affecting Brazilian consumers, may reduce consumer spending which may therefore have a material adverse effect on the returns generated by, and therefore the value of, any properties owned by the Company.

RISK FACTORS RELATING TO THE PROSPECTIVE PIPELINE

No assurance that acquisitions will be made

There can be no assurance that the Company will ultimately be able to invest in any of the projects in the Prospective Pipeline on terms satisfactory to it, or at all. Investments in the Prospective Pipeline will be conditional upon, amongst other things, the Company being able to finance its commitments to a particular project and attract suitable joint venture partners, satisfactory completion of due diligence, and the entering into of binding agreements, in a form satisfactory to all the parties thereto, including the Company.

RISKS RELATING TO AIM

Conditionality of Admission

The Placing is conditional upon, amongst other things, admission to trading on AIM of the Ordinary Shares and Warrants. In the event that any condition to which the Admission is subject is not satisfied or, if capable of waiver, waived, Admission will not occur.

Ordinary Share and Warrant price volatility and liquidity

Following Admission, the market price of the Ordinary Shares and Warrants may be subject to wide fluctuations in response to many factors, including stock market fluctuations and general economic conditions, or changes in political sentiment that may substantially affect the market price of the Ordinary Shares and Warrants irrespective of the Company's actual financial, trading or operational performance. These factors could include the performance of the Company, large purchases or sales of the Ordinary Shares or Warrants (or the perception that the same may occur, as, for example in the period leading up to the expiration of the various lock-in agreements to which certain Shareholders are subject), legislative changes and market, economic, political or regulatory conditions. The share price for publicly traded companies, particularly those at an early stage of development, can be highly volatile.

Warrants

Warrants tend to involve a high degree of gearing, such that a relatively small movement in the price of Ordinary Shares is likely to result in a disproportionately large movement, which could be unfavourable or favourable, in the price of the Warrants.

Admission to AIM should not be taken as implying that a liquid market for the Ordinary Shares or Warrants will either develop, or be sustained following Admission. Active, liquid trading markets generally result in lower price volatility and more efficient execution of buy and sell orders for investors. The liquidity of a securities market is often a function of the volume of the underlying shares that are publicly held by unrelated parties. If a liquid trading market for the Ordinary Shares or Warrants does not develop, the price of the Ordinary Shares or Warrants may become more volatile and it may be more difficult to complete a buy or sell order for such Ordinary Shares.

It is possible that the Company may decide to issue, pursuant to a public offer or otherwise, additional Ordinary Shares in the future at a price, or prices higher, or lower than the Placing Price. An additional issue of Ordinary Shares by the Company, significant sales of Ordinary Shares by major Shareholders, or the public perception that an offering or issue may occur, could have an adverse effect on the market price of

Ordinary Shares and could, if completed, dilute the proportionate ownership interest, and hence the proportionate voting interest of Shareholders.

Additional requirements for capital

Additional financing may be required in the future for the Company to exploit available opportunities and to fund expansion of the Company. Such funding requirements may be met by way of the issue of further Ordinary Shares on a pre-emptive, or non-pre-emptive basis, or debt financing by means of a credit agreement, the issue of bonds in the Company, or by other means. No assurances can be given that the Company will be able to raise the additional finance that it may require for its anticipated future operations. Furthermore, revenues, taxes, transportation costs, capital expenditures and operating expenses are all factors which will have an impact on the amount of additional capital that may be required. Any additional equity financing may have a dilutive effect and debt financing, if available, may involve restrictions on financing and operating activities. There can be no assurance that additional financing will be available on terms acceptable to the Company, or at all. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations, or anticipated expansion or terminate its operations.

There is no guarantee that the Company will maintain its quotation on AIM

The Company cannot assure investors that the Company will always retain a quotation on AIM. Additionally, if in the future the Company decides to obtain a listing or quotation on another exchange in addition to AIM, the level of liquidity of the Ordinary Shares and/or Warrants traded on AIM could decline.

Investment in AIM quoted securities

The Ordinary Shares and Warrants will be traded on AIM rather than admitted to the Official List. The AIM market is designed primarily for emerging, or smaller companies to which a higher investment risk tends to be attached, than to larger or more established companies. The AIM Rules are less demanding than the Listing Rules and an investment in shares traded on AIM may carry a higher risk than an investment in shares admitted to the Official List.

PART 1

COMPANY BACKGROUND AND STRATEGY

1. Introduction

Squarestone Brasil Limited (“**Squarestone Brasil**” or the “**Company**”) is a real estate development and investment company, formed to pursue the Brazilian shopping mall development business currently operated by the São Paulo-based Squarestone Brasil Administração e Participação S.A. (“**SB ManCo**”) and its London-based affiliate Squarestone Property Investment Management Limited (“**SPIM**”).

Conditionally upon Admission, the Company will acquire an existing shopping mall asset (the “**Golden Square Acquisition**”) located in São Paulo, and currently managed by SB ManCo, which itself will also be acquired conditionally, *inter alia*, upon Admission (the “**SB ManCo Acquisition**” and together with the Golden Square Acquisition the “**Conditional Acquisitions**”), together with a pipeline of identified mall development opportunities.

The Company will be an active developer, investor and co-investing development manager, exclusively operating in the Brazilian shopping mall sector, with the objective of delivering superior returns to Shareholders.

The Company intends to achieve these superior returns, but simultaneously aims to minimise risk to Shareholders, by:

- initially employing rigorous investment criteria in the selection of any new development opportunities;
- not committing capital until a project has received full planning consent;
- where appropriate, enter into contracts with site owners as development and project manager, probably in conjunction with introducing third party joint venture partners. In such situations the Company would expect to receive both project/development management fees and a profit share;
- introducing international standards of construction and project management during the implementation phase;
- ‘importing’ international standards of shopping mall design, operation and management; and
- introducing international retailers.

The Directors further believe that the strategy to be pursued by the Company is underpinned by current favourable macro-economic, demographic, consumer and real estate factors in Brazil. These factors are further detailed below.

In pursuing the identified opportunity in the Brazilian shopping mall sector and executing its strategy, the Company will be able to draw upon the experience, expertise and extensive contacts of a local management team who have, since commencing operation in Brazil in 2007, demonstrated their ability to identify and secure development opportunities in the sector and thereafter successfully enhance value through obtaining planning consents, implementing development and by active operational and asset management.

The Squarestone Brasil Group, to be formed conditionally, *inter alia*, upon Admission, will consist of:

- a highly experienced Board, comprising the three co-founders of SB ManCo, James Morse, Robert Sloss and Tim Barlow (together the “**Executive Directors**”), who have a track record of anticipating and exploiting opportunities in the real estate sector, and three Non-executive Directors who together provide extensive real estate, finance and public company experience;
- an established São Paulo-based business (to be acquired pursuant to the SB ManCo Acquisition), led by James Morse, who has a total of 15 years experience in the real estate sector in the UK and latterly Brazil, together with additional senior management based in London;
- three retail sector and shopping mall experts Michael Poynor (who will work closely with the Company in both London and Brazil), Neil Varnham and Cláudio Politi (who will work alongside James Morse in Brazil), who have respectively 40 years experience in the international retail sector working for and advising numerous retailers, 33 years of shopping mall development and management experience at

Henderson Global Investors and approximately 25 years experience in the design, development and leasing of shopping malls in Brazil;

- a 50 per cent. interest in a mall development project, Golden Square Mall, due to be completed in mid-2011. Golden Square Mall will, on completion, comprise approximately 31,000 sq m NLA, and the 100 per cent. interest has been currently valued by the Valuers at R\$134.6 million (equating to approximately £49.9 million) which equates to a gross value for the Company's 50 per cent. interest of R\$67.3 million (equating to approximately £24.9 million). The 50 per cent. interest is being acquired by the Company for an aggregate net consideration of approximately £17.5 million which is equivalent to the capital and accrued interest invested by the vendors to date and which also reflects the above 50 per cent. valuation share, after deducting, *inter alia*, outstanding committed but undrawn funding liabilities. Of this consideration approximately £6.3 million will be paid in cash with the balance payable by the issue on Admission of 11,240,000 Ordinary Shares (with Warrants attached on a two for three basis) to the SB2 Investors; and
- a letter of intent from BTG Pactual, a leading independent Brazilian investment bank, wealth manager and asset manager, to potentially partner with the Company in the funding of its current and future projects at an asset level.

In addition, via the acquisition of SB ManCo, the Company will have the benefit of a pipeline of attractive potential shopping mall development opportunities (the "**Prospective Pipeline**"), which have been identified by SB ManCo and are currently in various stages of negotiation.

Background to flotation

The business to be operated and pursued by Squarestone Brasil was co-founded in 2007 by the Executive Directors as a Brazilian retail-focused real estate development and investment business. The Executive Directors had previously worked together over a number of years on various non-Brazilian real estate investment projects. The Executive Directors, through SPIM and other entities, have a track record of identifying real estate opportunities, creating operational platforms from which to deliver them and producing attractive returns for investors. James Morse moved to São Paulo on a full-time basis in July 2007, having previously researched the local shopping mall sector, and partnered with a local consultant, Cláudio Politi, a Brazilian shopping mall specialist with 25 years experience. SB ManCo was then established to develop specific opportunities in the Brazilian shopping mall sector that had been identified by James Morse and Cláudio Politi. SB ManCo has been acquired by the Company subject to Admission and the satisfaction of certain Brazilian filing requirements.

Following a lengthy due diligence and structuring process, SPIM raised approximately £20 million of equity funding via a Brazilian investment vehicle, SB1 FIP, to acquire Bonsucesso Mall in March 2008. SPIM subsequently raised committed equity funding of approximately £15.7 million (which has been drawn down and invested) for a second Brazilian investment vehicle, SB2 FIP, in September 2008 to purchase a 50 per cent. interest in Golden Square Mall, which is owned in conjunction with a local joint venture partner. The funding for both of these investments was provided by the Executive Directors, their related family vehicles and by other close investment contacts. A number of these investors had previously invested with SPIM in other investment vehicles. The 50 per cent. interest in Golden Square Mall will be acquired by the Company on, or shortly after, Admission via the Golden Square Acquisition. Bonsucesso Mall will continue to be managed by SB ManCo after Admission pending its intended sale by the end of 2010.

The Executive Directors recognise that in order to continue to capitalise on the exciting opportunities presented by the Brazilian shopping mall sector, they need to access a wider and more diversified capital base. In particular, they wish to be able to pursue the specific opportunities in the Prospective Pipeline. Accordingly, the Executive Directors have decided to launch a new quoted vehicle, Squarestone Brasil, which by acquiring the management together with one of the related property assets of the existing business, will greatly benefit from having an immediate platform to exploit these exciting opportunities.

The Directors believe that the AIM market represents the most appropriate venue for the Company's flotation given the Board's familiarity with the international investment community and the international nature of the Company's operations, allied to its growth ambitions. The Directors further believe the Company's strategy of bringing international mall retailing standards to Brazil will resonate more fully with an international investment audience outside of Brazil.

2. The Opportunity

The Directors believe that, building on the business developed by the Executive Directors to date, there is an opportunity to generate superior returns to Shareholders through the development and accumulation of a portfolio of quality shopping mall developments in Brazil (subject to securing sufficient funding). The Company will initially focus on Southern Brazil, particularly Greater São Paulo. The Directors intend to address what they perceive to be a gap in the market, by combining an international approach to shopping mall design, development and management with the local culture, tastes and fashions of Brazil in order to deliver the optimal tailored retailing experience for Brazilian consumers.

The Directors believe that the Brazilian shopping mall sector represents an attractive growth investment opportunity and that the existing business developed by SB ManCo and SPIM, and to be pursued by the Company following Admission, will provide a sound platform from which to exploit this opportunity.

Key real estate drivers

The Directors believe the following factors reinforce the Company's strategy:

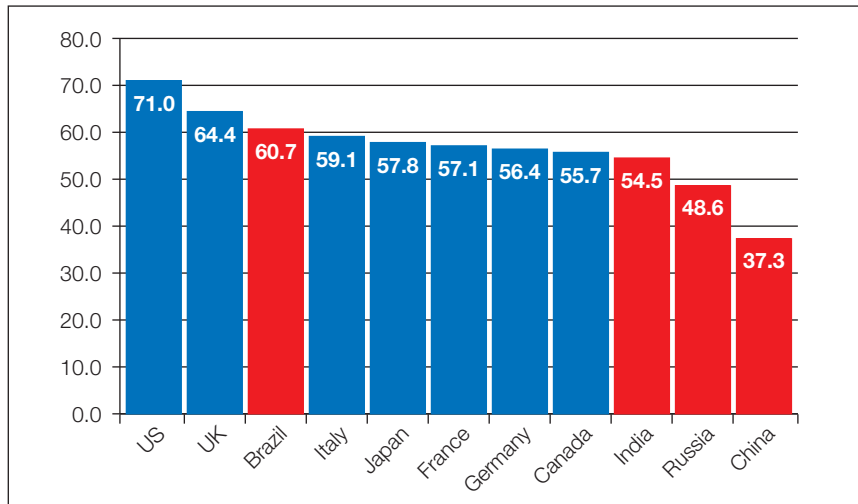
- The Directors believe that the Brazilian shopping mall sector currently lacks a supply of B and C class malls which have been developed and are operated to international standards. The Directors believe that existing Brazilian shopping malls are generally dated in terms of design and operations and therefore a clear opportunity exists to redefine the local retail experience based on international standards.
- Brazil's shopping mall sector is arguably under-supplied with a relatively low retail provision (47 sq m GLA per 1,000 inhabitants) when compared to North America (US 606 sq m GLA per 1,000 inhabitants), Western Europe (Spain 249 sq m GLA per 1,000 inhabitants) and also Mexico (100 sq m GLA per 1,000 inhabitants).
- The Brazilian mall sector is highly fragmented with the top five listed mall operators having a combined market share of approximately 15 per cent. (based on GLA). Whilst it is a competitive sector, the Directors nevertheless believe the Company can provide a distinctive product to the market and in so doing achieve a competitive advantage over its local peers.
- Shopping malls in Brazil are, and are expected to continue to be, a focal point of everyday life, as they provide a climate controlled and secure shopping destination, and also, due to the popularity of food courts, are an important eating and meeting place.
- Locally listed Brazilian mall operators, including BR Malls, Multiplan, Iguatemi and General Shopping, are trading at significant premiums to their underlying net asset value. This demonstrates the market's confidence in the growth prospects for the sector.

Key macroeconomic, demographic, cultural and social drivers

The Directors believe that the investment case for shopping mall real estate development is also readily supported by a number of non-real estate related factors in Brazil:

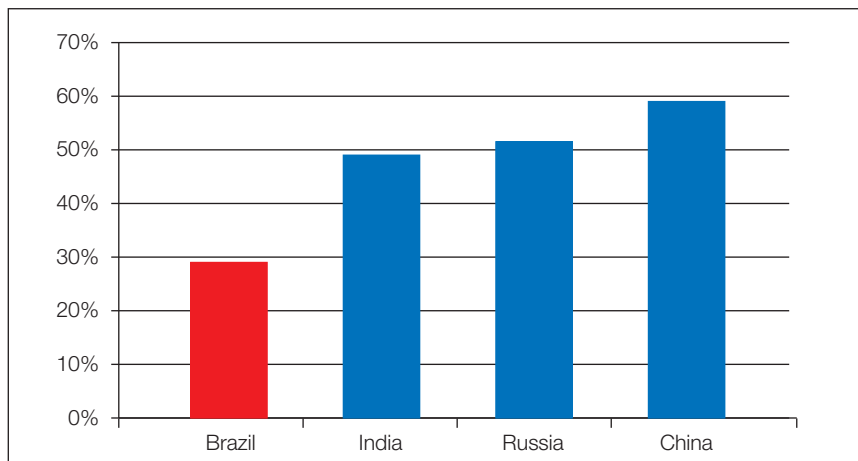
- Brazil is established as a politically and economically stable democracy and is a natural resources and commodities superpower, with a positive trade balance, no foreign debt and low levels of consumer debt.
- Brazil has a large internal economy, and, at US\$1.6 trillion as of 2008, was the largest economy in South America and the eighth largest in the world.
- Brazil has a large, growing and highly urbanised population with more than 80 per cent. of its approximately 193 million people living in cities in 2008.
- Positive political and economic initiatives to tackle social inequality have considerably increased the purchasing power of the all-important, entry-level consumer category, the C Class income group. This category in Brazil is growing rapidly and comprises 52 per cent. of the population as of 2008 (up from 43 per cent. in 2002), a measure which compares favourably, for example, with the other BRIC countries.
- The Brazilian savings/GNI ratio is just 29 per cent. and the household consumption/GDP ratio is 61 per cent. These measures provides a favourable comparison between Brazil and other countries, notably the other BRIC countries.

Consumption as a % of GDP



Source: United Nations

Savings as a % of GNI



Source: World Bank, Datastream

- Retail sales in Brazil have been growing by around 5 per cent. per annum, underpinned by rising consumer confidence on the back of stable interest rates, reduced unemployment and rising credit.
- GDP forecasts for Brazil imply continued consumer spending, with growth of approximately 5 per cent. per annum forecast for the foreseeable future and an estimated 567 per cent. growth in income per capita from a level of US\$7,500 in 2007 to US\$50,000 in 2050.

3. Executive Management

James Morse, Tim Barlow and Robert Sloss will be the Executive Directors of the Company on Admission. James Morse, who is locally resident in Brazil, will be full time Chief Executive, with Robert Sloss and Tim Barlow engaged as Executive Directors.

Brazil Track Record

In addition to Golden Square Mall, SPIM and SB ManCo have been managing Bonsucesso Mall since its acquisition in March 2008. Whilst the Company will have no economic interest in Bonsucesso Mall following Admission SPIM and SB ManCo will continue to manage Bonsucesso Mall until its intended sale by the end of 2010. Given the significance of this asset in demonstrating SB ManCo's Brazilian track record, a detailed analysis of this asset is set out below.

Bonsucesso Mall

Location

Bonsucesso Mall is situated in the Guarulhos suburb of São Paulo which is a skilled working class (C Class) area with a local population of approximately 1.3 million people. Two São Paulo-Rio de Janeiro highways are within close proximity of Bonsucesso Mall and the mall can also be accessed by a number of local bus routes.

Description

Bonsucesso Mall has a NLA of approximately 24,300 sq m situated on a site of approximately 22 acres. It is arranged over one floor and consists of over 190 retail units and kiosks. The car park has capacity for approximately 850 cars and 230 motorcycles and typically on average 600,000 customers visit Bonsucesso Mall each month.

History

Bonsucesso Mall was acquired in March 2008 by SB1 FIP for approximately R\$60 million (including related acquisition costs) from a family-owned business. Subsequently, SB ManCo designed an extension of 7,500 sq m which has been built. A series of asset management initiatives were introduced by SB ManCo as detailed below. A total of approximately R\$19 million has been subsequently spent on improvements to the property and implementing the first extension. The property has been valued at R\$132.4 million by the Valuer at February 2010. The intention is to sell this property by the end of December 2010. Provided a sale of Bonsucesso Mall takes place by the end of December 2010 the Executive Directors, as investors in Bonsucesso Mall, have undertaken to reinvest £1 million into the Company. Further details of this reinvestment are set out in Parts 2 and 12 of this document.

Asset management initiatives

Faced with a number of issues inherited on acquisition, SB ManCo has subsequently been able to materially improve the mall and its trading prospects. These issues and initiatives are detailed below:

- *small units* – Bonsucesso Mall had too many units, which were too small to attract multiple retailers. Consequently, there were a lot of “mom and pop” stores with a variable quality of retail. SB ManCo has consolidated a number of the smaller units, which led to a higher rent recovery.
- *arrears* – there were significant rental arrears and no formal arrears recovery programme in place. A formal arrears programme is now in place which successfully recoups outstanding rents and evicts non-paying tenants.
- *cinema* – the cinema was managed in-house and failings included not showing the latest international films, which led to low cinema attendance. SB ManCo subsequently engaged an external cinema operator and entered into a lease-purchase transaction to refurbish the cinema’s fixtures and fittings.
- *food court* – the food court had poor quality seating and food selection and one of the key anchors was underperforming. New tenants, such as McDonalds and Subway, have been introduced by SB ManCo and the food court furniture has been replaced. The intention is to further expand and refurbish the food court in the second quarter of 2010.
- *limited size* – on acquisition Bonsucesso Mall had a limited retail offer that was failing to draw sufficiently strongly from its primary catchment area. SB ManCo therefore decided to expand the mall in order to focus the mall towards C Class fashion. SB ManCo subsequently designed an extension of 7,500 sq m which has been built.
- *new tenants* – heads of terms were agreed with four key anchor stores being C&A (unisex fashion), Marisa (womens’ fashion), Centauro (sports fashion) and Mais Valdir (household goods). With terms agreed/leases signed, construction on the extension started in November 2008, with the existing mall continuing to trade, and completion took place in May 2009 after which the remaining anchors signed their respective leases. A further 30 satellite stores were leased and trading successfully stabilised following the construction disruption.
- *repositioning* – on acquisition, Bonsucesso Mall had a D Class local offering but SB ManCo’s active management, together with the opening of the extension, has successfully repositioned the property in the correct C Class demographic of Guarulhos and significantly increased visitor numbers with a new record established of approximately 967,000 people visiting in December 2009.

- *improved trading* – the table below highlights a range of tenants’ trading performance in the original mall and shows the “ripple effect” from the extension, with an average year-on-year increase in turnover of approximately 48 per cent. from this selection.

Audited Turnover Performance in Bonsucesso Mall

<i>Store</i>	<i>Use</i>	<i>Dec 08</i>	<i>Dec 09</i>	<i>Percentage change</i>
Loboke	Unisex Clothing	184,773	240,000	29.9%
Pontal	Shoes	386,803	550,000	42.2%
Tiara Bolsas	Luggage/Handbags	145,455	200,000	37.5%
Quiver Board	Surfwear	91,766	245,160	167.2%
Barred’s	Womens’ Fashion	55,482	51,665	–6.9%
Nobel	Books	60,006	56,869	–5.2%
Pipeline	Surfwear	83,311	251,844	202.3%
Camisaria Colombo	Mens workwear	78,329	121,282	54.8%
Tigrão Magazine	Shoes	283,653	316,291	11.5%
Total		1,369,668	2,033,111	48.4%

The picture below shows the evolution of the site under SB ManCo’s ownership.



Non-Brazil Track Record

In addition to establishing and funding the Brazilian shopping mall business to be pursued by the Company, the Executive Directors can demonstrate a track record of making and exiting real estate investments in different sectors, The examples below illustrate key projects the Executive Directors have undertaken.

F15 Partnership

In March 2001, the Executive Directors identified a £45 million mixed use portfolio, which was being sold by Ascot Holdings plc as part of its acquisition by the Dow Chemical Company. The participation of Ashtenne Holdings plc was then secured as a joint venture partner. The principal asset was a 640-unit housing estate in Lakenheath, Suffolk, which was entirely leased to the United States Air Force (“USAF”). After a lengthy period of negotiation, a new lease was agreed with USAF in August 2003 and the estate was marketed for sale immediately thereafter, resulting in a sale of the asset in March 2004 for a total of approximately £72 million. The second asset was a 14-acre derelict industrial site in Leeds, which was valued at £720,000 on acquisition. Planning permission was then secured for the Leeds site for 120 residential units and was sold in November 2005 for just over £7 million. The overall returns for the joint venture were a RoE of approximately 441 per cent. and an IRR of approximately 104 per cent.

Squarestone Central London Limited Partnership (“SCLLP”)

Tim and Robert raised approximately £13 million of equity to establish and subsequently manage, through SPIM, a five-year investment fund to take advantage of anticipated rental and value growth. The partnership bought a portfolio of buildings in the City and the West End between April 2004 and March 2005. Squarestone largely exited the portfolio in late 2006. A rise in value was achieved due to market

forces and timing, as well as through a mixture of planning, refurbishment, existing tenant negotiations and leasing. The final asset in the portfolio was sold in March 2008. The overall returns achieved were a return on equity of approximately 90 per cent. and a net IRR of approximately 41 per cent. Six of the external SCLLP investors subsequently invested into SB1 FIP and SB2 FIP.

Remor Retail Portfolio

Remor Properties was established by James Morse and a business partner in 2003, in order to capitalise on James' retail experience. This property trading company was entirely retail focused and concentrated on purchasing under-managed, secondary shopping centres and retail parades in the UK. On purchasing an asset, Remor implemented a series of active management initiatives following which assets were sold.

Squarestone Atlantic Regeneration

In 2005, SPIM recognised an opportunity to restore the dilapidated riverfront in Portugal's second city Oporto. Subsequently, a joint venture was established with Rockspring Iberia (with funds additionally coming from a number of SCLLP investors), and two prominent riverfront sites were secured. The first development, completed in December 2009, consists of 45 luxury apartments and marketing of these has now commenced. This development demonstrated a number of skills, including cross-border investment, successful design/planning and managing a detailed and complex 20-month construction programme.

Alignment of Interests

The Directors (together with the interests of related family vehicles) and Cláudio Politi will, following Admission, and completion of the Conditional Acquisitions and the allotment of the Reinvestment Shares, have approximately £7.5 million invested in the Company equating to in aggregate approximately 18.4 per cent. of the Enlarged Share Capital of the Company. The Directors believe that this level of investment in the Company provides a significant alignment of interests between the Directors of the Company and its Shareholders.

Management incentivisation arrangements have also been put in place which will further align the interests of the Management Team with the interests of the Company and its Shareholders. Further details of these management incentive arrangements are set out in Part 3 of this document.

4. Business Overview

Mall Development and Investment Strategy

Following Admission, the Company will expand upon the business strategy developed and implemented by SB ManCo and SPIM to date, namely the acquisition, development, management of, and investment in, Brazilian shopping mall assets.

The Company's key strategic objectives are:

- *Geographical focus on Southern Brazil*
The Company's development (and investment) activities will be focused in Southern Brazil, initially within Greater São Paulo, and in the future potentially other major cities in the region, including Rio de Janeiro. The Company will typically seek project locations which have a substantial catchment area and are characterised by a limited existing supply of shopping mall space, offering the Company the potential to create a dominant shopping mall destination.
- *Where funds permit, acquire outright or controlling interests*
Where funds permit, the Company will aim to secure a minimum 50 per cent. economic interest in an individual project together with management control. Where the Company enters into joint venture arrangements in relation to individual projects, the Company will always seek to retain development control, in addition, the Company would intend to charge management fees to the joint venture.
- *Act as development manager*
Where the Company does not have sufficient funds to acquire outright or controlling interests in individual projects it will, where possible, aim to secure a minority economic interest, in conjunction with bringing in majority joint venture partners. In such circumstances, the Company would aim to

secure a role as project/development manager for which it would expect to receive both project/development management fees and a profit share. Should the Company be able to raise additional funds it may look to increase its economic interest in such projects.

- *Develop a portfolio of interests in area dominant shopping malls*

The Company will operate malls to a high standard via an established management team, with the intention of creating malls which dominate their local catchment areas. The Company would typically aim to develop a new shopping mall providing a minimum 20,000 sq m NLA and further would aim to deliver a unique retail offering within the chosen catchment area. The Company typically expects to develop its own assets as many of the existing shopping malls in Greater São Paulo are considered by the Directors to be of an insufficient standard to meet the Company's strategic objectives and investing criteria. Furthermore, the Directors believe competition from the established mall-owning Brazilian companies will make acquisitions of existing investments challenging. The Company does not intend to compete with these traditional real estate purchasers. However, the Directors anticipate that, by developing new quality shopping malls, the Company will potentially be able to attract such parties as end buyers of its projects. This will involve the Company continually seeking new sites in order to maintain a strong pipeline of investment opportunities.

- *Deliver two different "products" to market*

Using Golden Square Mall as a platform asset, the Company's objective is to continue to deliver a quality retail experience catering to two different consumer categories, namely the B Class and the C Class.

- *Introduce quality and innovation*

Delivering quality and innovation to the Brazilian shopping mall sector is at the heart of the Company's business strategy. This will be achieved through a careful process of identifying and acquiring attractively valued development sites and a disciplined and focused programme of planning, design, construction leasing and mall management. The Company will also seek to ensure high quality operations through in-house asset management, to include central invoicing, rent collection and arrears management.

- *Deploy international ideas and expertise*

The Company intends to combine international ideas in shopping mall design, development and management with the local culture, tastes and fashions of Brazil in order to deliver a quality retail experience tailored for Brazilian consumers. The Company intends that its shopping malls will focus on increasing consumer dwell time and thus expenditure. It is therefore intended that higher expenditure will ultimately increase income to the malls and consequently increase their respective values.

- *Maximise Shareholder returns*

The Company will always seek to maximise returns to Shareholders in a tax efficient manner, and the Directors believe this will be achievable, on or after completion of a development, via a number of potential means including:

- the sale of the whole of, or a partial interest in, an asset;
- a refinancing of an asset, possibly through securitisation; or
- a trade sale of an entire portfolio or, if appropriate, the Company itself.

Business Strengths

Squarestone Brasil believes that it will have the following key competitive strengths:

- the Company has a highly experienced Board, including the three co-founders of the business who will all be Executive Directors, in addition to which the Board has three highly qualified Non-executive Directors, providing a balance of experience gained in Brazil, other emerging markets, international real estate, finance and public companies;
- the Company will additionally benefit from having: an established, wholly-owned operational management team in São Paulo; access to the combined 100 years of experience provided by the Company's three retail and shopping mall experts, Michael Poynor, Neil Varnham and Cláudio Politi;

and additional services provided by SPIM in London, which will ensure Western European levels of reporting, corporate governance and Shareholder communication;

- the Directors (together with the interests of related family vehicles) and Cláudio Politi will, on completion of the Conditional Acquisitions and the allotment of the Reinvestment Shares, have a significant combined interest in the Company equating to approximately £7.5 million (equating to approximately 18.4 per cent. of the Enlarged Share Capital);
- additionally, the Management Team, including the Executive Directors, will only benefit from management incentivisation arrangements that have been put in place once an annualised 15 per cent. Net Asset Value hurdle has been achieved by the Company. 50 per cent. of any incentivisation payments will be reinvested in Ordinary Shares, which will then be subject to lock-in arrangements over a three year period, thus further aligning the interests of the Management Team with those of Shareholders;
- the Company will focus exclusively on the Brazilian shopping mall sector, where the Management Team has been active on the ground for the last 3 years, in the process building up a local contact base, an established management operation in São Paulo and a pipeline of identified shopping mall development opportunities;
- the Management Team has gained experience in the acquisition, planning, design, construction, leasing and management of shopping malls in Brazil;
- the Management Team is committed to raising the current standards of Brazilian shopping malls, and thereby delivering a higher quality retailing experience to the local consumer through the adoption of an uncompromising approach to design, construction and operation, by drawing upon international experience and by importing, where required, specialist expertise;
- the Company will, through the Conditional Acquisitions, take ownership and control of a local management company and an existing shopping mall asset, thus providing an immediate platform from which to exploit the exciting growth potential of the Brazilian shopping mall sector; and
- the Company will also access, through the SB ManCo Acquisition, an identified pipeline of shopping mall development opportunities which (facilitated by the proceeds of the Placing) if progressed, would further enhance the reputation of the Company's business and its potential profitability.

Strategic Partner

On 10 February 2010, SB ManCo received a letter of intent from BTG Pactual. Under the terms of this letter of intent BTG Pactual has indicated that it intends to raise up to R\$300 million within a new Squarestone Brasil dedicated investment vehicle in order to co-invest as a joint venture partner with the Company, at the asset level, in the Company's current and future projects. Following Admission, and when combined with the proceeds of the Placing, this potential financing source would, if secured, enhance the Company's ability to maximise the potential offered by Golden Square Mall and the Prospective Pipeline.

BTG Pactual is a leading Brazilian independent investment bank and asset management company and one of the largest independent investment banks based in emerging markets, with over 25 years experience and recognised success in both the Brazilian and international markets. It is one of Brazil's leading wealth managers, with US\$12.4 billion under management, whilst BTG Pactual Asset Management is a leading asset manager with US\$34.4 billion under management.

5. Formation of Squarestone Brasil Group

The Squarestone Brasil Group will constitute, on Admission, an established local management team (to be acquired pursuant to the SB ManCo Acquisition) and an existing shopping mall asset (to be acquired pursuant to the Golden Square Acquisition).

The Golden Square Acquisition

Golden Square Mall, prior to its acquisition by the Company, is held by SB2 FIP (which is currently under the indirect management of SB ManCo and SPIM). The Company has entered into an agreement to acquire, conditionally upon Admission, the corporate structure (including SB2 FIP and Golden Square S.A.) within which Golden Square Mall is held. Following Admission and completion of the Golden Square Acquisition, the Company's interest in Golden Square Mall will therefore be held via SB2 FIP and will be

internally managed by the Company. Further details of the proposed group structure following Admission are set out in Part 5 of this document.

The property comprises a shopping mall development located in São Paulo which will, on completion, provide approximately 31,000 sq m NLA. The development is currently unlet with completion anticipated in mid-2011, however, approximately 78 per cent. of the proposed NLA is currently subject to tenant commitments or is under negotiation. Golden Square is intended to provide a high quality, 'next generation' consumer experience based on international standards of design, retailing and operation. The Directors believe Golden Square Mall will provide the highest quality retail offering within its catchment area.

The consideration for the Golden Square Acquisition, which is on a debt-free basis, is approximately £17.5 million. This reflects 50 per cent. of the valuation of the whole property (being R\$134.6 million, equivalent to approximately £49.9 million), equating to approximately £24.9 million, less a net balance of approximately £7.4 million reflecting, *inter alia*, outstanding committed but undrawn funding liabilities and cash held in SB2 FIP and which also closely approximates to the aggregate equity invested (including accrued interest on investment loans) by the vendors since acquisition.

Approximately 64 per cent. of the consideration for the Golden Square Acquisition will be satisfied by the issue, on Admission, of in aggregate, 11,240,000 new Ordinary Shares (with Warrants attached) at the Placing Price to the vendors (which include the Directors and their related family vehicles), with the balance of approximately £6.3 million to be satisfied in cash following Admission from the proceeds of the Placing. A proportion of this cash consideration will be reinvested in Ordinary Shares (with Warrants attached) by Verzasca (a company controlled by Cláudio Politi) which holds an approximately 2.3 per cent. holding in Golden Square S.A. and whose interest is being acquired by SB2 FIP as part of the Golden Square Acquisition.

The Valuation Report for Golden Square Mall is reproduced in Part 7 of this document. Further details relating to Golden Square Mall are included in Part 2 of this document.

The SB ManCo Acquisition

SB2 FIP has entered into an agreement to acquire, conditionally upon Admission a 100 per cent. interest in SB ManCo, which is currently co-owned approximately 34 per cent. by a company controlled by James Morse and approximately 66 per cent. by SPIM. SB ManCo is a fully operational management platform operating from São Paulo, led by James Morse as resident managing director, and employing a dedicated local Brazilian management team comprising, in addition to James Morse, seven staff who provide in-house construction, development, leasing, mall management, legal and financial expertise. The consideration for the SB ManCo Acquisition is £1.25 million (consisting of fixed assets and goodwill) to be satisfied on Admission from the proceeds of the Placing. SPIM and James Morse have agreed to reinvest the cash consideration received (after allowing for the payment of estimated contingent tax liabilities) by subscribing for, in aggregate, 875,000 new Ordinary Shares (with Warrants attached) at the Placing Price.

Further details on the SB ManCo Acquisition are set out in Part 2 of this document. Further details on the senior management of SB ManCo are provided in Part 3 of this document.

The Prospective Pipeline

The Company will also, at Admission, have access to a pipeline of further identified opportunities. This pipeline consists of three shopping mall development opportunities, Bandeirantes, Carapicuíba and Canoas, currently in various stages of negotiation. Further details on the Prospective Pipeline are set out in Part 2 of this document.

Prospective Bonsucesso Mall Reinvestment

It is the current intention of the SB1 Investors to sell Bonsucesso Mall by the end of December 2010. The Executive Directors have agreed to reinvest £1 million arising from a sale of Bonsucesso Mall into the Company. Receipt of the proceeds of sale by the Executive Directors must occur on or before 31 December 2010. In these circumstances the reinvestment would take place at the Placing Price and with Warrants attached on a two for three basis. Further details of the reinvestment are set out at paragraph 7.7 of Part 12 of this document.

6. Asset Strategy

The Directors believe the Company's asset strategy will differentiate itself from the current business practices of existing Brazilian mall operators. Greater attention to detail, design and management are intended by the Company to deliver enhanced returns to, and reduce risk for, Shareholders. The specific areas where this approach will be visible, are detailed below.

Acquisition

The Company's focus will be on the acquisition of development sites either as a significant investor or as project/development manager, possibly with a minority economic interest, in conjunction with joint venture partners. The purchase of standing assets will only be considered where further expansion/development potential can be identified.

The Company will not, however, acquire land without retail zoning consent, although it will secure land through options or refundable deposits, prior to the receipt of detailed planning. As part of the due diligence process, the Company will undertake initial environmental surveys and an environmental impact assessment will be prepared as part of any detailed planning application. In addition, when acquiring standing investments the Company will undertake structural surveys including intrusive investigation for hazardous materials.

Viability

Aside from considering the legal and physical aspects of any potential acquisition, the Company will undertake an in-depth retail viability study. SB ManCo has previously worked closely with GIS Market, a specialist Brazilian retail research company, who would consider issues such as:

- demographics – primary, secondary, tertiary catchment areas;
- spending – tiered breakdown of A, B, C, D and E consumer classes;
- access and transport links;
- competition – examination of size, focus and quality of any competing malls; and
- the optimum size of the proposed development and its target consumer audience.

Design

The Company will work with local and international architects in the design phase. The local architect is responsible for liaison with the planning and other statutory authorities and ensuring adherence to any local planning and transport guidelines/restrictions.

The master-planning of the Company's malls is expected to come from international mall architects, such as Chapman Taylor and Building Design Partnership, both firms being renowned and award-winning mall designers. This approach will bring a wealth of experience and ideas to the Company's development projects, underpinning the Company's strategy of introducing innovation to the Brazilian shopping mall sector.

At this stage of the development process, close consideration will be given to the catchment area surrounding the prospective mall. The balance of B or C Class consumers will dictate the overall design brief for the mall, which will be designed to cater to the distinctly different commercial drivers of these two sets of consumers. The B Class retail offering will focus on desire/leisure retail, with a greater degree of interior design, and offering, amongst other things, international brands, gourmet dining and valet car parking. The C Class retail offering will provide a blend of necessity retail and desire/leisure retail and would generally therefore, be anchored by a hypermarket. In the Directors' experience, C Class malls typically have a larger foodcourt element as many families visit purely to dine in a secure and climate controlled environment. SB ManCo has worked with a leading specialist foodcourt consultancy, Coverpoint, in order to maximise the efficiency and turnover of foodcourt operations and intends to work with them again in the near future.

Leasing

The Company intends to take a more analytical and strategic stance than is generally common in the Brazilian market in relation to the leasing of shopping malls. The Company will carefully identify the key brands which it wants represented and their optimum position in a mall. The intention is to create “brand clusters” where similar types of operators, such as high-end, international, youth/urban and sports fashion are co-located in the same area of a mall. The Company considers that the correct mix and positioning of retailers in a mall is essential to assist with comparison retailing, to enhance consumer satisfaction and to increase dwell time. The Company ultimately intends to have two in-house leasing specialists, entirely focused on new projects whose primary responsibility will be to secure lettings to international tenants and anchor units. Control of these key tenant negotiations is essential for a successful pre-letting campaign. The Company will continue to use external leasing agents for satellite units.

The Company will also maintain a tight control on certain tenant types and will not permit potentially disruptive or undesirable uses, such as nightclubs and bowling alleys. These types of tenants generally pay low rents and can reduce the overall aesthetic feel and potentially the economic value of a mall.

International Retailers

The demand for internationally recognised brands from the local population, combined with the scale of Brazil’s retail sector, make it a potentially attractive market for international retailers. However, high import duties have provided a significant barrier to entry and there are few international retailers currently operating in the market. The Company intends to leverage the expertise and contacts of its appointed retail experts, in particular Michael Poynor, in order to attract new international retailers to Brazil.

SB ManCo is currently working with a number of international retailers and believes that, if import duties can be mitigated, their inclusion in malls would be highly beneficial to achieving the Company’s objective of increasing the overall consumer experience in Brazil. The opening of international brands in Brazil has, historically, generally met with considerable enthusiasm from local consumers. By attracting new international retailers, the Company intends to generate greater footfall, thereby creating a beneficial “ripple effect” throughout the rest of a mall.

Ongoing Management

In the Directors’ experience, mall management in Brazil is frequently outsourced to management companies who receive fees as a percentage of rents received for their services. The experience of SB ManCo to date has been that these companies generally offer a sub-standard service. As a result, the Company intends that the management of its assets will be conducted in-house in order to deliver a higher quality service. The Company will manage its rental billing and collections in-house, believing that greater accuracy of billing and tighter control of arrears can be obtained by directly managing these items. SB ManCo is also convinced that, ultimately, the introduction of a central billing system would result in considerable economies of scale, as further malls are managed. This is anticipated to deliver lower condominium charges and thus potentially higher net rents receivable.

The legal system in Brazil is generally more supportive of tenants than landlords. It is therefore essential that any mall operator maintains a close focus on rental arrears and ensures that a rigorous recovery system is in place. In the experience of SB ManCo, face-to-face negotiations with tenants are frequently the most effective method of monitoring and recovering rent arrears. The Company’s mall management strategy will also focus on the following:

- security, both in the mall and car parks;
- cleanliness/hygiene of the mall;
- the development of structured maintenance programmes;
- turnover auditing;
- direct tenant liaison; and
- close supervision of condominium suppliers and charges.

7. Construction Management

The Company intends to bring an international standard of development management to the Brazilian shopping mall sector. This approach focuses heavily on tight budgetary control and on-time delivery. Due to large import taxes on goods and materials entering Brazil, it is essential to maintain a cost-conscious approach to the selection of materials and equipment.

Design

The Company will place considerable emphasis on design quality and will utilise the best local construction practices. These essential components are managed through the selection and appointment of the design team, which integrates international retail knowledge and practices with local sector expertise. In relation to Golden Square Mall, Chapman Taylor has provided international lead design services, with the remaining design team being local consultants, who have extensive experience in retail development. The Company's Development Director, Chris Coulson, will be actively involved throughout the process, providing a single point of contact with the design team.

Design review sessions are held at set stages in the construction process and on completion. This reduces abortive design work, allows cost plans to be reviewed and evolved in tandem with the design process, promotes regular cost value engineering and provides a good interface with the commercial leasing team. The Company's Development Director will be supported by a local project and cost management company, which will provide support in managing progress versus programme, adhering to the Company's brief, commercial expectations and the agreed budget.

The Company will undertake a peer review of all mechanical and electrical designs and on any complicated or costly structural components. This review is typically undertaken by a leading international design consultancy (such as Ove Arup & Partners) which will analyse the base design parameters, system selection, layout efficiencies and design quality.

Cost Control

For cost certainty, projects will be tendered on a fixed price, lump sum basis. Contractors are selected through a pre-qualification process and a tender list is drawn from a mix of international, national and regional contractors. Due to the high quality of the tender information, complete and very competitive bids can be expected, mitigating the risk of future claims and cost overruns.

Construction Contracts

Construction contracts will be based on a European fixed price model. The contract will generally include a performance bond, penalties for late stage completion, quality guarantee periods, retention on monthly payments, an agreed programme and payment schedule subject to monthly progress valuations, and a handover protocol for stringent testing and commissioning of the mall. Such contracts are now becoming more common in Brazil.

Construction works are administered by the project and cost management company, which reports directly to the Company's Development Director. Tenant fit out design and subsequent works will be directly monitored by a separate local project management company which specialises in this area. They will report directly to the Company's Development Director.

8. Financial Management

Overview

Given the Company's principal activity as a commercial real estate developer, the Company is not expected to generate any significant income for the foreseeable future with which to either fund the ongoing development costs of a particular project or with which to secure debt financing (other than on a project basis). Therefore the Directors expect that the Company's operations will, until such time as development projects are completed and income-producing, have an intensive requirement for equity capital.

The capital-intensive nature of the Company's operations is likely to be exacerbated, at least in the shorter term, due to the immaturity and inherent conservatism of the banking sector in Brazil, but especially with regard to the real estate development sector. In the Directors' experience relatively few domestic or

international banks offer lending on an individual real estate asset basis. The Directors believe that lack of real estate expertise and understanding within banks in Brazil makes the securing of construction or investment loans more challenging. It is anticipated by the Company that, in time, commercial debt availability will increase, together with the emergence of more cost-effective, customer friendly structures. This would allow the Company, in due course, to potentially enhance its equity returns by employing more leveraged structures than are currently assumed by the Company.

Within the constraints posed by capital markets, the Directors will seek, wherever possible, to optimise the Company's capital structure and thereby also potentially optimise returns to Shareholders. The Company will aim to ensure that any equity capital invested at the project level will be deployed in a tax efficient manner.

Borrowing Strategy

The Company will not have a formal borrowing policy and there are no borrowing limits enshrined in the Articles. The Directors fully intend, at their discretion, to seek to maintain a prudent level of gearing which appropriately balances the desire to enhance Shareholder returns against the inherent risks to equity posed by leverage. Following Admission and completion of the Conditional Acquisitions, the Company will have no existing borrowings.

The Company's borrowing strategy will be adapted to suit the prevailing market conditions from time-to-time. The Company's strategy will be to secure project-specific development debt financing for up to 60 per cent. of the construction costs of a project, typically equating to up to approximately 40 per cent. of total development cost. On completion of a development project, the Directors intend to refinance construction loans, but believe that borrowings on any individual property are unlikely to exceed 60 per cent. of investment value at the time of its completion and/or subsequent refinancing. Interest on loans in Brazil contains an inflation linked element, which is variable through one of two inflation measures, IGP-M and IPCA. This inflation adjustment considerably adds to the cost of servicing loans.

Development Costs

Development costs on individual projects are expected to be financed, in addition to the proceeds of the Placing, from the following five principal sources:

- project-related debt financing;
- refinancing construction loans;
- securitisation;
- securing joint-venture partners; and
- follow-on equity fundraisings.

Project-related debt financing

It is possible to secure construction finance from a few sources in Brazil, although banks have typically restricted project-related debt financing to the construction element of a development only (therefore excluding the site cost and any ancillary marketing costs). In this case, a typical lending ratio would equate to no more than 60 per cent. of construction-related costs. Following completion of the development, the construction debt would typically be converted into an amortising investment loan. Amortisation periods are short and usually between five and seven years, with 100 per cent. principal repayment.

In the Directors' experience, local conventions, coupled with inherently conservative lending criteria, inevitably means that commercial real estate development in Brazil requires a significantly higher proportion of equity capitalisation than typically seen in Western Europe and North America.

Refinancing construction loans

On completion of a development, the Company would seek to refinance any shorter term construction loans, putting in place a term loan investment facility. Investment loans secured on income are more readily available than construction finance and the Company would expect to be able to achieve a loan-to-value ratio on refinancing in the order of 60 per cent. of completed investment valuation. The Directors believe that the amount of debt that can be secured will be largely dependent on the valuation of the development

at completion, taking into account the income security offered by the level of letting and the resulting projected net operating income (NOI) on a stabilised basis.

Securitisation

The Company may also look to refinance via the local Brazilian (retail) securitisation market, which is relatively well developed compared to Brazil's other lending conduits. Securitisation offers the potential opportunity for the Company to secure longer term financing at competitive margins. There are several commercial finance houses that specialise in structuring and packaging these debt instruments. Although there are greater operational restrictions with a securitisation, the interest rates are generally lower, currently at between 7 per cent. and 14 per cent. per annum. Securitisation instruments typically have a 6 to 16 year duration, with no amortisation. In contrast to typical asset securitisations in other mature markets, securitisations of individual assets in Brazil can be completed with considerably smaller lot sizes than would typically be achievable in Western Europe and North America.

Securing joint venture partners

In order to reduce the Company's overall capital commitment to a project, the Company will seek joint venture partners for its development projects where appropriate. The Company intends to retain at least a 50 per cent. interest in any joint venture. The Directors' expectation is that joint venture partners would provide a combination of both capital and expertise, whilst the Company would retain control over day-to-day operations, project development and management and also key decision-making processes. Under a typical joint venture arrangement, the partner would be expected to match on a pro-rata basis any costs already incurred by the Company (for example site assembly, acquisition and planning costs). Thereafter the joint venture partners would typically invest on an equal basis.

Follow-on equity fundraisings

Given the Company's anticipated intensive use of capital, the Directors may consider undertaking further equity fundraisings. However, the Directors' current intention is that no further equity fund raisings will be undertaken until the Company has proven the viability and profitability of one of its development projects through a realisation or a refinancing.

The Directors would also consider, at an appropriate time in the future, applying for the Ordinary Shares of the Company (or another member of the Squarestone Brasil Group) to be publicly listed in Brazil. Whilst this is not an option that the Directors intend to pursue in the immediate future, a local listing is, nonetheless, considered to be a potentially viable future source of secondary fundraising.

9. Use of Placing Proceeds

The Directors intend to deploy the proceeds of the Placing as follows:

- approximately £6.3 million, to satisfy the cash component of the Golden Square Acquisition, and then a further estimated £20 million to subsequently fund the Company's ongoing capital commitment, amounting to 50 per cent. of any capital required to complete the development;
- to facilitate the Company's involvement in two of the potential projects detailed in the Prospective Pipeline (namely Bandeirantes and Carapicuíba).

Given that the proceeds of the Placing will be insufficient to enable the Company to pursue the Prospective Pipeline opportunities with majority equity ownership it is anticipated that pending the potential raising of further funds the Company might use the proceeds of the Placing to initially secure minority equity stakes in such projects in conjunction with third party joint venture partners.

10. Financial Analysis and Returns

When assessing the viability of a new project, the Company will consider a number of criteria. On each project, the impact of any potential variance in important factors such as rental values, lease up and vacancy rates, capitalization rates, construction costs, timing, mall running costs, interest rates and leverage will be fully appraised in the decision-making process. Extensive scenario modelling and sensitivity analysis will be undertaken to ensure these risks and rewards are fully understood. This will also generate the pricing parameters for site valuation and help determine an optimal capital structure for an acquisition.

The Company will consider the following objectives when appraising potential opportunities:

- any project committed to by the Company must be capable of delivering returns in excess of the Company's cost of equity capital, which the Directors consider to be a minimum 15 per cent., consistent with the hurdle above which the Management Team's incentivisation starts to crystallise;
- to realise superior equity returns for Shareholders, through actively recycling invested equity capital, either through a disposal or through a refinancing of a completed development.

In pursuing these objectives, the Board will consider a number of key performance criteria. The criteria will include:

- *Net rental income (NRI)*

The NRI is a shopping mall's recurring net income and includes, *inter alia*, base rental income, turnover rental, car parking, advertising and any other ancillary service income. Lease premiums are excluded from the calculation of NRI as these are one-off, non-recurring revenues. A running vacancy rate is also assumed in all appraisals.

- *NOI and margin*

The key operational performance metric for a shopping mall is considered to be its NOI and resultant NOI margin. NOI can alternatively be seen as the 'mall profit' or 'mall EBITDA', therefore it ignores the impact of capital structure (i.e. the use of debt) on returns. The Company adopts a definition of NOI which is widely used in measuring the performance of mall operators in Brazil (and also in North America), being a mall's recurring net income (the NRI), less its recurring running costs. Recurring costs include, amongst other things, any mall management costs (that are non-recoverable through the tenant's condominium charge), taxes (the PIS/Cofins tax which is levied on rental income), an allowance for maintenance capital expenditure and any other running costs (such as legals, accountancy and store auditing costs). The Directors would expect a project to achieve a 'stabilised NOI margin' (NOI expressed as a percentage of NRI) in the order of 80 to 85 per cent., which assumes full occupancy (less a running vacancy) 12 months after completion.

- *NOI capitalisation rate*

This is the rate applied to a project's projected 'stabilised NOI' in order to generate a hypothetical future exit valuation. Generally rates between 9 per cent. and 10 per cent. are currently considered by the Directors to be appropriate against market benchmarks. The rate chosen will depend on the overall positioning and quality of the mall, with the lower yield range applicable to a A/B Class mall and the higher yield range applicable to a B/C Class mall.

- *Return on invested capital (ROIC)*

ROIC is the NOI expressed as a percentage of the total capital employed (i.e. debt and equity) in a project. It should be regarded as the running return or yield, after mall running costs, that will be generated from a project on completion. The Directors consider ROIC to be a key performance criteria when assessing the viability of a project and would typically be looking for a 15 per cent. return on this basis from a development project.

- *Internal rate of return (IRR)*

The Directors will conduct a detailed IRR analysis on all its projects although it is not considered to be the key metric. If the Company were to evaluate its projects solely on the basis of IRR it would almost always inevitably result in a decision to sell at the point of completion.

Prior to committing to a development project the Directors will typically expect a project to be capable of delivering an IRR return of 30 per cent. on an equity (i.e. geared) basis, making the key assumption that the property would be held for a suitable period post completion, in order to reach a fully leased, stabilised NOI status.

- *Cash-on-cash income return*

A project's cash-on-cash income return is the net income after all costs including bank interest (but assumed before the payment of any tax on income) expressed as a percentage of the total equity invested in a project. The Directors consider this performance metric to be critical to the evaluation of the viability of a project and would typically expect a development project to demonstrate its ability

to generate a cash-on-cash income return of around 16 to 18 per cent. upon completion and after a suitable lease up period to sustainable NOI.

- *Equity multiple, equity profit and development margin*

The equity multiple (otherwise known as the ‘realisation multiple’) is at the heart of a private-equity style investment evaluation and is the total cumulative return (capital plus income) on equity, expressed as a multiple of the total invested equity capital. For a project-based company, it is also an important metric to better understand how effectively a company’s equity capital is being deployed and recycled or ‘turned over’. The Directors would typically expect a development project to be capable of delivering an equity multiple in the order of 2x, meaning that the total equity invested would be returned plus the same amount again as profit. Alternatively, this can be expressed as a return on equity (ROE) percentage, so a 2x equity multiple simply equates to a 100 per cent. ROE. Another way to consider how profitable a project is on an equity basis is to look at the total equity profit, expressed as a percentage of the total cost of the development which, for a development, is the ‘development margin’. The Directors would typically expect the margin on this basis to be in the order of 70 per cent.

11. Dividends and Exit Strategy

As a developer, the Company does not intend to pay regular dividends, however, following a refinancing or securitisation of individual assets, the Company will seek to return proceeds to Shareholders in a tax efficient manner, which could include by way of dividends, share buy-backs or tender offers.

The Company believes that, once completed, individual assets will be attractive acquisition targets for other Brazilian mall operators or institutional or private investors. The Company also believes that, subject to securing additional funding, if the Company is able to assemble a completed portfolio of malls it would potentially be a take-over target for a larger local trade buyer.

PART 2

THE GOLDEN SQUARE ACQUISITION, PROSPECTIVE PIPELINE AND SB MANCO ACQUISITION

1. The Golden Square Acquisition

Agreements have been entered into which will result, on completion, in the Company owning a 50 per cent. economic interest in Golden Square Mall. Further details of the Golden Square Acquisition are set out below.

Location

Golden Square Mall is situated on Avenida Kennedy in the Anchieta borough of São Bernardo do Campo (a major city of the ABC region of Greater São Paulo) which is 20 kilometres from central São Paulo. São Bernardo has a population of 814,800, with 89.6 per cent. of Golden Square Mall's primary catchment area being categorised as either upper middle class (A/B Class) or middle class (B/C Class). Golden Square Mall is situated in an area of dense residential use. Avenida Kennedy is the principal street in central São Bernardo and, other than residential properties, consists of retail units, entertainment areas and public buildings.

Description

Golden Square Mall is currently vacant and undergoing a redevelopment and expansion programme to provide 234 units, with an aggregate NLA of approximately 31,000 sq m on completion.

The pictures below shows the original mall on acquisition and an artists impression of the completed mall.



History

In September 2008, SB2 FIP acquired a 50 per cent. interest in Golden Square Mall. Since the original acquisition of the interest in Golden Square Mall, a design, permitting and pre-letting process has been undertaken. The first construction phase has been completed and the tendering process for the main contract works is underway. The structural phase of the development works is due to start in the second quarter of 2010.

Tenancy and rental income analysis

The Company currently anticipates Golden Square Mall, once completed, will consist of 234 units to be made up of 192 satellite stores, 6 anchor stores, 14 megastores and 16 kiosks.

SB ManCo has current commitments, or is currently negotiating with over 180 prospective tenants, which represents approximately 78 per cent. of Golden Square Mall's proposed total NLA at completion. The following table sets out the projected average base rents for Golden Square Mall after the redevelopment has been completed:

<i>Unit Type</i>	<i>Projected NLA at completion (sq m) (approx)</i>	<i>Percentage of NLA (approx)</i>	<i>R\$ per sq m per calendar month</i>
Anchors	9,523	31	20 – 30
Megastores	6,436	21	40 – 60
Satellites	14,690	47	120 – 160
Kiosks	281	1	8,000 – 10,000 per unit
Total	30,930	100	

Competition

The closest shopping mall, Metr pole Shopping Centre (NLA of approximately 24,500 sq m), is 1.5 kilometres away from Golden Square Mall. However, the Metr pole Shopping Centre has a high vacancy rate and is currently performing badly and therefore the Directors believe it will not significantly compete for the customers they believe Golden Square Mall will attract.

Business plan

The first phase of the redevelopment of Golden Square Mall (which includes demolition, excavation and enabling works) has been completed. The Directors anticipate the next phase of the redevelopment will commence in the second quarter of 2010 and that the redevelopment will be completed in the second half of 2011.

Valuation

The Valuation Report reproduced at Part 7 of this document has valued the current 100 per cent. interest in Golden Square Mall at R\$134.6 million.

Audited financial information for 2008 and 2009 for SB2 F1P, which holds the current 50 per cent. interest in Golden Square Mall, is included in Part 7 of this document.

2. The Prospective Pipeline

SB ManCo, which the Company has agreed to acquire conditionally upon Admission, has identified a number of potential shopping mall opportunities. The following are the potential opportunities which, of all the Company's future opportunities, are at the most advanced stage of negotiations. In the absence of available funds to enable the Company to secure majority economic interests in these opportunities (the Company's preferred strategy) the Company will aim to participate in these pipeline opportunities by introducing joint venture partners who would take majority interests. Where funds allow, the Company would aim to participate on a minority basis in such projects in which case it would also aim to secure project/development management fees and a profit share. Should the Company be successful in raising further funds in the future, it would aim to increase its economic interest in such projects.

2.1 Bandeirantes

Location

This site is positioned on S o Paulo's internal orbital highway between two arterial highways and is surrounded by a large upper middle class (A/B Class) and middle class (B/C Class) catchment area. The Directors believe the site's access links would enable a future mall at Bandeirantes to have a larger catchment area than a typical Brazilian shopping mall.

Description

The Directors believe Bandeirantes is an exceptional opportunity that would be a flagship project for the Company. Having worked closely with international architect Chapman Taylor to design a new high quality scheme SB ManCo is currently negotiating with the existing owners of the Bandeirantes site with the intention of securing the site in conjunction with a joint venture partner.

It is the Company’s current intention to initially acquire a minority stake in the project in conjunction with a majority joint venture partner. It is intended that the Company will have responsibility and control over the development, pre-letting and management of the asset.

The artist’s impression and plan below show the completed development.



Tenancy and rental income analysis

The Directors anticipate that the Bandeirantes mall, once completed, would consist of approximately 62,000 sq m of NLA in total, which would comprise the NLA breakdown shown in the table below. The mall would have car parking with a capacity for 7,000 vehicles. The intention is to target key anchor, domestic and international tenants with the objective of delivering a superior tenant mix. The Directors believe this will be a key consumer draw for Bandeirantes mall. The following table sets out the projected average base rents for Bandeirantes mall:

<i>Unit Type</i>	<i>Projected NLA at completion (sq m) (approx)</i>	<i>Percentage of NLA (approx)</i>	<i>R\$ per sq m per calendar month*</i>
Anchors	12,000	20	20 – 30
Megastores	10,000	16	40 – 60
Satellites	35,500	57	100 – 140
Kiosks	2,500	4	8,000 – 10,000 per unit
Cinema	2,000	3	15 – 20
Total	62,000	100	

*The projected average base rents are based on SB ManCo’s letting experience of Bonsucesso Mall.

Competition

Bandeirantes is intended to offer the best retail experience in its catchment area. The closest regional shopping mall, Center Norte (which the Directors believe is dated in its appearance and customer experience), is 11 kilometres away which is believed to be a sufficient distance to not adversely impact Bandeirantes.

2.2 Carapicuíba

Location

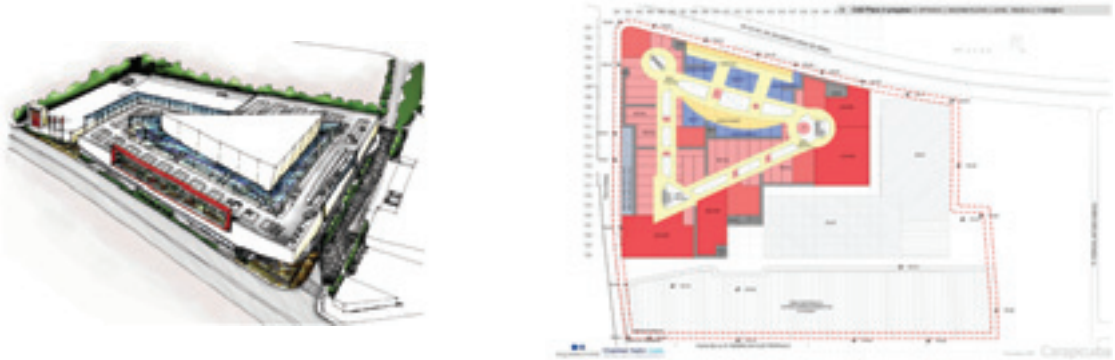
Carapicuíba is situated approximately 23 kilometres north-west of central São Paulo on a new orbital motorway, with improving transport links to central São Paulo and has a catchment area of 690,000 people. The catchment area of Carapicuíba is predominately skilled working class (C Class).

Description

SB ManCo has identified a site in Carapicuíba which the Directors believe is suitable for the development of an approximate 36,900 sq m shopping mall, targeted at the C Class consumer, to be called the

Carapicuíba Shopping Mall. SB ManCo has agreed the terms of a joint venture arrangement with the current owner of the site (a local industrialist) in order to prepare a masterplan. It is the Company’s current intention, subject to sufficient funding, is to acquire a minority interest in the project in conjunction with a joint venture partner and the existing owner (who would retain a 25 per cent. stake). It is intended that the Company would retain responsibility and control over the development, pre-letting and management of the asset.

The artist’s impression and plan below show the completed development.



Tenancy and rental income analysis

The Directors believe that the Carapicuíba Shopping Mall, once completed, would consist of approximately 36,900 sq m of NLA in total which would comprise the NLA breakdown shown in the table below. Tenda Atacado, the supermarket at Bonsucesso Mall, also operates from the Carapicuíba site. SB ManCo has also received indications from a number of the retailers operating in Bonsucesso that they would be keen to acquire leases in the Carapicuíba project. The following table sets out the projected average base rents for the Carapicuíba project:

<i>Unit Type</i>	<i>Projected NLA at completion (sq m) (approx)</i>	<i>Percentage of NLA (approx)</i>	<i>R\$ per sq m per calendar month*</i>
Anchors	9,000	24	15 – 20
Megastores	2,000	5	30 – 40
Satellites	18,500	50	65 – 100
Kiosks		2	3,000 – 4,000 per unit
Restaurants and fast food	3,500	9	80 – 110
Cinema	2,600	7	15 – 20
Others	1,300	3	40 – 80
Total	36,900	100	

*The projected average base rents are based on SB ManCo’s letting experience at Bonsucesso Mall.

Competition

There is currently no competing shopping mall in Carapicuíba, however, the Directors are aware that plans exist for the construction and development of such a mall in the future. There is a retail zone on the Carapicuíba high street, but the Directors believe that the units are dated, access is difficult and the car parking facilities are considered to be poor.

2.3 Canoas, Porto Alegre

Location

This site is located at the junction of two of the busiest highways in Rio Grande do Sul and enjoys excellent customer access and prominence as a result.

Description

SB Canoas S.A. (of which 99.9 per cent. is held by SB2 FIP) originally entered into an exclusive option in August 2008 over a site in the state of Rio Grande do Sul which the Directors believe is suitable for the development of a shopping mall up to 40,000 sq m NLA in size. This option has now expired, however, the Company would seek to obtain a new option over the site. The site has an area of 400,000 sq m in total, of which SB ManCo has obtained zoned planning for up to 320,000 sq m of development. If a new option is obtained, the Directors' current intention would be to develop the Porto Alegre Mall on part of the site and sell any residual land to third parties. The Directors would also intend to invest in the site on a joint venture basis with a third party joint venture partner and the existing land owner. The site already contains a Wal-Mart hypermarket ("Big & Maxi"). The Porto Alegre Mall would be a single level mall, augmented by the Wal-Mart hypermarket, with the objective of becoming the dominant retail offering in the catchment area.

3. The Golden Square Acquisition

Pursuant to the Golden Square Acquisition Agreements and the Verzasca Golden Square Sale Agreement the Company will acquire, conditionally upon Admission, a 50 per cent. interest in Golden Square Mall through the acquisition of an indirect 100 per cent. interest in Golden Square S.A. from the SB2 Investors and Verzasca. The Company is acquiring the SB2 Investors' interest through the acquisition of the existing structure (including SB2 FIP and the entire issued share capital of the Luxembourg Holding Companies, which indirectly hold approximately 97.69 per cent. of the issued share capital of Golden Square S.A.) used to hold Golden Square Mall and which has been established and administered prior to Admission by SPIM and SB Manco.

The issue of new Ordinary Shares (with Warrants attached) to SB2 Investors

An aggregate approximately 97.6 per cent. interest in Golden Square S.A. is being acquired from the SB2 Investors through the acquisition of the entire issued share capital of the Luxembourg Holding Companies for an aggregate consideration of approximately £17.1 million via the issue to the SB2 Investors on Admission of, in aggregate, 11,240,000 new Ordinary Shares (with Warrants attached) at the Placing Price (the "**Consideration Shares**"), together with the payment of approximately £5.9 million in cash from the proceeds of the Placing to the SB2 Investors after Admission.

Within the above amounts, the Directors (together with the interests of related family vehicles) in their capacity as SB2 Investors, will be issued with, in aggregate, 6,300,000 Consideration Shares (with Warrants attached).

The issue of new Ordinary Shares (with Warrants attached) to Verzasca

The remaining approximately 2.3 per cent. of Golden Square S.A. is being acquired from Verzasca, pursuant to the terms of the Verzasca Golden Square Sale Agreement, for a consideration of R\$975,000 (equating to approximately £0.4 million) (the "**Verzasca Consideration Proceeds**"). Verzasca has agreed to reinvest such proceeds (after allowing for the payment of estimated contingent tax liabilities) by subscribing for 300,000 new Ordinary Shares (with Warrants attached) at the Placing Price (the "**Verzasca Reinvestment Shares**"). The allotment by the Company of the Verzasca Reinvestment Shares will take place as soon as practicable after the Verzasca Consideration Proceeds have been paid (which the Company currently anticipates will be within approximately one month of Admission).

The Consideration Shares and the Verzasca Reinvestment Shares shall be subject to a 12 month lock-in from the date of Admission.

4. The SB ManCo Acquisition

SB2 FIP has also entered into an agreement to acquire, conditionally upon Admission, a 100 per cent. interest in SB ManCo from its co-owners, comprising an approximately 34 per cent. interest owned by a company controlled by James Morse and an approximately 66 per cent. interest owned by SPIM. The consideration for the SB ManCo Acquisition is £1.25 million which will be satisfied in cash from the proceeds of the Placing. SPIM and James Morse have agreed to reinvest the cash consideration received (after allowing for the payment of estimated contingent tax liabilities) by subscribing for 875,000 new Ordinary Shares (with Warrants attached) at the Placing Price (the "**SB ManCo Vendors Reinvestment Shares**").

PART 3

DIRECTORS, MANAGEMENT AND CORPORATE GOVERNANCE

1. Management of the Company

The Company's operations will be managed to ensure that the Company remains at all times domiciled in Guernsey. Consequently, all management and control decisions will be reserved for resolution by the full Board, meetings of which will only be held in Guernsey. Any Executive Directors or staff engaged by the Company and operating on a day-to-day basis from a location in either the United Kingdom or Brazil will not undertake any functions from those locations which would, or might, have the effect of altering the location of the tax domicile of the Company.

2. The Board

The Company will have the benefit of an experienced Board, offering a range of real estate, shopping mall development and emerging markets expertise together with finance and public company experience.

Chairman

Tim Walker, Non-executive Director and Chairman, aged 53 – Isle of Man resident

After graduating from Nottingham University, Tim began his career at Touche Ross, qualifying as a Chartered Accountant in 1981. He was appointed group finance director of Vaux Group plc (from 1989 to 1996), finance director and company secretary of Strix Group Ltd (from 1996 to 1999) and group finance director of Swallow Group plc (from 1999 to 2000). He is currently a non-executive director and audit committee chairman of Infrastructure India plc, and a non-executive director of other AIM-quoted companies including Ishaan Real Estate plc, an Indian real estate investment and development company, Clean Energy Brazil plc, Carpathian plc and a number of other private property companies.

Executive Directors

James Morse, Chief Executive, aged 38 – Brazilian resident

After graduating from Reading University in 1994 James began his career with MEPC PLC working in the investment acquisition and development departments where he qualified as a Chartered Surveyor before moving to Catalyst Capital in 1998 as an investment manager. In 2000 he moved to Europa Capital Partners where he was responsible for retail and industrial portfolio transactions mainly in the UK, Germany and Poland. His experience in these positions included working on the development and leasing of shopping centres in the UK and Poland and Spain. After Europa, James was a co-founder of Remor Properties where he put together a retail investment and development portfolio including the acquisition of secondary retail centres. Having previously spent 6 months researching the Brazil property market, James moved to Sao Paulo permanently in August 2007 when SB ManCo was co-founded by himself and by the SPIM Principals. He is based full time in São Paulo.

Robert Sloss, Executive Director, aged 41

After graduating from the University of the West of England in 1991 Robert began his career on the agency side of real estate, working for Knight Frank, where he qualified as a Chartered Surveyor before moving to Jones Lang LaSalle. After completing a full-time MBA at the University of Cranfield in 1999, he changed career focus to become a principal working for Europa Capital Partners in Western Europe. In 2001 Robert left Europa to pursue the acquisition of a substantial mixed-use real estate investment opportunity the F15 Partnership detailed in Part 1 of this document in which he co-invested with both Tim Barlow and James Morse. This led to the formation of SPIM, and his current working partnership with Tim Barlow, in 2002. As well as being a co-founder of SPIM, Robert has his own investment company, Granton Investments Limited, which he uses as a vehicle to seed new opportunities and co-invest in SPIM originated projects.

Tim Barlow, Executive Director, aged 42

Tim has 21 years of real estate experience as a principal. After graduating from the University of the West of England, Bristol in 1989, Tim started his property career with quoted developer/investor Broadwell Land plc. He then joined Artesian Estates plc in 1990 where he qualified as a Chartered Surveyor and gained wide experience in both commercial and residential development and investment. Whilst in this role, he

was involved in fund raising and deployment of funds that were raised under the Conservative Government tax driven BES/EIS initiatives in real estate. Tim's role included, amongst many things, acquisition due diligence, planning, development and asset management. Tim resigned his directorship in 1997 to become CEO of Monteagle Barlow Trust ("**MBT**"), a family commercial property company which he has grown and diversified considerably. He remains heavily involved and MBT co-invests in SPIM originated projects. The formation of SPIM with Robert occurred as a result of the F15 Partnership in 2002 and the good working relationship that they had forged has developed over the intervening period.

Robert Sloss and Tim Barlow will be required to devote such level of time and attention to the affairs of the Company as is required for them to properly fulfil their duties as Executive Directors of the Company, and to support James Morse in his role as full-time Chief Executive. However, due to their pre-existing commitments as directors and co-owners of SPIM they will not be required to devote the whole of their time and attention to the affairs of the Company.

Non-executive Directors

Quentin Spicer, Senior non-executive Director, aged 65 – Guernsey resident

Quentin is an English solicitor. He joined Wedlake Bell in 1963 and undertook five years of Articles to qualify in 1969, subsequently being made a partner in 1970. He was head of the Property Department in London before moving to Guernsey in 1996 to take over as Senior Partner of Wedlake Bell Guernsey. Quentin specialises in UK commercial property transactions for offshore funds and for persons and entities not tax resident in the UK. He is Chairman of the Guernsey Housing Association LBG, Atlas Estates Limited, IRP Property Investments Limited, Quintain Guernsey Limited and is a non-executive director of several other property funds including Develica Deutschland Limited. He is a member of the Institute of Directors and holds a Personal Fiduciary Licence from the Guernsey Financial Services Commission.

Dr Edwin Davies OBE, Non-executive Director, aged 63 – Isle of Man resident

After graduating from Durham University with a degree in mathematics, Edwin began his career at Avon Rubber Limited in 1968 where he became a Production Engineering Manager. From 1972 to 1984 he was Finance Director, then Project Director (Brazil) and culminating in Assistant Group Managing Director at Scapa Group plc. Between 1984 and 2006 Edwin was Executive Chairman of Strix Group Limited which, when he left, had a turnover of £100 million per annum and employed over 1,000 staff in Europe and Asia. He is currently a director of Burnden Leisure plc (owner of Bolton Wanderers Football Club Limited), Moonshift Investments Limited and Sula Group Limited. He was awarded an OBE in 2000 for services to industry, has been a trustee at the Victoria and Albert Museum since 2007 and was awarded a doctorate from Manchester University in 2008.

3. Directors' Interests

Following Admission, the completion of the Conditional Acquisitions and the allotment of the Reinvestment Shares, the interests of the Directors (including the interests of related family vehicles) and Cláudio Politi in the Enlarged Share Capital of the Company will be approximately 18.4 per cent.

4. Brazilian Management Team

The Company's business and operations will be supported by a dedicated, local management team operating through SB ManCo from its São Paulo office. The team, led by James Morse, comprises a further seven full time employees and will be primarily responsible for undertaking the property management, development, leasing and construction of the Company's shopping mall assets, together with providing local finance, reporting and accounting functions. SB ManCo will also, where appropriate, engage third party experts to provide certain discrete services in relation to its development projects.

SB ManCo is currently jointly owned by a company controlled by James Morse and SPIM. Following Admission (and the completion of the SB ManCo Acquisition), SB ManCo will be a wholly-owned subsidiary of SB2 FIP, the Company's principal Brazilian investment vehicle.

The following key professionals will be involved, through SB ManCo, in the day-to-day operation of the Company's business in Brazil.

James Morse – Managing Director

Please see biographical details above.

Chris Coulson – Development Director

After graduating from the University of Northumbria with a BSc (Hons) in Building Surveying, Chris Coulson began his career at Chesterton Plc in 1995 where he qualified as a Chartered Surveyor. In 2000 he joined Gardiner and Theobald as a Project Manager in Budapest, Hungary and Slovakia before becoming Project Director at the Marriot Vacation Club in Aruba. In 2005 he moved back to Eastern Europe to become Development Director, working on projects in the Czech Republic and Slovakia for Lordship Estates. He joined SB ManCo in 2009, having been European Development Director at Benson Elliott Capital Management from 2008-2009. Chris has over fifteen years of commercial development experience and, in particular, has worked on retail led urban renewal schemes, retail malls and a roll-out programme for neighbourhood life centres. Chris is based full time in São Paulo.

Lorena Nascimento – Finance Director

Lorena Nascimento was the development coordinator at Construtora OAS in Salvador between 1993 and 1995 before moving to Ernst and Young. In 1996 she became Finance Controlling Coordinator at Vega Engenharia Ambiental. Between 2001 and 2009 she was Finance Controller for the whole of Latin America at Kemira Chemicals Brasil Ltd. In this role she was responsible for opening new Latin American offices and oversaw the human resources function for the company. She joined SB ManCo in January 2009 and is responsible for local financial accounting, audit and tax.

5. Other Senior Management

In addition to the employment of Robert Sloss and Tim Barlow as London-based Executive Directors of the Company, two London-based members of the senior management of SPIM will also join the Company, conditionally upon Admission, as employees. These are as follows:

Richard Wood – Head of Corporate Finance

After graduating from Cambridge University with an MA degree in Land Economy, Richard began his career at Knight Frank in 1986 where he qualified as a Chartered Surveyor and worked in a number of roles, including as an investment and development surveyor, a three year period as Partner of their Zimbabwe practice, and latterly as Director of Corporate Finance based in London. Whilst completing a Masters in Finance at London Business School, in 1996 he joined Cazenove & Co where he was initially Head of Real Estate Equity Research, primarily involved in public capital markets transactions, and latterly as Director of Corporate Finance, where he focused on private equity. In 2003 he joined Arbuthnot Securities, latterly serving as head of real estate corporate finance, with a particular focus on emerging markets. Since leaving Arbuthnot in 2008, Richard has been advising SPIM, as an independent consultant, in respect of their fundraising activities in London and Brazil.

Jeffrey Pym – Head of Group Finance

After graduating from the University of Keele with a BSc (Hons) degree in Management Science and Physics, Jeff began his career in 1985 with Moore Stephens Chartered Accountants. Having qualified as an ACA in 1988, he moved to Domestic and General Plc as Group Accountant, before becoming Finance Director of MOS Group, a boutique property finance broker. In 1996 he joined Hanover Housing where he became Group Finance Director, overseeing both operational and corporate finance, including stock transfers, PPPs and PFI. In 2003 he became a self employed corporate finance consultant, specialising in the housing/property sector before joining SPIM in 2007, where he is in charge of the Company's finance function, including, to date, the Brazil operations. Conditionally upon Admission, Jeff will become an employee of the Company, where his principal role will be overseeing all the Company's finance operations in Brazil and Guernsey.

6. Consultants

In addition, Michael Poynor, Neil Varnham and Cláudio Politi will be engaged as specialist retail consultants, by the Company and SB ManCo respectively, to provide strategic recommendations for consideration by the Board respectively relating to international retail development and local shopping mall expertise.

Michael Poynor

After graduating from Manchester University in 1969 Michael began his career at C & A, where he progressed to Head of the Fashion Team at C & A. Between 1978 and 1981 he was a supplier of designer/branded tailored goods to the UK menswear retail sector at Bond Street Agencies and Stuncroft. From 1981-1986 he was the Adjunct Professor International Fashion Retailing at Syracuse University before becoming Head of International Business Development for Asda between 1986 and 1992. From 1993 to 2001 he was Retail Director at strategy consultants, COBA Group. Since 2001 he has, through his company Retail Expertise, worked with numerous clients in the international retail sector, including Burberry (Japan), Baccarat (Paris), Barney's (New York), Hugo Boss (Germany), Valentino (Italy), and Debenhams, Harvey Nichols, Hobbs, New Look and Oasis in the UK. He has also advised various Brazilian companies on European expansion, including Chilli Beans (sunglasses), Boticario (beauty), Frescobol (beach products) and Luta (active sportswear). Also via Retail Expertise, from March 2001 to January 2010 Michael was contracted by PricewaterhouseCoopers as their Chief Retail Adviser.

The Company has entered into, conditionally upon Admission, a consultancy agreement pursuant to the terms of which Michael Poynor will provide certain consultancy services to the Company. Further details of this consultancy agreement are set out at paragraph 7.17 of Part 12 of this document.

Neil Varnham

Neil Varnham has 33 years of shopping mall experience, having started his career with Henderson Global Investors in 1975 and from where he retired in 2009. Throughout his career, Neil has utilised his experience to source deals and negotiate approximately €10 billion of key investment transactions, including acquisitions, dispositions, asset management, development initiatives and the creation of joint venture platforms across eleven countries. This included the launch, fundraising, investment and management of more than six large retail property funds, such as the UK Shopping Centre Fund and the UK Outlet Mall Fund. Neil was one of three main directors leading the Henderson property business with primary responsibility for overall strategy in addition to being head of Distribution and Business Development. In this latter role he was responsible for capital raising, transaction structuring and product development in the creation of new funds in Europe and South America together with equity raising across Australia, Europe and North America. He is currently head of retail funds at Cadena Holdings Ltd which is the holding company of Pradera Asset Management PLC, a continental European focused out-of-town retail property fund manager. Neil is a fellow of the Royal Institute of Chartered Surveyors and is FSA qualified. He is the current President of the British Council of Shopping Centres (BCSC) and a member of the International Council of Shopping Centres (ICSC).

The Company has entered into, conditionally upon Admission, a consultancy agreement pursuant to the terms of which Neil Varnham will provide certain consultancy services to the Company. Further details of this consultancy agreement are set out at paragraph 7.16 of Part 12 of this document.

Cláudio Politi

Cláudio Politi has almost 25 years experience in the design, development, leasing and management of shopping malls in Brazil. Between 1986 and 1989 he was Executive Director of the real estate fund Cia De Patrimônio Imobiliário, and was also executive director of Julio Bogoricin Real Estate Corp (JBREC) between 1984 and 1987 where he was responsible for investments in several residential and office developments in the USA, Canada and Puerto Rico. In 1988 he established his own real estate consulting company, DATAPOL Lógica Imobiliária, which focuses on the acquisition and development of shopping malls, commercial and residential buildings. As a consultant to SB ManCo, Cláudio is primarily concerned with the origination of new opportunities, together with the feasibility, planning, design and leasing of shopping mall assets. SB ManCo will continue to exploit Cláudio's wealth of real estate and retail industry contacts to identify potential local joint venture partners and retailers. Cláudio is a Brazilian national and resident in São Paulo.

SB ManCo intends to enter into a consultancy agreement with Verzasca following Admission pursuant to the terms of which Verzasca would provide consultancy services to SB ManCo.

7. Administration and Support Services Agreement

SPIM is a niche London-based property management business, jointly owned by Robert Sloss and Tim Barlow, which has been instrumental in the formation, evolution, on-going management and funding of the Brazilian shopping mall business to be operated and developed by the Company. Following Admission, the Directors believe that the administrative services and expertise provided by SPIM in London will be important in supporting SB ManCo in the future development and operation of the Company's business in Brazil.

Consequently, SPIM will be engaged by the Company, via the Administration and Support Services Agreement to provide certain core non-operational services to the Company and SB ManCo on a continuing basis. Under this agreement, SPIM will provide a range of administration and support services to the Company, including accountancy, financing and investor relations services to the Company and SB ManCo. In addition, SPIM will agree to provide whatever staffing support is required by the Company to perform its group finance function. The terms of the Administration and Support Services Agreement will be subject to regular review by the Board's remuneration committee to ensure they remain on market terms and that the services are provided for an appropriate cost relative to available market comparisons.

Further details of the Administration and Support Services Agreement are set out at paragraph 7.5 of Part 12 of this document.

8. Management Team incentivisation arrangements

The interests of the Management Team will be aligned with the interests of the Company and its Shareholders through new management incentivisation arrangements, which are designed to reward the Management Team in the event of the superior performance of the Company's real estate assets.

Management Incentive L.P.

These incentivisation arrangements have been structured through Management Incentive L.P., in order to allow incentive payments to be paid in a tax efficient manner. All of the Company's investments will be made, and realised returns repatriated, via Management Incentive L.P. Save for SLP, the Company will be the sole limited partner in Management Incentive L.P. and the Company's wholly-owned subsidiary Squarestone Brasil (GP) Limited will act as its general partner. SLP is a special limited partner under the terms of the Limited Partnership Agreement for the purposes of receiving management incentive payments.

SLP has been established as a pooled vehicle from which entitlement to receive interests in the management incentive fee payments can be allocated to the Management Team. SLP is ultimately controlled by the Company through Squarestone Brasil (GP) Limited which also acts as the general partner of SLP. Allocations of interests in SLP, from time to time, to members of the Management Team will therefore be determined at the discretion of the Board.

Management Incentive Payments

Under the terms of the Limited Partnership Agreement, SLP is entitled to receive an aggregate carried interest payment from Management Incentive L.P. for any financial year equivalent to 25 per cent. of the excess of the Net Asset Value as at 31 December in any year (the "**Relevant Calculation Date**") over the High Water Mark.

The "**High Water Mark**" shall be the higher of: (i) the Placing Sares and Reinvestment Shares multiplied by the Placing Price as increased by an annually compounding hurdle rate of 15 per cent. calculated from the date of Admission to the Relevant Calculation Date; or (ii) the Net Asset Value on the last date in relation to which a carried interest payment was made as increased by an annually compounding hurdle rate of 15 per cent. calculated from such date to the Relevant Calculation Date.

The carried interest payment shall be calculated as at 31 December in each year (with the first such calculation taking place as at 31 December 2011) and shall be allocated following the publication of the Company's annual audited accounts for such financial year end.

SLP's entitlement to receive carried interest payments shall cease immediately following the earlier of the Termination Event Date or the Change of Control Date (being the date on which a takeover offer for the Company becomes unconditional).

"Termination Event Date" means the earlier to occur of: (i) the Squarestone Termination Date; and (ii) the date an election to dissolve Management Incentive L.P. is passed pursuant to the Limited Partnership Agreement.

"Squarestone Termination Date" means the later of: (i) the effective date on which all of James Morse, Robert Sloss and Tim Barlow have ceased to be engaged as Executive Directors of the Company; and (ii) the effective date of termination of the Administration and Support Services Agreement.

On the occurrence of the Termination Event Date or Change of Control Date (as the case may be) the Company has agreed to purchase SLP's interest in Management Incentive L.P. for the Terminal Sum.

"Terminal Sum" means, (a) in relation to the Termination Event Date, an amount (if any) equal to 25 per cent. of the excess of the Net Asset Value on such date over the High Water Mark, or (b) in relation to the Change of Control Date, an amount (if any) equal to 25 per cent. of the higher of, (i) the Net Asset Value as at the Change of Control Date, and (ii) the offer consideration (being the final cash offer price multiplied by the number of Ordinary Shares in issue on the Change of Control Date) over the High Water Mark.

For the purposes of calculating any carried interest payments, the Net Asset Value will be adjusted from time to time to take into account the issue of further Ordinary Shares, either as a result of equity fund raisings or arising on the exercise of Warrants or Options.

Members of the Management Team may from time to time be allocated participation interests in SLP which entitle them to receive a defined proportionate share of any carried interest payments received by SLP from Management Incentive L.P. The entitlement to receive a proportionate share of future carried interest payments will, cease on any member of the Management Team ceasing to be engaged (as a director or otherwise) or employed by a member of the Squarestone Brasil Group, however, except in certain circumstances this will not affect such person's accrued but undrawn entitlements to already received carried interest payments.

Payment and Reinvestment of Management Incentive Payments

Carried interest payments shall be allocated and paid to SLP in cash, however SLP has entered into the Management Incentive Reinvestment Agreement with the Company pursuant to the terms of which SLP has undertaken to use 50 per cent. of any net carried interest payment received (following any accrual or allocation being made for any crystallised tax liabilities) in purchasing Ordinary Shares in the market. SLP shall not, however be obliged to purchase Ordinary Shares at a price higher than 120 per cent. of the Reference Share Price (the **"Ceiling Share Price"**).

The **"Reference Share Price"** shall be the average of the closing middle market prices of the Ordinary Shares for the five London Stock Exchange trading days immediately preceding the date of receipt of the relevant carried interest payment.

In the event that SLP cannot purchase sufficient Ordinary Shares at or below the Ceiling Share Price within a period of 30 days from the date of receipt of the relevant carried interest payment, SLP shall subscribe for, and the Company shall allot, such number of new Ordinary Shares as is required to make up the relevant shortfall at the Reference Share Price.

Each tranche of Ordinary Shares acquired or subscribed for by SLP as set out above shall be subject to an initial 12 month lock-in period following the expiration of which SLP shall be entitled to dispose of one-third of such Ordinary Shares in any rolling 12 month period. In order to maintain an orderly market in the Company's Ordinary Shares, SLP has undertaken that such Ordinary Shares disposed of shall be sold via the Company's broker.

9. Corporate Governance

Combined Code

Although there are no specific corporate governance rules in Guernsey applicable to Guernsey trading companies, the Board recognises the value of good governance and intends, following Admission, to comply with the provisions of the Combined Code, so far as it is practicable for a public company of its size, stage of development and nature quoted on AIM.

Senior Non-executive Director

The Company has appointed Quentin Spicer as its Senior non-executive Director. The Senior non-executive Director will meet with the other members of the Board, without the Chairman present, on at least an annual basis, in order to evaluate and appraise the performance of the Chairman and will chair the Nominations Committee when it is considering succession to the role of the Chairman of the Board. The Senior non-executive Director will be a point of contact for Shareholders and other stakeholders with concerns which have failed to be resolved, or would not be appropriate through the normal channels of the Chairman or the Executive Directors.

Audit Committee

The Company has established an Audit Committee which comprises Tim Walker (Chairman), Quentin Spicer and Edwin Davies. The Audit Committee will meet as often as required and at least twice a year. The Audit Committee's main functions include, *inter alia*, reviewing the effectiveness of internal control systems and risk assessment, considering the need for an internal audit, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications. The Audit Committee will also monitor the integrity of the financial statements of the Company including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to financial performance.

The Audit Committee will be responsible for overseeing the Company's relationship with the external auditors, including making recommendations to the Board on the appointment of the external auditors and their remuneration. The Audit Committee will consider the nature, scope and results of the auditors' work and reviews, and develop and implement policy on the supply of non-audit services that are to be provided by the external auditors. The Audit Committee will focus particularly on compliance with legal requirements, accounting standards and the relevant AIM Rules and ensuring that an effective system of internal financial and non-financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts will remain with the Board.

The identity of the chairman of the Audit Committee will be reviewed on an annual basis and the membership of the Audit Committee and its terms of reference will be kept under review. All members of the Audit Committee must be non-UK tax resident. Only independent Non-executive Directors will serve on the Audit Committee and members of the Audit Committee will have no links with the Company's external auditors.

Remuneration Committee

The Remuneration Committee comprises Quentin Spicer (Chairman), Tim Walker and Edwin Davies. The Remuneration Committee will meet not less than once a year and will have responsibility for considering the remuneration of the other Board members and the fees paid under the Administration and Support Services Agreement. The Committee will review the remuneration of the Chairman and Directors against the fees paid to directors of other property development and investment companies of a comparable size.

Nominations Committee

The Nominations Committee comprises Edwin Davies (Chairman), Tim Walker and Quentin Spicer. It will: (i) assist the Board by identifying individuals qualified to become Board members, and selecting, or recommending that the Board select, the director nominees for election at the annual or special meetings of the Shareholders or for appointment to fill vacancies; (ii) recommend to the Board director nominees for each committee of the Board; (iii) advise the Board about appropriate composition of the Board and its committees; (iv) lead the Board in its annual review of the performance of the Board and its committees; and (v) perform such other functions as the Board may assign to the committee from time to time.

Internal Auditor

The Company's internal audit function will be undertaken by Jeff Pym in his capacity as the Head of Group Finance. The Internal Auditor will be responsible for the recommendation of an auditing plan to the Audit Committee of the Board. The Internal Auditor will carry out auditing assignments in accordance with such plan and will oversee and report to the Company's compliance with the plan's recommendations. The Internal Auditor will file an annual report with the Audit Committee and the Board and will be available for any meetings with the Audit Committee or the Board.

10. Share dealing code

The Company has adopted a share dealing code for the Board, in conformity with the requirements of Rule 21 of the AIM Rules, and will take steps to ensure compliance by the Board and senior staff with the terms of the policy.

PART 4

THE BRAZILIAN SHOPPING MALL OPPORTUNITY

1. Brazil overview

Brazil has a population of approximately 193 million people (source: UN), the largest population in Latin America and the second largest of the BRIC economies, behind China, as of 2008. Brazil's economy, the largest in Latin America, is driven by consumer growth and was estimated to be around US\$1.6 trillion in size in 2008, making it the eighth largest economy in the world (source: World Bank). FDI inflows of US\$37 billion are forecast for 2010 (source: BCB). The country's growing global status is clearly evidenced by the double awards of the 2014 Soccer World Cup and the 2016 Olympic Games.

Political background

The country is run on a federal basis through 26 states, which have significant autonomy on state budgets and taxation. Brazil's current president is the popular and now internationally respected, Luis Ignacio Lula da Silva, "Lula". Since being elected, Lula's policies have largely maintained the centrist framework established by his predecessor, Fernando Henrique Cardoso. Lula gained a second presidential term in 2006 which is due to end in October 2010 when, under the constitution, he is obliged to step down. The forthcoming election is currently seen as a race between two "stability" candidates, José Serra and Dilma Rousseff. Political consensus indicates that both candidates will maintain a similar path to that of Lula. The key objective of successive governments has been to tackle Brazil's acute social imbalances, whilst maintaining a growing market economy. The primary tool in this programme has been a series of social programmes supported by social taxes. Whilst these taxes have imposed a heavy burden on the private sector, they are widely regarded as key factors behind the rapid reduction in poverty witnessed during Lula's presidency.

Economic background

Overview

Brazil has witnessed a period of unprecedented economic stability since 2002. However, more recent independence of the BCB has resulted in the development of longer-term economic objectives and increased economic stability, including the tackling of Brazil's historic twin problems of currency instability and hyper-inflation.

GDP is forecast to grow by approximately 4 per cent. per annum for the foreseeable future (source: Brazil Power Report Q2010) although local forecasts show significantly higher levels, with the BCB, for example, forecasting 5.3 per cent. in 2010. GDP per capita is expected to grow by approximately 567 per cent. from a level of around US\$7,500 in 2007 to an estimated US\$50,000 in 2050 (source: Goldman Sachs report). Unemployment has reduced steadily to a level of 6.8 per cent. in December 2009 (source: IBGE).

Currency

The BCB reacted to the devaluation of the Real in 1999 by beginning to aggressively build up its foreign exchange reserves in 2002, which stood at over US\$230 billion in July 2009 (source: BCB). During the recent crisis of Q4 2008, the BCB was able to utilise a part of this reserve to protect the Real. Although the Real weakened markedly against mature currencies during this period, it rebounded quickly and, in January 2010, was at similar levels against the Dollar and Sterling than it was immediately prior to October 2008. Furthermore, steps have recently been taken to try to stem the increasing strength of the Real, through the introduction of the IOF (*Imposto sobre Operações Financeiras*) tax. IOF is a 2 per cent. charge placed on funds invested into Brazil.

Inflation and interest rates

Control of inflation has been the second key objective of the BCB. The running rate of inflation in January 2010 was 4.5 per cent. (source: BCB) which, by comparable historical measures, is remarkably low. Most goods and services in Brazil, including commercial leases, are inflation linked, which is a legacy of high inflation. The BCB is active in its use of interest rates, both as an inflation restraint and a stimulus. The BCB's reaction to the crisis was to steadily lower the SELIC rate from 13.75 per cent. to a historic low of 8.75 per cent., where it has remained since August 2009. However, with GDP forecast to grow steadily,

the SELIC rate is likely to rise again, with current forecasts (source: Capital Economics) showing a 250 bps rise to 11.25 per cent. by the end of 2010.

Trade

Brazil is seen as a resources and commodities superpower and, post the global financial crisis, China has become its biggest trading partner, usurping the US. Discoveries of oil in the Santos Basin should establish Brazil as a major oil producer over the next decade, despite difficulties in extraction. Brazil has a largely internal economy, with only 20 per cent. of its economy being external. Only approximately 40 per cent. of exports are primary goods. The country had exports of over US\$180 billion at September 2009 with a twelve month surplus of US\$26.6 billion.

Banking sector and credit

Brazil currently has no foreign debts and has foreign reserves in excess of US\$230 billion. Public sector net debt as a percentage of GDP fell to around 43 per cent. in Q2 2009 compared to nearer 60 per cent. in 2002 and is forecast to fall further to around 36 per cent. in 2013 (source: BCB). As evidence of Brazil's success in navigating its way through the current credit crisis relatively unscathed, 0.5 per cent. of GDP has been spent on stimulus packages, in contrast to the equivalent 5.9 per cent. spent in the US.

Brazil's banking sector has proved to be resilient to the global credit crisis, due principally to the tight monetarist policies and inherent conservatism of the BCB, a high degree of regulation, restricted credit and predominantly internal lending. Furthermore, consumer debt is at a low level, compared to a number of the more debt-saturated Western European economies and the US.

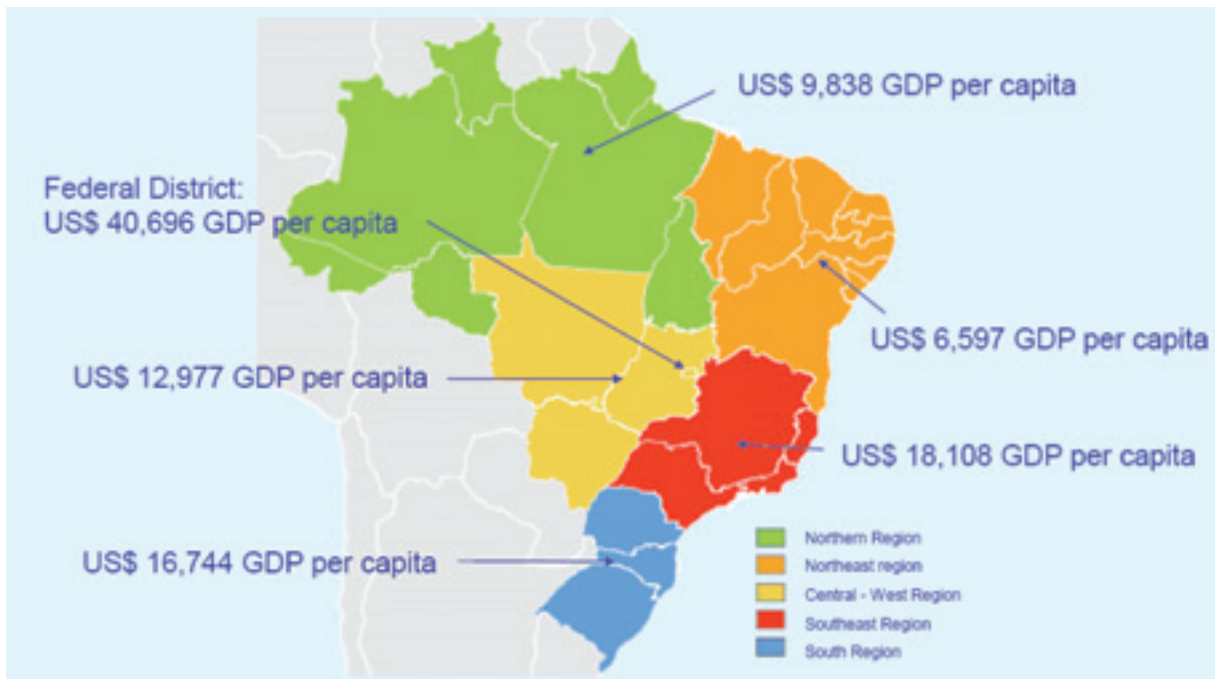
2. The Brazilian consumer

Consumer culture

Brazil has a young and consumer-products orientated society, with 62 per cent. of Brazilians being under the age of 29 (source: IBGE). Different brands appeal to the affordability of each economic tier and the success of an individual mall is highly influenced by its ability to offer the right brands, at the right prices, for its catchment area. The consumer nature of Brazilian society is most easily evidenced by the low savings ratio (as a proportion of GNI) of approximately 29 per cent. This compares favourably with China at approximately 59 per cent. and India at around 44 per cent. (source: World Bank/DataStream). Brazil's personal consumption ratio (household expenditure as a percentage of GDP) reached approximately 61 per cent. in 2008 (source: UN) which, as a measure of retail spending propensity, again compares favourably, not just with Brazil's fellow BRIC members, but with other mature countries across the world. Further evidence of Brazil's consumer culture is revealed in a survey by AT Kearney, which ranked Brazil first in its Global Retail Apparel Index 2009.

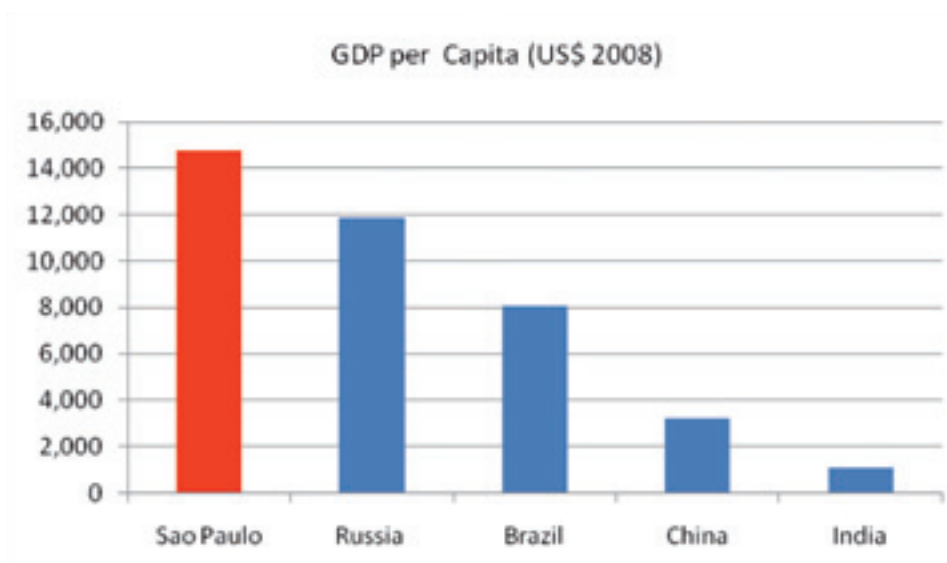
Demographics and wealth distribution

Despite Brazil's huge geographic area, it has a highly urbanised population with approximately 80 per cent. of the population living in built-up areas (source: Brazil Retail Report Q4 2009 (marketresearch.com)). High concentrations of population provide ideal catchment areas for shopping malls. Brazil also has a considerable disparity of wealth across different regions, with the Southeast region (which includes Greater São Paulo, where the Company's activities are currently concentrated) having nearly three times the GDP per capita, at approximately US\$18,000, of the Northeast region at approximately US\$6,600, as of 2007. This concentration of wealth is shown in the map below.



Source: IBGE

The GDP of São Paulo rates highly compared to Brazil and also to the other BRIC countries, reinforcing the Company's strategic focus on São Paulo. This is shown in the chart below.



Source: IBGE

Brazil has a precisely defined socio-economic structure, based around monthly earnings per household and has five tiers, A to E, with the A Class being the highest average household income category at R\$13,360 per month (source: IBGE).

The governmental policies pursued since 1995 have served to spread wealth across the lower class tiers. As a result, Brazil has seen very significant social change since 2003. The key changes are summarised below.

Social Class	% of Population 2003	Total Population (m)	% of Population 2008	Total Population (m)	% change
A and B	12	21.0	16	29.8	42
C	42	77.1	52	99.6	29
D and E	46	83.4	33	62.6	25

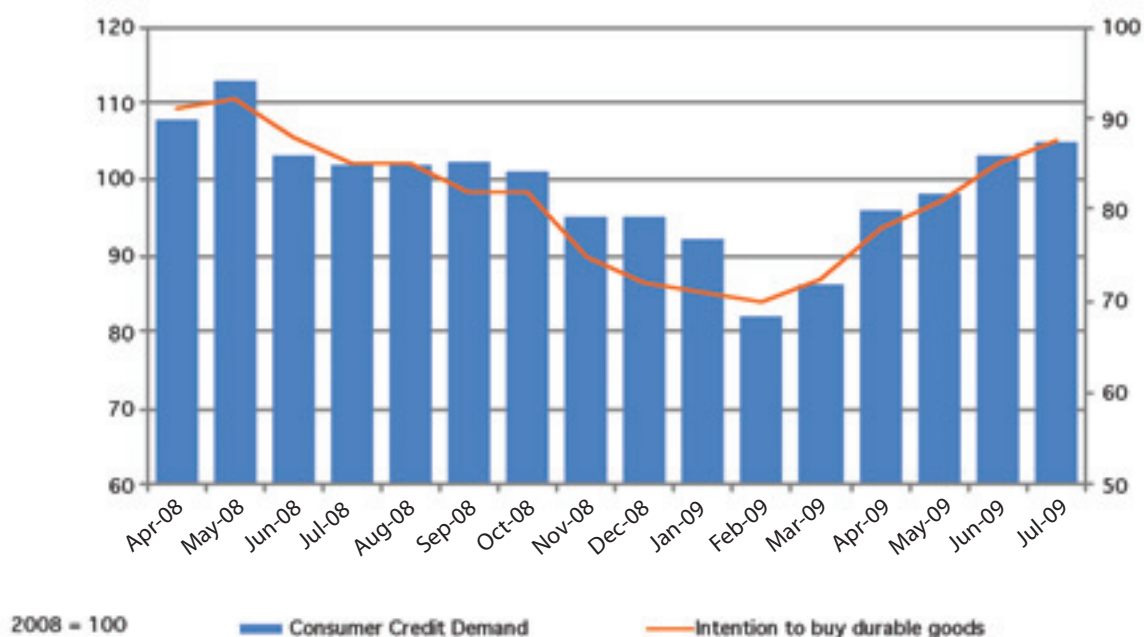
Source: World Bank Population figures and PME/IBGE

Whilst the growth in the A and B classes is significant, the key growth sector for Brazil has been in the C Class. This expansion of the C Class has key implications for retail in Brazil, as it is at the C Class level that people are generally recognised to have sufficient disposable income to be viable consumers from a retail perspective. Accordingly, areas that previously lacked the retail spend to support a mall should now be capable of supporting one, and former C Class areas should now be capable of supporting a higher quality, B Class offering. The Directors consider that this trend could prove to be highly significant in the future development of Brazil's retail market.

The size of Brazil's consumer classes compare very favourably to the other BRIC economies (as previously shown by the table on page 26 of this document).

Consumer credit

Use of consumer credit has been steadily growing in Brazil in recent years, as the chart below shows, and with the growth of the consumer classes, this trend is expected to continue. The expansion of credit, expected to be particularly strong in the C Class, should increase consumer spend in Brazil.



Source: BCB

Retail sales performance

Brazilian retail sales continue to perform strongly with an 8.4 per cent. year-on-year increase reported in October 2009. Overall, retail sales in Brazil are forecast to grow from a level of US\$368 billion in 2008, to a level of US\$573 billion by 2013 (source: BCB). This represents a growth rate of 56 per cent. over a 5 year period.

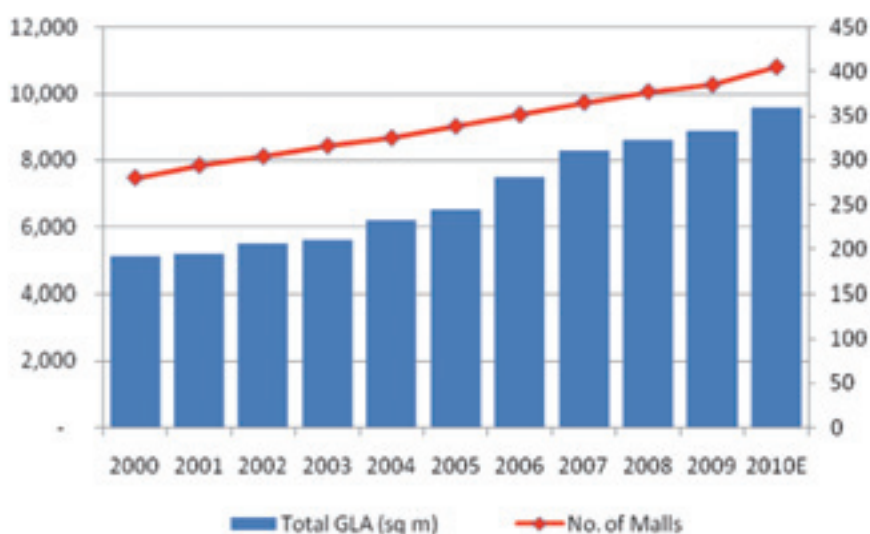
3. The Brazilian shopping mall sector

Limited retail supply

As at June 2009, there were 385 shopping malls in Brazil (Source: ABRASCE). With the growth of the consumer classes, increased consumer credit and an expanding retail market, the Directors believe that there is considerable scope for the expansion of the shopping mall sector in Brazil.

The Directors further believe that, as an indicative measure of potential retail capacity, comparative GLA per capita figures between Brazil and its Latin American counterpart Mexico are revealing: it is estimated that Brazil has a GLA/per 1,000 inhabitants of 47 sq m compared to Mexico at 100 sq m. When more mature economies are taken into account, whilst not fully comparable due to differences in GDP/capita, the Directors consider the respective figures for the US at 606 sq m and Spain 249 sq m are also revealing (source: ABRASCE/BTG Pactual).

The chart below shows the growth of the Brazilian mall sector over the last decade.



Source: ABRASCE

Fragmented market

Brazil's shopping mall sector has nine major multiple operators: BR Malls; Iguatemi; Multiplan; Brookfield; Ancar Ivanhoe; Aliansce; Sonae Sierra; Savoy; and General Shopping. These companies dominate the sector, however, the combined market share of the top five listed operators, based on total GLA at year end 2008, equates to approximately 15 per cent. of the total mall accommodation in Brazil, as shown in the table below. A considerable amount of consolidation has already occurred in recent years and, in the opinion of the Directors, this trend is set to continue with the larger owner-managers, for example BR Malls, expected to lead the process.

Brazil Shopping Mall Sector

	Number of Malls	Market Share %
2008		
BR Malls	35	4.9
Multiplan	12	4.7
Iguatemi	12	2.5
Aliansce	13	2.1
General Shopping Brazil	13	2.0

Source: Company Websites

Dated existing mall stock

Although there has been a gradual expansion of the mall sector in recent years, much of the existing mall stock predates this. For example, the average age (first construction) of BR Malls' properties is 15 years. The Directors believe that Brazilian shopping malls in general appear dated by North American and Western European standards. The Directors believe that there is an excellent opportunity to redefine the quality of malls by importing into Brazil North American and Western European standards of design, construction, mall leasing and management. This aim will be at the centre of the Company's strategic approach.

Competition

There is the potential for over-development of malls in Brazil and competition for consumers will inevitably increase over time. However, to date, the under-developed nature of the market has meant that Brazilian mall owners have not had to be overly-competitive in their pursuit of the consumer. The level of competition is still far below that seen in more mature real estate markets. The Directors believe this situation will not remain static and that operators will, in the future, need to place a greater emphasis on the quality of the retail experience offered to shoppers in order to increase, and possibly even maintain, market share.

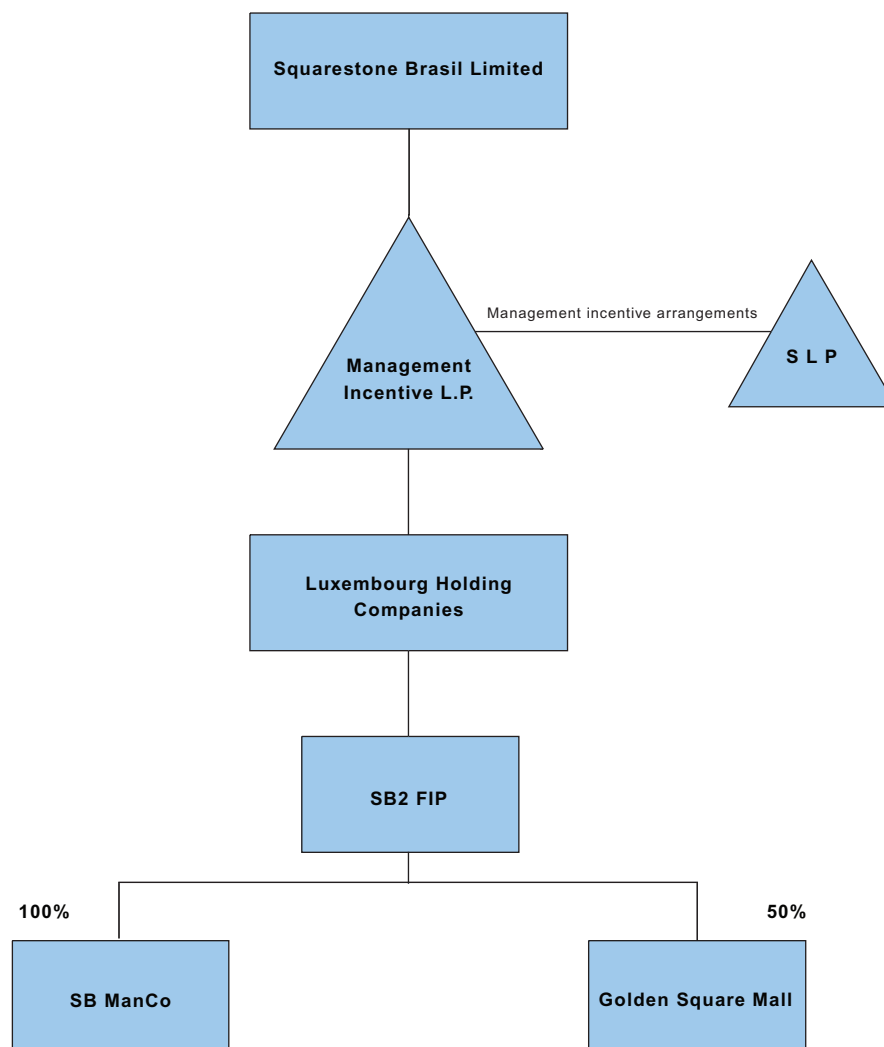
Whilst the presence of the large mall operators undoubtedly raises the level of competition, they also provide a known trading platform for Brazilian malls. The Directors believe that the larger operators thus provide a very established and well capitalised source of potential buyers for shopping mall developments. Although Brazil's existing pension fund industry is immature for a country of Brazil's size, the Directors believe that the pension funds also have the capability of becoming significant holders of real estate investments in the future. Pension funds are unlikely to compete directly with the Company for development opportunities, but could provide a potential exit route for malls.

PART 5

GROUP STRUCTURE

1. Squarestone Brasil Group structure

The Squarestone Brasil Group structure, following Admission and the completion of the Golden Square Acquisition and the SB ManCo Acquisition, will be as follows:



2. SB2 FIP

In order to create a tax efficient investment structure for its investments in Brazil the Company will invest through SB2 FIP, a *Fundos de Investimento em Participações* (“**FIP**”) which is a closed-ended investment vehicle regulated under CVM Ruling No. 391 of July 16, 2003, as amended (“**CVM Ruling No 391/03**”). The FIP is a closed-ended investment fund that may invest in shares, certificates of shares, debentures, subscriptions warrants or other bonds and securities convertible or exchangeable for shares issued by Brazilian closely and/or publicly-held companies. Considering that only qualified investors (as defined by the applicable regulation) may invest in FIPs, CVM Ruling No 391/03 is flexible in connection with reporting requirements, investment policy, capital commitments, offering of quotas, among others, as long as the FIP’s governing rules are fully described in its bylaws.

According to CVM Ruling No 391/03, a FIP can only invest in closely-held companies that provide certain corporate governance rules, such as a unified one-year term of office for the members of the board of directors disclosure of agreements executed between the invested company and related parties, adhesion to an arbitration chamber for settlement of corporate disputes, and annual audits by independent auditors

accredited by CVM. Each of the Company's investments will be held within individual Brazilian corporate entities which meet the above criteria, and including initially Golden Square S.A. and Bonsucesso S.A. (each a "**Brazilian SPV**").

Article 3 of Law No. 11.312, of June 27, 2006, established that any income earned by a foreign investor in connection with investments in a FIP would be subject to a zero rate of Brazilian withholding income tax, subject to satisfaction of certain requirements. To enjoy such tax benefit, the following conditions must be met: (i) the investment must be made according to the rules and conditions defined by the National Monetary Council (*Consellio Monetário Nacional*) especially Bacen Resolution No. 2689/2000 and CVM Ruling No. 325/2000; (ii) the foreign investor cannot hold, individually or jointly with related persons, quotas representing: (a) 40 per cent. or more of all the FIP's quotas; or (b) 40 per cent. or more of the total income of the FIP; (iii) the FIP cannot hold in its portfolio, at any time, debt securities exceeding 5 per cent. of the FIP's net equity (excluding debt securities convertible into stock and debt securities issued by the Brazilian government); and (iv) foreign investors cannot be "**Tax-Haven Residents**", that is, a resident of a country or location that does not impose income tax or where the maximum income tax rate is lower than 20 per cent. or where the laws of that country or location impose restrictions on the disclosure of shareholding composition, or the ownership of the investment, or the beneficial ownership of income paid to non-resident persons.

If the investor is a Tax-Haven Resident or does not meet the conditions mentioned in the prior paragraph, the withholding income tax applicable is 15 per cent. on any income earned from the FIP.

Under current legislation, a FIP is not subject to income taxes with respect to income and capital gains resulting from the acquisition and disposal of investments in Brazil (such as the shares of its portfolio).

3. Luxembourg Holding Companies

In order to ensure that SB2 FIP can satisfy the criteria that: (i) its foreign investors are not Tax Haven-Residents; and (ii) that foreign investors do not individually or jointly with related persons hold quotas representing 40 per cent. or more of all the SB2 FIP's quotas, the quotas in SB2 FIP (equating to equity holdings) are held by three Luxembourg société a responsabilité limitée in varying percentages, each of which is below 40 per cent. Luxembourg is not classified as a Tax Haven and therefore investment via the Luxembourg Holding Companies allows the FIP to satisfy criterion (i) above. Furthermore, whilst keeping in mind the risk factors in connection with the FIP structure (as set out on pages 14 to 15 of this document), criterion (ii) should be met as the ultimate ownership of the Company, after Admission, should be widely spread. The Luxembourg Holding Companies have been established in Luxembourg which, subject to satisfying certain conditions, can benefit from a total tax exemption (covering Luxembourg corporate tax and withholding tax) for all dividend and capital gains income received from a relevant subsidiary company. Each of the Luxembourg Holding Companies must hold a minimum 10 per cent. holding (or satisfy certain other investment criteria) in the relevant subsidiary (the "**participation exemption**") in order to benefit from this exemption. The Luxembourg tax authorities have provided prior guidance that SB2 FIP will be considered to be a tax transparent vehicle for Luxembourg fiscal purposes and the availability of the participation exemption will therefore be determined based on the Luxembourg Holding Companies' respective indirect interests in the underlying Brazilian SPVs.

Each of the Luxembourg Holding Companies will be wholly-owned by Management Incentive L.P. The equity holding and funding arrangements between the Company, Management Incentive L.P. and the Luxembourg Holding Companies will be structured to achieve optimum tax efficiency for the Company.

4. Management Incentive L.P.

Management Incentive L.P. has been established in accordance with market practice for the purpose of structuring the management incentive arrangements in a tax efficient manner for the Management Team. All investments made by the Company will be made via Management Incentive L.P. The general partner of Management Incentive L.P. is Squarestone Brasil (GP) Limited a wholly-owned subsidiary of the Company. Further details in relation to the management incentive arrangements are set out in Part 3 of this document.

5. Taxation

Information concerning the tax status of the Company in the UK and as a company incorporated in Guernsey and the taxation of certain Shareholders is contained in Part 10 of this document. If any potential investor is in any doubt about the tax consequences of acquiring, holding or disposing of Ordinary Shares, he or she should seek advice from his or her own independent professional adviser.

This summary is based on (i) the federal tax and other laws of Brazil and (ii) the tax and other laws of the Grand Duchy of Luxembourg as in effect on the date of this document. Such laws are subject to change, which could affect the continued validity of the considerations below mentioned. This summary does not constitute any sort of tax advice for any particular investor.

PART 6

OTHER INFORMATION

1. The Placing

The Placing comprises a limited offer by the Company of 28,260,960 Placing Shares (with Warrants attached on a two for three basis) to raise gross proceeds of approximately £28.3 million (net proceeds of approximately £26.3). The Placing Shares (with Warrants attached on a two for three basis) have been offered to selected investors at the Placing Price of £1.00 per Placing Share. On admission the warrants will become fully detached from the Placing Shares and trade separately on the AIM market. No offer of securities to the public in the EEA has been made for which a prospectus is required to be produced and the Placing is not underwritten. The Placing is conditional, *inter alia*, on Admission. The cash costs incurred by the Company in respect of the Placing and Admission, being approximately £900,000, include, *inter alia*, commissions and fees payable under the Placing, registrar's fees, admission fees, printing costs, legal, advisory and accounting fees and any other applicable expenses.

2. The Placing Agreement

On 6 April 2010, the Company, the Directors and Liberum entered into the Placing Agreement, pursuant to the terms of which, Liberum has agreed to use reasonable endeavours to procure subscribers for the Placing Shares (with Warrants attached on a two for three basis) at the Placing Price which are allocated pursuant to the Placing. For its services in connection with the Placing, Liberum is entitled to receive a commission equal to 3.25 per cent. of the gross proceeds of the Placing. Liberum has agreed that the commission and corporate finance fee due to it will be satisfied by the issue on Admission of 1,032,960 Ordinary Shares (with Warrants attached on a two for three basis) at the Placing Price. All such subscriptions will be at the Placing Price. Under the Placing, the Placing Shares (with Warrants attached on a two for three basis) have been offered to institutional and certain other investors in the UK and certain other jurisdictions. No Placing Shares (with attached Warrants) have been sold or are available in whole or in part to the public in the UK or elsewhere in connection with the Placing. Neither the Ordinary Shares nor the Warrants have not been, and will not be, registered under the US Securities Act and may not be offered or sold within, or to persons in, the United States, except pursuant to an exemption from the registration requirement of the Securities Act and applicable US State securities laws. The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, including Admission occurring on or before 12 April 2010 (or such later date as Liberum and the Company may agree (not being later than 30 April 2010)). Certain conditions are not capable of waiver. The Placing Agreement contains provisions entitling Liberum to terminate the Placing (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Placing will lapse and any monies received in respect of the Placing will be returned to applicants without interest. Further details of the terms of the Placing Agreement are set out in paragraph 7.2 of Part 12 of this document. The Placing is not being underwritten by Liberum.

3. Admission, settlement and dealings

Application has been made to the London Stock Exchange for the Placing Shares and the Consideration Shares together with the applicable Warrants attached thereto to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings will commence on AIM on 12 April 2010. The Ordinary Shares and Warrants will be in registered form and the Registrar will be responsible for the maintenance of the Shareholder and Warrantholder registers.

CREST is a paperless settlement procedure, enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the CREST Guernsey Requirements. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST Guernsey Requirements. Application has been made for all of the issued and to be issued Ordinary Shares and Warrants to be eligible for admission to CREST with effect from Admission and Euroclear has agreed to such admission. Accordingly, settlement of transactions in the Ordinary Shares and Warrants following Admission may take place in CREST.

It is expected that, subject to the satisfaction of the conditions to the Placing Agreement, the Placing Shares (and attached Warrants) will be registered in the names of the Placees subscribing for them and

issued either: (a) in certificated form, where the Placee so elects, with the relevant share certificate (and Warrant certificate) expected to be dispatched by post, at the Placee's risk, by 10 May 2010; or (b) in CREST, where the Placee so elects and only if the Placee is a "system member" (as defined in the CREST Regulations) in relation to CREST, with delivery (to the designated CREST account) of the Placing Shares (and attached Warrants) subscribed for, which is expected to take place on 12 April 2010. CREST is a voluntary system and holders of Ordinary Shares and/or Warrants who wish to receive and retain share certificates (and/or warrant certificates) will be able to do so. All the Ordinary Shares and Warrants will be in registered form and no temporary documents of title will be issued. All documents or remittance sent by or to a place, or as they may direct, will be sent through the post at their risk.

4. Valuation reporting

It is currently the Board's intention that external half yearly valuations of the Company's real estate assets will be prepared to coincide with the Company's interim and full year accounting periods. Summaries of these valuations will be disclosed to Shareholders when the Company announces its annual and interim results.

Valuations will be undertaken in accordance with the following standards and will be provided by an internationally recognised valuation firm based in Brazil. Jones Lang LaSalle Brasil has initially been appointed to this role.

In common with other Brazil-based property valuers, the Valuers provide their valuations in accordance with local valuation principles established by the Associação Brasileira de Normas Técnicas (translated as the Brazilian National Standards Organisation) (the "**ABNT**"). The definition of "Market Value" according to the ABNT is "the most probable value for which someone would negotiate an asset on a date of reference, spontaneously and consistently, considering the conditions of the market in force".

The Valuers' valuation approach also takes into account the definition of "Market Value" extracted from the internationally accepted RICS Appraisal and Valuation Standards (the "**Red Book**") which is defined as:

"The estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller, in an arm's length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion."

The Valuers current valuation approach (as set out in the Valuation Reports reproduced in Part 7 of this document) can be summarised as follows:

- the "Comparative Approach" is used to estimate the "Market Value" of the property adopting the ABNT equivalent of the RICS definition shown above;
- the "Depreciated Replacement Cost Approach" is used in order to estimate the "Asset Value" of the property in its current state; and
- and the "Discounted Cash Flow Approach" is used to estimate the "Market or Economical Value" of the property based on its future income-generation.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case or generally, they may adopt such other valuation or valuation procedure as they consider is reasonable in the circumstances, provided that such other valuation or valuation procedure has been approved by the Company's auditors.

Any valuation other than in pounds sterling shall be translated at any officially set exchange rate, or appropriate spot market rate at the relevant accounting date, as the Directors deem appropriate in the circumstances having regard, *inter alia*, to any premium or discount which may be relevant and to any costs of exchange.

5. Accounting policies

The Company's financial statements will be prepared in accordance with IFRS and reported in pounds sterling. A Summary of the Principal Accounting Policies to be adopted by the Company is included in Part 8.

6. Annual report

The Company's annual report will be prepared up to 31 December each year and will be published by the end of June latest of the following year. The annual report will also be published on the Company's website and copies sent to Shareholders at this time. Shareholders will receive an unaudited interim report covering the six months to 30 June each year and which will be dispatched and published on the Company's website by 30 September latest each year. The first financial report that Shareholders will receive will be the interim report covering the period from incorporation of the Company to 30 June 2010, which will be published and dispatched to Shareholders by 30 September 2010.

7. Further issues of shares

Under the terms of the Articles, the issue of further Ordinary Shares for cash is subject to pre-emption rights in favour of existing Shareholders, which may be disapplied by Shareholders by way of an ordinary resolution. Pursuant to a resolution passed by the Company's initial shareholders, the Directors will have authority following Admission to issue, in addition to the Reinvestment Shares, the Consideration Shares, the Advisers' Shares, the Ordinary Shares arising on the exercise of the Liberum Option, the Warrants and the Consultant Options and any Ordinary Shares allotted to SLP pursuant to the Management Incentive Reinvestment Agreement and any reinvestment of proceeds received by the Executive Directors prior to 31 December 2010 following a sale of Bonsucesso Mall. In addition, the Company will have an initial general disapplication to allot further Ordinary Shares for cash on a non-pre-emptive basis up to an amount representing 33 per cent. of the Ordinary Shares in issue immediately following Admission, to expire on the later of the Company's first annual general meeting and 30 June 2011.

8. Repurchase of shares

The Directors will have general authority to make market purchases immediately following Admission of up to 14.99 per cent. of the aggregate of the issued share capital on Admission. There is no present intention to exercise such general authority. Any repurchase of Ordinary Shares will be made subject to the laws of Guernsey and within guidelines established from time to time by the Board (which will take into account the income and cash flow requirements of the Company) and will be at the absolute discretion of the Board, and not at the option of the Shareholders. Subject to Shareholder authority for the proposed repurchases, general purchases of up to 14.99 per cent. of the Ordinary Shares in issue will only be made through the market. Such purchases may only be made provided the price to be paid is not more than the higher of: (i) five per cent. above the average of the middle market quotations on AIM for the Ordinary Shares for the five Business Days before the purchase is made; or (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase.

9. Dividend policy

For the foreseeable future the Company expects to reinvest any income and capital returns in the existing and future projects. Accordingly, the Directors do not intend to declare a dividend, or other distribution, to Shareholders, although they reserve the right to do so, if they believe it to be in the best interests of the Company and Shareholders.

10. Currency issues

It is the Company's policy to report in pounds sterling. However, the valuations of the Company's property assets will be conducted and reported by the Valuers in the local currency, the Brazilian Real. Consequently, the value of its assets may fluctuate with changes in the rate of exchange of pounds sterling against the Brazilian Real (the Company's principal 'operational currency'), or any other operational currency. The Directors will, where appropriate, take advice in respect of the interest rate and treasury functions (which may include the Company entering into forward interest rate agreements, interest rate and bond futures, contracts and interest rate swaps and purchase and write (sell) put or call options on interest rates and put or call options on futures on interest rates). The Company does not currently intend to have any significant exposure to margin positions. The Board will also, where appropriate, take advice in respect of currency hedging measures, in order to minimise any currency risks to the Company. Such measures may include, *inter alia*, forward currency agreements, currency options and currency swaps.

The exceptions, where the principal currency will be pounds sterling, will largely be outgoings that are directly attributable to the Company, such outgoings to include, *inter alia*, the costs, fees and expenses incurred by the Company's advisers, who are largely based in the UK, and the costs of the Board where all the Directors, save for James Morse, are located outside of Brazil. Sterling-denominated receipts are expected to be limited but to include, *inter alia*, bank interest.

11. Takeover Code

The UK Takeover Code applies, *inter alia*, to offers for all public companies (other than open ended investment companies) which have their registered office in the United Kingdom, the Channel Islands or the Isle of Man and which are considered by the Takeover Panel to have their place of central management and control in the United Kingdom, the Channel Islands or the Isle of Man. The Company, having consulted with the Panel, is currently subject to the provisions of the UK Takeover Code, as it is deemed to have its place of central management and control in the United Kingdom, the Channel Islands or the Isle of Man for this purpose. This means that investors will currently be afforded the protections of the UK Takeover Code.

12. Lock-in arrangements

Each of the Directors and applicable employees (and their respective related parties) has agreed not to dispose of any interest in Ordinary Shares for a period of one year following Admission, except in certain restricted circumstances, in accordance with Rule 7 of the AIM Rules for Companies. Furthermore, each of Verzasca, the Executive Directors and the SB2 Investors have also entered into various lock-in arrangements in relation to the Consideration Shares and Reinvestment Shares (as appropriate). Details of these lock-in arrangements are set out in paragraphs 7.10 and 7.19 of Part 12 of this document.

13. Shareholder notification and disclosure requirements

Under the terms of the Articles, Shareholders in the Company are obliged to comply (where necessary) with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules, as if the Company were a UK domestic company. The Disclosure and Transparency Rules can be accessed and downloaded from the FSA's website at <http://fsahandbook.info/fsa/html/handbook/DTR/5>. Further details of these notification and disclosure requirements are summarised in paragraph 4.3 of Part 12 of this document. **Shareholders are urged to consider their notification and disclosure obligations carefully, because a failure to make a required disclosure to the Company may result in disenfranchisement.**

PART 7

VALUATION REPORT FROM JONES LANG LASALLE

CONSULTING, VALUATION & RESEARCH

Real Estate Valuation Report

GOLDEN SQUARE SHOPPING CENTER

Anchieta – São Bernardo do Campo/SP



Avenida Kennedy, 700

Prepared for:

THE DIRECTORS OF SQUARESTONE BRASIL LTD
(PO Box 650, No. 1 Le Truchot, St Peter Port, Guernsey, GY1 3JX)

AND LIBERUM CAPITAL

(10th Floor, Citypoint, One Ropemaker Street, London, EC2Y 9HT)

February 2010



TABLE OF CONTENTS

I	EXECUTIVE SUMMARY	1
II	INTRODUCTION	2
	II.1 GENERAL CONSIDERATIONS	2
	II.2 METHODOLOGY	2
	II.2.1 Discounted Cash Flow Analysis (DCF) – Economical Analysis	3
	II.2.2 Comparative Approach	4
	II.2.3 Depreciated Replacement Cost Approach	4
III	CHARACTERISTICS OF THE REGION	6
	III.1 LOCATION.....	6
	III.2 SURROUNDING OCCUPATION.....	7
	III.3 TRANSPORT, INFRASTRUCTURE AND PUBLIC SERVICES	8
IV	DESCRIPTION OF THE VENTURE	9
	IV.1 LAND.....	9
	IV.2 CONSTRUCTION.....	9
	IV.2.1 Composition	10
	IV.2.2 Finishes	10
	IV.2.3 Areas	10
V	URBAN PLANNING	11
	V.1 ZONING	11
VI	DOCUMENTATION	12
	VI.1 TITLES	12
	VI.2 CONSTRUCTION REPORT	12
	VI.3 IPTU	12
	VI.4 CONCLUSION	12
VII	MARKET OVERVIEW	13
	VII.1 GENERAL	13
	VII.2 GENERAL CONSIDERATIONS UPON PROPERTIES FOR INVESTMENT.....	13
	VII.3 LAND MARKET IN SÃO BERNARDO DO CAMPO	15
VIII	MASS AND MARKET RESEARCH SHOPPING MALL DEVELOPMENT	16
	VIII.1.1 COMPETITOR MARKET	16
	VIII.1.2 DEVELOPMENT SCALING.....	19
IX	FINANCIAL ASSESSMENT	22
	IX.1 DISCOUNTED CASH FLOW APPROACH (DCF).....	22
	IX.2 ASSUMPTIONS ADOPTED.....	22

IX.2.1	GLA – Tenant Mix	23
IX.2.2	Operational Revenues	23
IX.2.3	Commercial Revenues.....	29
IX.2.4	Operational Expenses.....	30
IX.2.5	Commercial Expenses.....	30
IX.2.6	Investments	31
IX.2.7	Discount Rate.....	31
IX.2.8	Perpetuity	31
IX.3	CASH FLOW.....	32
IX.4	RESULTS OBTAINED.....	33
IX.5	SENSITIVITY ANALYSIS.....	34
X	VALUATION – ASSET VALUE	36
X.1	INTRODUCTION	36
X.2	COMPARATIVE APPROACH.....	36
X.3	DEPRECIATED REPLACEMENT COST APPROACH.....	38
X.4	CONSOLIDATION OF VALUES.....	41
XI	CRITICAL ANALYSIS OF THE PROPERTY.....	42
XI.1	LOCATION.....	42
XI.2	THE PROPERTY	42
XI.3	MARKET POSITION	43
XI.4	OPINION OF VALUE.....	43
XII	CLOSING	44
XIII	TERMS OF BUSINESS AND PRINCIPLES	45
XIII.1	GENERAL TERMS AND CONDITIONS OF BUSINESS	45
XIII.2	GENERAL PRINCIPLES ADOPTED IN THE PREPARATION OF VALUATIONS AND REPORTS	45
XIV	EXHIBIT I	50
XIV.1	JONES LANG LASALLE GENERAL TERMS AND CONDITIONS OF BUSINESS.....	50
XIV.1.1	Introduction.....	50
XIV.1.2	Service Level.....	50
XIV.1.3	Liability and Duty of Care.....	51
XIV.1.4	Delivering the Service	53
XIV.1.5	Remuneration.....	55
XIV.1.6	Miscellaneous.....	56

I EXECUTIVE SUMMARY

GENERAL CHARACTERISTICS

Type of Work:	Property Valuation		
Object:	Golden Square Shopping		
Purpose:	Definition of Market Value and Asset Value of the Property		
Location:	Avenida Kennedy, 700 - Anchieta, São Bernardo do Campo, SP.		
Areas:	✓ Land (*)	:	19,502.63 sqm;
	✓ Built Area (**)	:	92,800.00 sqm;
	✓ GLA (Gross Leasable Area) (***)	:	32,819.00 sqm.

(*) According to IPTU

(**) Built Area of Design, according to information provided by client

(***) According to tables provided by client, including kiosks

CONSOLIDATION OF VALUES

Market value of the land (Basis: Comparative Approach)	R\$ 25,690,000.00
Asset value – current situation (Basis: Depreciated Replacement Cost Approach)	R\$ 35,000,000.00
Market value – shopping mall operation (Basis: Discounted Cash flow approach)	R\$ 134,600,000.00

OPINION OF VALUE – Base date of January 2010, Site Inspection January 19th 2010

MARKET VALUE (Discounted Cash flow Approach)	R\$ 134,600,000.00 (ONE HUNDRED AND THIRTY FOUR MILLION AND SIX HUNDRED THOUSAND BRAZILIAN REAIS)
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Note 1: These values are based on the fact that there are no restrictions that may prevent the property commercialization or its occupation, i.e., no debts, titles free of any judicial encumbrance, no building irregularities or soil contamination, among others.

Note 2: The market value (in this case, the economical value for the property based on the shopping centre operation, was attributed, considering the development finished and operating, and also every investments previewed for the construction conclusion, from the base date of January 2010.

Note 3: As previously agreed, assumptions regarding site works follow the construction chronogram and mix supplied by the client. Any modification on these assumptions may interfere in the ascertained market value and Jones Lang LaSalle reserves the right to review the valuation in case modifications are detected.

II INTRODUCTION

II.1 GENERAL CONSIDERATIONS

As per our proposal for Real Estate rendering services dated January 13th, 2010, JONES LANG LASALLE presents to THE DIRECTORS OF SQUARESTONE BRASIL LTD AND LIBERUM CAPITAL the conclusions referring to Golden Square Shopping, located at Avenida Kennedy, 700 – Anchieta District, in the downtown region of São Bernardo do Campo, São Paulo state.

The present report is to be included in the Admission Document for purposes of the IPO on AIM.

Considering that Golden Square is still under construction, the study aimed to analyze the following:

- ✓ **Asset Value** (by means of Depreciated Replacement Cost Approach): regards to the value of the property in its current conditions.
- ✓ **Market Value** (by means of Discounted Cash Flow Approach): taking into account the economical value of the property as functioning, considering necessary investments to start the shopping mall operation.

All analysis is based on current market information and uses statistical and appropriate financial analysis when referring to the property market value.

II.2 METHODOLOGY

In order to develop this valuation report we utilize the valuation concepts established by the ABNT “Associação Brasileira de Normas Técnicas” (NBR 14653) (“Brazilian Association for Technical Standards”), which present the following definition for “**Market Value**”, not only for sale, but also for rent purposes:

“The most probable value for which someone would negotiate an asset in a date of reference, spontaneously and consciously, considering the conditions of the market in force”.

Aside from the Brazilian regulations, the analysis also considers the definition of “**Market Value**” extracted from “RICS (Royal Institution of Chartered Surveyors) - Appraisal and Valuation Standard”, which is defined below:

“The estimated amount for which a property should exchange on the date of valuation, between a willing buyer and a willing seller, in arm’s length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion.”¹

In order to estimate the value of the property, JONES LANG LASALLE used the methods known as “Discounted Cash flow Approach”, “Comparative Approach” and “Depreciated Replacement Cost Approach”.

The valuation will follow the Brazilian Association of Technical Norms - ABNT and recommendations from the Brazilian Institute of Engineering and Valuation - IBAPE/SP.

II.2.1 Discounted Cash Flow Analysis (DCF) – Economical Analysis

In order to ascertain the market value of the property, or its economical value, JONES LANG LASALLE used the valuation methodology know as “Discounted Cash flow Approach”.

This method is used in the valuation of business, projecting the net revenue to be obtained by the property for a horizon understood as the most appropriated. Discounting this cash flow to the market rates, we have determined its investment value (NPV – Net Present Value).

The discount rates used in the cash flows have as a basis the ones adopted by the active investors in the real estate market in Brazil. We highlight that such rates vary according to type, standard and technical specifications of developments, as well as the occupation quality.

As the analyzed shopping mall is under construction, there is no historical data on revenues and expenses that can be analyzed for future projections. Therefore, we have used, as basis for our analysis, a market research accomplished previously for this development, contracts of pre-leasing signed and dealt with future tenants, as well as the physical-financial chronogram of the project.

¹ Definition reproduced from the RICS Appraisal and Valuation Standards 5th Edition, PS 3.2

We have considered, for analysis effect that the architecture design is properly approved before local authorities and all necessary fees paid.

Note: The market research provided by the client was prepared in November 2008 by a third company denominated Gismarket and Jones Lang LaSalle is not responsible for the results from such work, which is used as a basis for determining the cash flow assumptions.

II.2.2 Comparative Approach

This identifies the market value of the land according to the technical attributes of available similar properties considering specific attributes and their prices.

Taken into consideration are location and accessibility, neighbourhood, standards of construction, area/size, state of conservation factors, among others, as they reflect market trends.

The market value is identified assuming that the property is available in the market. This analysis must be carried out in detail considering terms of sale value as well as location values, giving commercial subsidies for the contractor decisions.

II.2.3 Depreciated Replacement Cost Approach

Identifies the value of a property considering its components, such as land, depreciated construction costs and eventual building specifications.

These criteria may be reproduced as the following mathematical expression:

$$VP = VT + VD$$

Where, **VP** = property value

VT = market value of land

VD = value of depreciated improvements

For this particular method, it is presumed the use of Comparative Approach or Cash Flow Approach for the valuation of the land, and Comparative Approach or Cost Quantification, in this last case, be used to assess the depreciated cost of the improvements.

The basic land value (VT) plus the improvements (VD) express the Replacement Value of the property, offering usable substance for countable effect (revaluation) or for insurance (maximum value for insurance).

III CHARACTERISTICS OF THE REGION

III.1 LOCATION

The property in analysis is located at Avenida Kennedy, 700, in the neighbourhood of Anchieta, downtown region of the municipality of São Bernardo do Campo, state of São Paulo, with secondary front to Rua João Azevedo Marques.



Golden Shopping is located at the north portion of São Bernardo do Campo, close to the boundaries of Santo André municipality and Cursino neighbourhood, in the South Zone of São Paulo, close to the following points:

- ✓ Imigrantes Highway (Diadema Clover): 6 km;
- ✓ Congonhas Airport: 15 km;
- ✓ Marginal Tietê: 18 km;
- ✓ São Paulo Downtown: 20 km.

The main access ways to the region are Avenida Kennedy, Avenida Senador Vergueiro and Imigrantes Highway, therefore forming a region of privileged access conditions.



Avenida Kennedy



Rua João Azevedo Marques

III.2 SURROUNDING OCCUPATION

This is a mixed use occupation area, with residential units of medium income, warehouses for storage, and industrial sheds with companies of small to medium size and institutional buildings. Also important to mention are São Bernardo Multisport Gymnasium, and “Cidade da Criança” (Children’s City – a municipal park), located within a radius of 500m from Golden Square.

On the commercial aspect, it is positioned on Avenida Kennedy, which is 1.7 kilometres long and has developed business that reasonably cater to the demand of the region, formed by retail stores for furniture and home appliances, clothing and footwear, stationery, drugstores, cosmetics, supermarket, bakeries, bars, restaurants and banks. The horizontal residential use is characterized by houses designated for B and C classes; however, there are several vertical residential developments with A and B standard, under construction or sales process, on roadways parallel to Avenida Kennedy.

Golden Square Shopping will be focused to the classes A & B of São Bernardo do Campo, bringing a mix with new brands, recognized brands in all segments, easy access, cinemas, parking area, complete food court and diverse entertainment options.

III.3 TRANSPORT, INFRASTRUCTURE AND PUBLIC SERVICES

The region has a transport system comprised of regular bus and micro-bus lines, which run through the surrounding roads and avenues, enabling access within the downtown region and to other points of the city and regular buses to the neighbour cities (São Caetano do Sul, Santo André and São Paulo).

The location has the following public infrastructure: electric power, telephone services, and asphalt-paved roads and services such as postal service, roadway cleaning and maintenance, hospital and public schools.

IV DESCRIPTION OF THE VENTURE

IV.1 LAND

Golden Shopping presents a land of regular shape and flat topography, resulting from land leverage works. According to IPTU provided by the client, it has a total land area of **19,502.63 sqm**.

IV.2 CONSTRUCTION

The property is a former shopping mall, which is under a renovation process in order to accomplish the new project of Golden Square Shopping. From the original building (underground, ground floor and superior pavement), only reinforced concrete structure remains.



Property situation in January 2010



Artistic impression of the property when construction is completed

IV.2.1 Composition

According to the construction report provided by the client, the property will be a 7 storey building comprising of: a ground floor which will have a parking function in addition to utility stores, three upper commercial floors and another four parking floors above.

IV.2.2 Finishes

The property consists of a concrete structure; the internal and external finishes have been removed in order to complete a new configuration, according to an architectural design, which dictates high standard of finishes for the future development.



Façade



Internal view of the property

IV.2.3 Areas

According to information provided by the client, when the building is concluded, Golden Square Shopping will have 92,800sqm of total indoor built area plus 9,605sqm of external car parking.

	Built Areas (m ²)
Ground Floor	11,600.00
1st to 3rd floors	34,800.00
4th to 7th floors	46,400.00
TOTAL BUILT AREA	92,800.00

For valuation purposes, we will use the total built area of 92,800sqm and also the total GLA of 32,819sqm informed by the client.

V URBAN PLANNING

V.1 ZONING

Following an informal inquiry to the City Hall of São Bernardo do Campo and consulting the zoning and land use regulations (Laws No. 5.716/07, 5.593/06 and 4.803/99), we have reached the following conclusions:

MAIN ITEMS	
✓ Zoning:	<ul style="list-style-type: none"> ▪ ZDU-3/R-9 – Urban Development Zone ▪ ARP-1 – Permissive Residential Area 1
✓ Legal Uses:	<ul style="list-style-type: none"> ▪ Commerce (general, local, retail and wholesale). Services (rendering of institutional services and light and heavy duty industries).
✓ Categories	<ul style="list-style-type: none"> ▪ Single and multifamily housing, towers, office buildings, shopping malls, super and hypermarkets and similar ones refer to law 5.716/07 attachments I and II).
<i>Directives for occupation in Commercial and Services use</i>	
✓ Maximum Lot Coverage ("TO"):	<ul style="list-style-type: none"> ▪ 70 %
✓ Floor Area Ratio ("CA")	<ul style="list-style-type: none"> ▪ 1,20

For multifamily vertical condominiums the maximum land area is 3,000sqm.

VI DOCUMENTATION

VI.1 TITLES

We did not receive any titles referring to the property and, therefore, will make no further comments in this regard.

VI.2 CONSTRUCTION REPORT

According to the Construction Report of the future shopping mall, Golden Square Shopping occupies a total land area of 20,515.18sqm.

VI.3 IPTU

The IPTU's (Municipal Tax) supplied by the City Hall of São Bernardo do Campo present a land area of 19,502.63sqm.

VI.4 CONCLUSION

After analyzing the presented document, we have concluded that the property has a **land area of 19,502.63 sqm**, according to construction report and **total built area of 92,800sqm** according to information provided by the client.

Our valuation is based on the fact that there are no restrictions impeding the commercialization of the property, i.e. there are no debts, the registrations are not undergoing judicial appeals, and there are no construction or tax payment irregularities, environmental liabilities, among others.

VII MARKET OVERVIEW

VII.1 GENERAL

The real estate market from 2006 to 2008 was very active, with many developments all around the country, for commercial, industrial and logistics sectors and also residential uses. However, the residential market had performed better due to its bigger repressed demand, especially for developments designated for the C class population.

The big cities were the first ones to show these real estate “explosion” signs and secondly, the satellite cities of the capital cities. This can be observed in the Greater ABC, with several developments with constructions in final stages, which were obviously released in this period.

In this scenario, we verified that São Bernardo do Campo followed the market trends. Within the last few years it was transformed from an almost stagnated city to an active market that has been attracting residential developers and also the attention of traditional malls operators.

In the surrounding area of the future shopping mall, we have observed several buildings in secondary roadways (parallel to Avenida Kennedy) with concluding constructions, designated for A and B classes, with the B class predominant.

With regard to commercial properties, especially shopping malls, this period has seen intention from the investors to invest in existing properties and new developments.

VII.2 GENERAL CONSIDERATIONS UPON PROPERTIES FOR INVESTMENT

The Brazilian Real Estate Market over the past 10 years has brought about a large change in the investment market, with the expertise of several companies focusing on acquisitions and financial structuring. As a result a large number of foreign companies have settled in Brazil.

The real estate market in Brazil has two large groups of investors:

Institutional investors – Pension Funds

This kind of investor in the past was considered the main buyer of big ventures/ properties, looking for returns backed by saving accounts, in other words, 6% plus the TR variation (TR is a basic reference rate of interest to be charged in the month), plus the risk of the property contribution, in other words, discount rates/ return between 8% and 10% plus the TR variation.

Nowadays, this group remains as one of the major asset owners in Brazil. Due to a new resolution of CMN (*Conselho Monetário Nacional* – National Monetary Council), these pension funds are authorized to invest up to 10% of its asset in FII (*Fundo de Investimento Imobiliário* – Real Estate Investment Fund). The market estimates that it regards to an amount of approximately R\$50 billion, from which only R\$5 billion is already invested in this kind of product.

Large Private Investors

In this group there are several companies, some of them with international capital seeking good investment opportunities. This group targets rates of return above 12% per year. In most cases they look for high end properties, preferably with granted lease income, such as retail investments (shopping center, supermarkets, build to suit) of over R\$50 million with a 10 year income horizon.

Some investors use information from the *Banco Central Brasileiro* as a reference to calculate returns from real estate investments. One of the ways to calculate the return on a property is based on the federal interest rate SELIC (*Sistema Especial de Liquidação e Custódia*), upon which a spread regarding real state market risks is applied.

The same procedure is commonly done using *CDI* (a title issued by banks with the objective of improving the liquidity) or government bonds as references. They are titles of low risk and with long term periods upon which a spread is also applied considering specific risks of the real estate market.

Nowadays, SELIC is currently at 8,75% per year, however, the government forecast is 11,25% by the end of 2010. Although we do not believe that real estate market will absorb this change so fast (due to the fact that the spread during crisis period increased a lot), it makes everyone believe that forecasts for next years must be more conservative, leading to changes in terminal/reversion cap rates.

However, it is important to mention that this is one tool among the various references that investors use in their assumptions, also having cases of companies that have specific targets to achieve, independently of any other reference in the market.

Small Private Investors

Nevertheless, we have the small investors and individuals that, after a period of low participation, when the market was focused on products for large investors, restarted to apply in the real estate segment due to losses in the financial market during crisis period. They are active not only in acquisition of small properties, but also acquiring shares of *FII*.

VII.3 LAND MARKET IN SÃO BERNARDO DO CAMPO

In order to ascertain the market value of the analyzed land, we have researched the land market in the region and we have found some available and already purchased areas, with slightly similar features to the analyzed property, which we have used for comparison purposes, related in the item VII.2.1 ahead.

The 6 offered comparables present areas between 640sqm and 8,400sqm and values between R\$ 1,270.00/sqm and R\$ 2,340.00/sqm.

We highlight that most of the offered properties have much smaller areas than the analyzed one. Furthermore, in spite of its very small size, we have used one comparable in the same avenue as the analyzed property.

Another important comparable is the land where the former Best Shopping sits, with 18,100sqm of construction and 8,400sqm of land offered for R\$ 35,000,000. However, in order to include such comparable in the standardization table, we have discounted the residual value of the building, resulting in the land value of around R\$2,340/sqm.

VIII MASS AND MARKET RESEARCH SHOPPING MALL DEVELOPMENT

A market research company called Gismarket was hired by Squarestone Brasil in order to perform a market study of the region, which was used to support definitions upon operation of Golden Shopping. As previously agreed with the client, this study was used as a basis for our analysis.

Jones Lang LaSalle understands that the information in the report is correct. However, does not take responsibility for the content, which is totally under Gismarket responsibility, the company serving the client (Squarestone Brasil) directly.

This survey's purpose was to determine the potential revenue for the development and establish the retail MIX dimension for construction. Furthermore, it includes a brief comment on competition in the region, such as commercial roadways, shopping malls and retail establishments in general.

The following refers to a summary of presented data in the report by Gismarket. For detailed information, please refer to the report.

VIII.1.1 COMPETITOR MARKET

The presence of commerce and services in the analyzed market directly affects the behaviour of local consumers and defines their habits and preferences for local shopping. The region comprises strong business in commercial roadways, galleries and shopping malls. Below we present an overview upon the shopping malls competition:

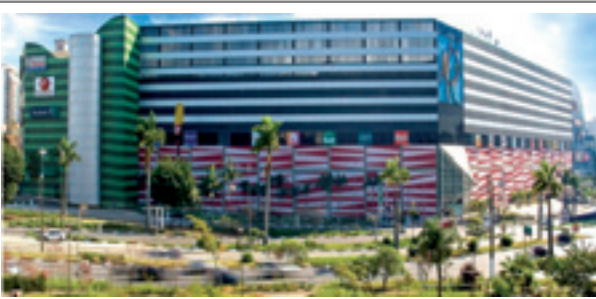
Operating Shopping Malls

Although the performed research comprises all the competitors for the analyzed development, the strongest competitors are the shopping malls in the region. These display facilities and convenience shopping, gathering all kinds of stores in the same location.

Shopping Metr�pole		
		
Attributes		
Gross Leasable Area (sqm)	24,552	
Stores Total	149	
Movie Theater	Halls	3
	Seats	621
	Operator	PlayArte
Supermarket	-	
Parkingplaces	1,200	
Opening Date	May, 1980	
Sector	P1	

Category	Stores
Food Products	-
Convenience	7
Cloathing	55
Houseware	3
Miscellaneous	36
Construction	-
Restaurants	21
Services	9
Entertainment	3
Closed Stores	15
Vacancy	10%
Total	149

Located in downtown, this shopping mall serves A, B and C classes. In spite of the good location, it does not provide a good performance, with a high vacancy rate, considering it is a consolidated development.

Shopping ABC		
		
Attributes		
Gross Leasable Area (sqm)	46,520	
Stores Total	283	
Movie Theater	Halls	5
	Seats	1,063
	Operator	Playarte
Supermarket	-	
Parkingplaces	2,200	
Opening Date	August, 1990	
Sector	T2	


Recently extended (2005), Shopping ABC has incorporated to its mix, elements never seen in region shopping malls before, such as a Fitness Gym and an Analysis Laboratory (Lavoisier) becoming one of the main players in region. It is located in a good area of Santo Andr  and serves the qualified public (A, B and C classes).

In addition to the above items, the shopping mall has also store brands such as Tok & Stok, Renner, Lojas Americanas, Fast Shop, Pre ol ndia, etc.

In the past, this shopping mall had problems with high vacancy rates, but currently, it presents a low rate, around 2%.

Source: Gismarket report

In addition to straight competitor developments, we also highlight Shopping ABC Plaza, located in Avenida Industrial in Santo Andr , which is out of the influence zone. However is important in the Greater ABC market, since it is the biggest shopping mall in region.

ABC Plaza		
		
Attributes		
Gross Leasable Area (sqm)	59,973	
Stores Total	174	
Movie Theater	Halls	10
	Seats	2,031
	Operator	Cinemark
Supermarket	Extra	
Parkingplaces	2,350	
Opening Date	September, 1997	
Sector	T1	

The shopping with the biggest GLA in ABC region has 2 annex elements that distinguish from the other ones (C&C and Extra)

We highlight that due to the presence of two bus terminals and the train station, the shopping mall has a public composed of B and C classes, with and a good mix of units.

An expansion project with 106 new stores is planned for 2010.

Source: Gismarket report

Shopping Centers – New Stock / Expansions

Within the next years, 4 shopping malls will be inaugurated or expanded. They are itemized in the following:

Shopping ABC Plaza – The shopping mall, which is one of the most popular in ABC, has announced its expansion. It will comprise another 100 satellite stores, 3 anchors, and 3 restaurants within a total of 10,000 sqm of GLA.

General Shopping - The new shopping mall will have a 105,000 sqm space in Ferrazópolis district in São Bernard do Campo. It will comprise approximately, 200 stores and around 30,000 sqm of GLA, with 1,500 parking spaces. The opening is announced for the third quarter of 2010.

Espaço Cerâmica - From well known operator Multiplan, this shopping mall is expected to have 25,000 sqm of GLA and will be built on a 57,835 sqm land, within the development “Espaço Cerâmica”. The project concept includes integration with commercial and residential centers.

The following map highlights the regions with main developments from the research in Greater ABC:



Source: Gismarket report

VIII.1.2 DEVELOPMENT SCALING

After analyzing the income and competitor market, Gismarket has performed the following development scaling, through the analysis of population consumption behaviour and competitors weighting, in order to reach the potential of residual sales for the future development.

Average distribution of income with several expenses

In order to compose the expense rate of each business category, the consumption indexes of *POF - Pesquisa de Orçamentos Familiares – 2003* (Family Budget Research), by *IBGE – Instituto Brasileiro de Geografia e Estatística* (Brazilian Institute of Geography and Statistics) were used.

These expense rates indicate the portion of home income designated for product consumption and services (per category), resulting in an average total volume of specific demand.

The application of such indexes vary according to the average home incoming, suffering weighting according to the social profile of each sector of influence area.

Categories	Full	Weighted
Food Products	17.5	9.6
Convenience	3.9	2.4
Clothing	5.1	3.8
Houseware	5.4	3.7
Miscellaneous	4.0	3.1
Construction	2.5	2.2
Restaurants	4.4	3.9
Services	2.7	3.1
Entertainment/Leisure	1.0	1.4
Total	46.6	33.2

Source: Gismarket report

The values in the table (in %) reflect the way family income is expended, not mentioning other daily expenses such as house rent and vehicles

Revenue potential for the development

After a complete weighting on revenue potential distribution on influence areas, the potential of R\$ 14 million / month was determined for the Golden Shopping development.

Influence Area	Consumption Potential (R\$ x 1000)	Sale Potential (R\$ x 1000)	Share (%)	Sales Mix (%)
Primary	39,994	5,413	13.5	38.5
Secondary	119,819	8,171	6.8	58.1
Total Resident	159,813	13,584	8.5	96.6
Floating	4,574	478	10.4	3.4
Total	164,386	14,062	8.6	100.0

Source: Gismarket report

Outer Catchment Forecast

Category	Sales Potential (R\$ x thousand / month)			External Captation (%)	External Captation Volume (R\$ x thousand / month)			Final Sales Potential (R\$ x thousand / month)		
	2009	2011	2013		2009	2011	2013	2009	2011	2013
Food Products	401	556	658	4.0	16	22	26	417	578	684
Convenience	520	663	800	10.0	52	66	80	572	730	880
Clothing	4,782	5,433	6,828	20.0	956	1,087	1,366	5,738	6,520	8,194
Houseware	2,397	2,785	3,368	15.0	359	418	505	2,756	3,203	3,873
Miscellaneous	3,561	4,098	5,075	25.0	890	1,025	1,269	4,451	5,123	6,344
Construction	203	288	337	20.0	41	58	67	243	345	404
Restaurants	1,535	1,923	2,119	25.0	384	481	530	1,918	2,404	2,649
Services	252	301	458	15.0	38	45	69	290	347	527
Entertainment	411	493	576	20.0	82	99	115	494	591	691
Total	14,062	16,541	20,219	20.0	2,818	3,300	4,027	16,880	19,841	24,246

With the new weighting considering the outer catchment forecast, Gismarket ascertained a sale volume of approximately R\$20 million / month for the development in 2011.

Through the average sale value, the GLA for each segment was determined, as showed below.

Influence Area	Final Sales Potential(R\$ x thousand / month)			Sale Average sqm			Recomended Gross Leaseble Area sqm		
	2009	2011	2013	2009	2011*	2013*	2009	2011	2013
Food Products	417	578	684	1,100	1,190	1,287	379	486	531
Convenience	572	730	880	1,000	1,082	1,170	572	675	752
Cloathing	5,738	6,520	8,194	800	865	936	7,173	7,535	8,755
Houseware	2,756	3,203	3,873	900	973	1,053	3,062	3,290	3,679
Miscellaneous	4,451	5,123	6,344	800	865	936	5,564	5,920	6,778
Construction	243	345	404	500	541	585	487	638	691
Restaurants	1,918	2,404	2,649	850	919	994	2,257	2,615	2,664
Services	290	347	527	450	487	526	645	712	1,001
Entertainment	494	591	691	150	162	175	3,291	3,646	3,936
Total	16,880	19,841	24,246	720	778	842	23,430	25,517	28,788

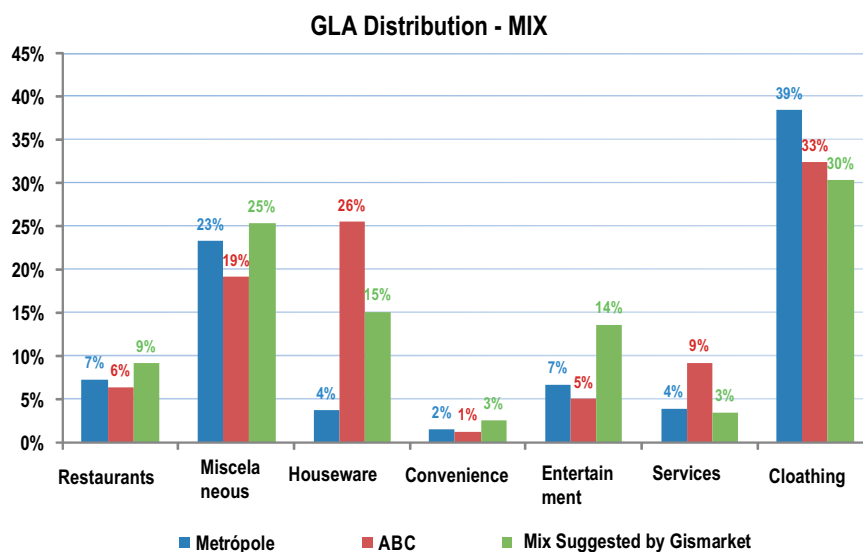
Source: Gismarket report

Mix Definition

After all the analysis, the following Mix was suggested by Gismarket.

Tenant Mix	Metrópole	ABC	Mix Suggestion by Gismarket	GLA
Restaurant	7%	6%	9%	2.664
Miscellaneous	23%	19%	25%	7.309
House ware	4%	26%	15%	4.370
Convenience	2%	1%	3%	752
Entertainment	7%	5%	14%	3.936
Services	4%	9%	3%	1.001
Clothing	39%	33%	30%	8.755
Total				28.787

The following graphic shows the MIX suggested by Gismarket in comparison to the competitors:



IX FINANCIAL ASSESSMENT

IX.1 DISCOUNTED CASH FLOW APPROACH (DCF)

The development is new; and in order to perform our analysis, we have mediated the projections based on the research performed by Gismarket, especially regarding the unitary sales potential (R\$ / sqm of GLA).

We highlight that the property owner is responsible for fixing the assumptions and conditions that better meets the company's strategy with the increase of the property market value. In this case, it is important to remember that maintenance of the premises for the business is essential to guarantee the attractiveness to potential investors.

Summarizing, the property value has a direct relation to the assumptions used, which will depend on the property's owner, the potential buyers profile, the real estate market and the socioeconomic scenario

The Discounted Cash Flow Approach was used in order to ascertain the value a real estate investor would be willing to pay for this venture in its current conditions, considering all information regarding necessary investments to completion of construction works as well as projected revenues and expenses are correct. Every analysis was done with constant currency, not considering the eventual inflation projection.

At the end of the projection horizon, the residual value or the reversionary value of the property was considered.

IX.2 ASSUMPTIONS ADOPTED

For the Cash Flow calculations Jones Lang LaSalle adopted statistics obtained from the information supplied by the client with regard to Gismarket report. Also included data regarding signed contracts, head of terms and construction program. Jones Lang LaSalle takes no responsibility as to the veracity of information provided and reserves the right to review such estimates in the event that it is confirmed that information supplied was incorrect.

On the date of inspection Golden Shopping was in construction stage, having approximately 8.4% of site works accomplished. The construction will be concluded in the first half of 2011. For valuation purposes we consider a maturation period of 5 years for the development, starting from the opening date.

In the following, we present the adopted assumptions:

IX.2.1 GLA – Tenant Mix

It was defined together with the client a balance mix considering the already leased stores (signed contracts and head of terms) and redistributing the vacant stores, in order to have approximately a similar Mix as the suggested one by Gismarket.

In the following, we present the percentage table of current and projected (New Balance) Mixes:

Competitor Mix					
Sector	Metrópole	ABC	Mix Suggested by Gismarket	Current Mix (*)	Final Mix (New Balance)
Restaurant	7%	6%	9%	12%	13%
Miscellaneous	23%	19%	25%	12%	20%
House ware	4%	26%	15%	3%	9%
Convenience	2%	1%	3%	2%	1%
Entertainment	7%	5%	14%	12%	9%
Services	4%	9%	3%	2%	3%
Clothing	39%	33%	30%	57%	45%

(*) According to signed agreements and heads of terms.

IX.2.2 Operational Revenues

The operational revenues of the venture are composed by minimum rents, turnover, parking and merchandising. We considered the following assumptions for calculation purposes:

- ✓ **Minimum Rent per type of store:** The initial minimum rent value was based on data regarding the signed contracts and heads of terms agreed, as per information supplied by the. In general terms, we have the following figures upon minimum rent:

Type of Store	Signed Contracts (R\$/sqm)			Area
	Minimum	Average	Maximum	
Anchors				
Semi Anchors	R\$ 29.25	R\$ 29.25	R\$ 29.25	1,230.75
Food	R\$ 108.00	R\$ 143.23	R\$ 180.00	854.92
Miscellaneous	R\$ 80.00	R\$ 140.49	R\$ 200.00	798.44
House ware	R\$ 50.00	R\$ 50.00	R\$ 50.00	122.31
Convenience	R\$ 102.18	R\$ 139.33	R\$ 180.00	300.38
Entertainment	R\$ 37.83	R\$ 42.60	R\$ 145.83	514.38
Services	R\$ 78.00	R\$ 103.00	R\$ 168.21	217.90
Clothing	R\$ 35.60	R\$ 101.29	R\$ 187.81	3,745.95
Kiosks	R\$ 437.50	R\$ 642.42	R\$ 811.11	49.50
TOTAL				7,834.53

On the table above we can see a great variation among values, which reflects punctual negotiations of each store (varying according to its commercial representation among the other stores or location within the venture). Normally, the most important stores (brands) have better negotiation with lease values and key money usually under the average and also occupy most expressive GLA's (larger areas).

Although we have observed that the majority of signed contracts are between average and maximum values, those punctual negotiations with important brands that are of strategic interest for the shopping mall operators end up misbalancing and lowering the averages of each segment.

On the table below we mention the heads of terms, where we can see up and down variations of average, maximum and minimum values. Some of these negotiations involve important stores that have lower values as per interest of the operators, as well as stores paying a higher rent due to their interest in being in this project.

Type	Heads of Terms (R\$/sqm)			Area
	Minimum	Average	Maximum	
Anchors	R\$ 33.00	R\$ 33.00	R\$ 33.00	2,793.77
Semi Anchors	R\$ 40.60	R\$ 48.47	R\$ 65.70	3,204.18
Food	R\$ 45.20	R\$ 94.47	R\$ 231.70	2,272.58
Miscellaneous	R\$ 49.30	R\$ 95.21	R\$ 180.00	1,127.78
House ware	R\$ 88.00	R\$ 88.00	R\$ 88.00	153.94
Convenience	R\$ 160.00	R\$ 161.67	R\$ 165.00	88.59
Entertainment	R\$ 20.40	R\$ 20.42	R\$ 20.40	2,476.02
Services	R\$ 88.00	R\$ 127.31	R\$ 165.00	271.86
Clothing	R\$ 26.30	R\$ 76.35	R\$ 180.70	5,077.33
Kiosks	R\$ 330.00	R\$ 526.93	R\$ 653.00	173.99
TOTAL				17,738.14

Commercially speaking, shopping malls with good occupation prior to its opening tend to increase rent values, not only for minimum rent, but also key money, as a result of offer versus demand.

Below, we present the values adopted for the vacant stores according to information supplied by the client, which reflect expected rent values according to potential mix and positioning of stores within the shopping mall:

Type	Vacant Stores			Area
	Minimum	Average	Maximum	
Semi Anchors	R\$ 30.00	R\$ 55.00	R\$ 70.00	3,690
Food		R\$ 160.00		183
Miscellaneous		R\$ 140.00		2,095
House ware		R\$ 151.00		309
Convenience				
Entertainment				
Services		R\$ 127.00		627
Clothing				
Kiosks		R\$ 108.00		343
			TOTAL	7,247

It is important to mention that the analyzed venture has yet one year prior to its opening, an adequate timing for negotiation of vacant stores, which are around 22% of total. Furthermore, the position and size of such stores indicate that there are no reasons for significant discounts. Therefore, we understand that values above mentioned are balanced according to offer, demand and potential mix composition, being assumed as initial rent values in our analysis.

The values used in the cash flow considered that all the Anchor and Entertainment stores will pay 12 rents per year, while the other ones pay 13 rents, according to the effective contracts.

- ✓ **Real Growth of the Minimum Rent:** Regarding the projection of real growth for minimum rent, we consider that there will not be a real increment for the analyzed development, since all the contracts are new and the average of negotiated values are high.
- ✓ **Sales Level:** was mediated according to Gismarket research, which refers to the following figures:
 - Anchors R\$865/ m² of GLA
 - Semi Anchors R\$865/ m² of GLA

- Restaurants R\$919/ m² of GLA
- Miscellaneous R\$865/ m² of GLA
- Houseware R\$973/ m² of GLA
- Convenience R\$1,082/ m² of GLA
- Entertainment: R\$162/ m² of GLA
- Services: R\$487/ m² of GLA
- Clothing: R\$865/ m² of GLA
- Kiosks R\$500/ m² of GLA

✓ **Turnover:** values were calculated according to information provided by the developer regarding to effective values practiced in the lease terms. Below we present the average % of turnover according to the tenant mix:

- Anchors 2,5% upon sales values
- Semi Anchors 2.5% upon sales values
- Restaurants 6% upon sales values
- Miscellaneous 6% upon sales values
- Convenience 3% upon sales values
- Services: 3% upon sales values
- Clothing: 5% upon sales values
- Kiosks 7% upon sales values

Regarding to revenues from turnover, only a few stores will probably accomplish them, since the high base rents lead to a need for a big volume of sales in order to achieve the payment of turnover.

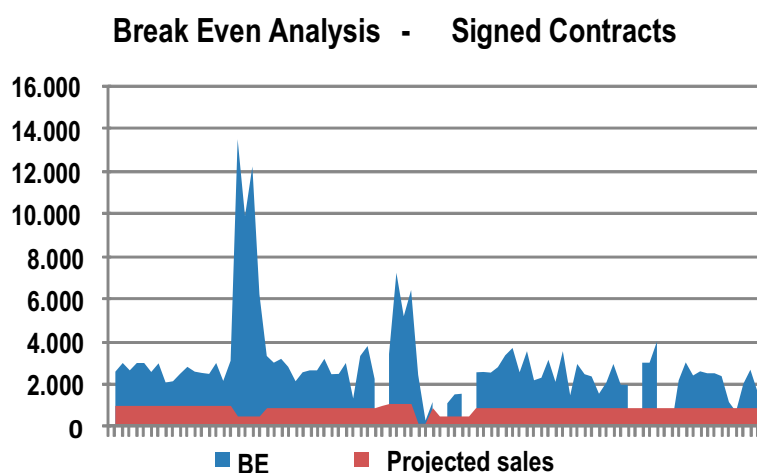
In summary, we have:

Item	Areas (GLA - sqm)	Minimum (R\$ / sqm of GLA)	Sales (R\$ / sqm of GLA)	Turnover (%)
Anchors				
C&A	1.246		865	2,5%
Zara	1.548	33	865	2,5%

Item	Areas (GLA - sqm)	Minimum (R\$ / sqm of GLA)	Sales (R\$ / sqm of GLA)	Turnover (%)
Semi-Anchors				
Centauro	1.231	29	865	2,5%
Fast Shop	623	66	865	3%
Marisa	807	41	865	3%
Riachuelo	660	44	865	3%
Ponto Frio	589	50	865	3%
Tok Stok	526	44	973	3%
451A	540	38	865	3%
221	347	65	865	4%
242	280	70	865	4%
269	454	55	865	4%
301	424	55	865	4%
342	248	70	865	8%
401	381	55	865	4%
406	284	70	865	4%
426	271	70	865	4%
502	460	30	865	3%
Satellites				
Restaurants	855	143	919	6%
Miscellaneous	798	140	865	6%
House ware	122	50	973	
Convenience	300	139	1.082	3%
Entertainment	514	43	162	
Services	218	103	487	3%
Clothing	3.746	101	865	5%
Kiosks	50	642	500	7%
Restaurants	2.314	94	919	5%
Miscellaneous	1.128	95	865	5%
House ware	154	88	973	5%
Convenience	89	162	1082	10%
Entertainment	2.476	20	162	12%
Services	272	127	487	5%
Clothing	5.134	76	865	7%
Kiosks	174	527	500	10%
Vacant - Restaurants	183	160	919	5%
Vacant - Miscellaneous	2.095	140	865	5%
Vacant - House ware	309	151	973	5%
Vacant - Convenience			1082	10%
Vacant - Entertainment			162	5%
Vacant - Services	627	127	487	7%
Vacant - Clothing			865	7%
Vacant - Kiosks	343	108	500	5%
Parking			7.680.000	
Merchandising			2.000.000	

Reference: text in black: signed contracts; in blue: head of terms agreed and in red: vacant stores.

We have accomplished a simple analysis of the Break Even² of the stores, as the following:



As we can observe in this sampling (signed stores), the values in red are the estimated sales in the cash flow, while the blue ones are the necessary sale values for the beginning of the payment of turnover. This scenario is also applied for the other dealt stores and projection of vacant stores.

However, we apply the real growth of 1% per year for sales, from the 3rd year of the cash flow (2nd year of operations), even though it is still not enough to change the scenario mentioned above, since it had not reached the break even of stores.

✓ **Parking:** Projections of number of vehicles were based on data provided by the client, which was calculated according to Gismarket report. For the analyzed development, a public of about 160,000 vehicles per month was projected with price of R\$4.00 per vehicle, according to information provided by the developer. We understand that this fee is adequate, considering, for example, that ABC Shopping charges R\$5.00 for the period of 4 hours. The forecasted total value per year is R\$ 7,680,000 of net revenue.

- Vehicle Flow: Average of 160,000 vehicles/month as per Gismarket report;
- Average Ticket: R\$ 4.00 / vehicle; and
- Growth Projection: 1% per year, after the 2nd year of operation (3rd year of cash flow). The region lacks of parking places, and we believe in a gradual growth of the shopping mall, and consequently, in visitation.

² Break Even – Based on the minimum rent and contract overage percentages, the necessary sale values are calculated for the beginning of turnover payment.

- ✓ **Merchandising:** A value of R\$ 2,000,000 per year was projected for merchandising revenues, within the following progression, based on average shopping malls market of similar profile:

2nd Year	3rd Year	4th Year	From 5th Year on
1,000,000	1,500,000	1,800,000	2,000,000

We understand that the above mentioned values are aligned with the market in general, which has been greatly benefited by the real estate campaigns, for example.

IX.2.3 Commercial Revenues

- ✓ **Cession of Rights (Key Money) - Initial:**

In average, receiving of Cession of Rights were divided as the following method, according to the current lease terms:

- 20% to 30% upon proposal signature,
- 20% upon development opening, and
- Remaining balance divided into 24 to 36 instalments according to average of signed contracts

Revenues from Key Money were forecasted as following:

- Signed Contracts: remaining value of R\$ 1,230,212.00, equivalent to R\$1,281/m² of GLA (according to cash flow provided by the client);
- Heads of Terms and Vacant Stores: estimated to be received within 36 months, with revenues distributed in 3 years (equal values per year) from 2010, following the average value ascertained in the signed contracts, totalling R\$ 12,339,946.00.

IX.2.4 Operational Expenses

The operational expenses are paid by the entrepreneur proportionally to the vacant stores. The vacancy was projected as following:

- ✓ **Vacancy Rate** (on total GLA of the development):
 - 1st year of operation: 10% of total GLA (arbitrated value, according to common market practice. The current vacancy is 22% and we understand that a greater amount of contracts will be signed until the launching date);
 - From 2nd year on: 5% of total GLA (market average);
- ✓ **Condominium of Vacant Stores:** R\$ 70 / sqm of GLA according to average market value of malls with similar standards.
- ✓ **Unrecoverable Delinquency:** 3% upon gross revenue according to market average
- ✓ **Promotion and Advertisement Fund:**
 - Storekeepers: 20% upon Month Revenues of Minimum Rent (as per contract);
 - Statutory: 5% of the Promotion and Advertising Fund contributed by the Storekeepers.
- ✓ **Management Fee:** 3% upon revenues, to be contributed by the entrepreneur (as per contract).

IX.2.5 Commercial Expenses

- ✓ **Commercial Expenses:** 2,75 monthly rental commission per store plus 9% upon key money revenues (as per contract).
- ✓ **Parking:** As per information supplied by the client, all expenses with materials, equipment and labour in the management of the parking lot will be made by the own management and will be

supported by the shopkeepers. As we have no data we will make no further comments on this regard.

IX.2.6 Investments

- ✓ **Construction (2nd phase of Project):** According to information provided by the client, the remaining cost for the shopping mall conclusion is R\$ 94,500,000. The construction contract is based on global price, i.e., eventual inflation is already accounted for, unless inflation rates reach high levels or there is a termination of contract.

- ✓ **Capital Reserve Account:** 3% on gross revenues calculated from the 5th operational year on.

IX.2.7 Discount Rate

The discount rate used for the NPV cash flow calculation was 15% per year, considering the estimation of Selic rate for this year and also information from professional investors market.

IX.2.8 Perpetuity

- ✓ Analysis Term: 10 years;
- ✓ Terminal Cap Rate: 12% per year;
- ✓ Sales Commission: 3% upon Sale Value.

IX.3 CASH FLOW

Based on the above-described assumptions, we obtained the cash flow as follows:

	Year 1 2010	Year 2 2011	Year 3 2012	Year 4 2013	Year 5 2014	Year 6 2015
OPERATIONAL REVENUES	R\$ 0	R\$ 29.547	R\$ 43.204	R\$ 43.611	R\$ 43.895	R\$ 43.980
Minimum Rent	R\$ 0	R\$ 23.236	R\$ 33.589	R\$ 33.615	R\$ 33.615	R\$ 33.615
Turnover	R\$ 0	R\$ 301	R\$ 435	R\$ 440	R\$ 446	R\$ 453
Operational Expenses	R\$ 0	R\$ 6.009	R\$ 9.180	R\$ 9.557	R\$ 9.834	R\$ 9.913
Parking Lot Revenues	R\$ 0	R\$ 5.317	R\$ 7.680	R\$ 7.757	R\$ 7.834	R\$ 7.913
Other revenues	R\$ 0	R\$ 692	R\$ 1.500	R\$ 1.800	R\$ 2.000	R\$ 2.000
Operational Expenses	(R\$ 36)	(R\$ 5.811)	(R\$ 8.559)	(R\$ 6.792)	(R\$ 6.822)	(R\$ 6.832)
Vacancy	R\$ 0	(R\$ 3.395)	(R\$ 2.315)	(R\$ 2.181)	(R\$ 2.195)	(R\$ 2.199)
Condominium - Vacant Stores	R\$ 0	R\$ 0	(R\$ 2.987)	(R\$ 1.493)	(R\$ 1.493)	(R\$ 1.493)
Irrecoverable Delinquency	R\$ 0	(R\$ 917)	(R\$ 1.319)	(R\$ 1.243)	(R\$ 1.251)	(R\$ 1.253)
Promotion and Marketing Fund	R\$ 0	(R\$ 229)	(R\$ 298)	(R\$ 314)	(R\$ 314)	(R\$ 314)
Management Tax	R\$ 0	(R\$ 1.018)	(R\$ 1.389)	(R\$ 1.309)	(R\$ 1.317)	(R\$ 1.319)
Other Expenses	(R\$ 36)	(R\$ 252)	(R\$ 252)	(R\$ 252)	(R\$ 252)	(R\$ 252)
Net Operational Revenue	(R\$ 36)	R\$ 23.735	R\$ 34.645	R\$ 36.819	R\$ 37.073	R\$ 37.149
Commercial Revenues	R\$ 4.457	R\$ 4.402	R\$ 3.091	R\$ 6	R\$ 0	R\$ 0
Cession of Rights	R\$ 4.457	R\$ 4.402	R\$ 3.091	R\$ 6	R\$ 0	R\$ 0
Commercial Expenses	(R\$ 3.478)	(R\$ 4.400)	(R\$ 202)	R\$ 0	R\$ 0	R\$ 0
Commercial Expenses	(R\$ 3.478)	(R\$ 4.400)	(R\$ 202)	R\$ 0	R\$ 0	R\$ 0
Net Result	R\$ 943	R\$ 23.737	R\$ 37.534	R\$ 36.825	R\$ 37.073	R\$ 37.149
Investments	(R\$ 66.150)	(R\$ 28.350)	R\$ 0	R\$ 0	R\$ 0	(R\$ 1.319)
construction Costs	(R\$ 66.150)	(R\$ 28.350)	R\$ 0	R\$ 0	R\$ 0	R\$ 0
Capital Reserva Account	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0	(R\$ 1.319)
Cash Flow	(R\$ 65.207)	(R\$ 4.613)	R\$ 37.534	R\$ 36.825	R\$ 37.073	R\$ 35.829
Revenues upon Development Sale						
Sale at the 10th operational year	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0
Commercial expenses						
Sales expenses (brokerage)	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0
Pos-sale cash flow	(R\$ 65.207)	(R\$ 4.613)	R\$ 37.534	R\$ 36.825	R\$ 37.073	R\$ 35.829

	Year 7 2016	Year 8 2017	Year 9 2018	Year 10 2019	Year 11 2020
OPERATIONAL REVENUES	R\$ 44.066	R\$ 44.154	R\$ 44.248	R\$ 44.343	R\$ 44.439
Minimum Rent	R\$ 33.615	R\$ 33.615	R\$ 33.615	R\$ 33.615	R\$ 33.615
Turnover	R\$ 459	R\$ 467	R\$ 480	R\$ 494	R\$ 508
Operational Expenses	R\$ 9.992	R\$ 10.072	R\$ 10.152	R\$ 10.234	R\$ 10.316
Parking Lot Revenues	R\$ 7.992	R\$ 8.072	R\$ 8.152	R\$ 8.234	R\$ 8.316
Other revenues	R\$ 2.000	R\$ 2.000	R\$ 2.000	R\$ 2.000	R\$ 2.000
Operational Expenses	(R\$ 6.841)	(R\$ 6.850)	(R\$ 6.861)	(R\$ 6.871)	(R\$ 6.881)
Vacancy	(R\$ 2.203)	(R\$ 2.208)	(R\$ 2.212)	(R\$ 2.217)	(R\$ 2.222)
Condominium - Vacant Stores	(R\$ 1.493)	(R\$ 1.493)	(R\$ 1.493)	(R\$ 1.493)	(R\$ 1.493)
Irrecoverable Delinquency	(R\$ 1.256)	(R\$ 1.258)	(R\$ 1.261)	(R\$ 1.264)	(R\$ 1.267)
Promotion and Marketing Fund	(R\$ 314)	(R\$ 314)	(R\$ 314)	(R\$ 314)	(R\$ 314)
Management Tax	(R\$ 1.322)	(R\$ 1.325)	(R\$ 1.327)	(R\$ 1.330)	(R\$ 1.333)
Other Expenses	(R\$ 252)	(R\$ 252)	(R\$ 252)	(R\$ 252)	(R\$ 252)
Net Operational Revenue	R\$ 37.225	R\$ 37.303	R\$ 37.387	R\$ 37.472	R\$ 37.558
Commercial Revenues	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0
Cession of Rights	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0
Commercial Expenses	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0
Commercial Expenses	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0
Net Result	R\$ 37.225	R\$ 37.303	R\$ 37.387	R\$ 37.472	R\$ 37.558
Investments	(R\$ 1.322)	(R\$ 1.325)	(R\$ 1.327)	(R\$ 1.330)	(R\$ 1.333)
construction Costs	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 0
Capital Reserva Account	(R\$ 1.322)	(R\$ 1.325)	(R\$ 1.327)	(R\$ 1.330)	(R\$ 1.333)
Cash Flow	R\$ 35.903	R\$ 35.979	R\$ 36.060	R\$ 36.142	R\$ 36.225
Revenues upon Development Sale					
Sale at the 10th operational year	R\$ 0	R\$ 0	R\$ 0	R\$ 0	R\$ 301.871
Commercial expenses					
Sales expenses (brokerage)	R\$ 0	R\$ 0	R\$ 0	R\$ 0	(R\$ 9.056)
Pos-sale cash flow	R\$ 35.903	R\$ 35.979	R\$ 36.060	R\$ 36.142	R\$ 329.040

IX.4 RESULTS OBTAINED

Specifically for our analysis, the NPV obtained is equal to the market value an investor/buyer would pay for the property, considering all assumptions as correct.

In addition to the period of construction of 12 months from January 2010, we assumed a 10-year operation term for the venture, at the end of which we simulated the net sale of the property (perpetuity), dividing the projected revenue for the 11th year by a reversion cap rate.

With the objective of identifying the representation of the Perpetuity and the total NPV flow of the venture over the period, we simulated the sales between 1 and 10 years of the mall's operation per annum, as detailed in the tables below.

Period of Analysis	Cash flow NPV	Perpetuity NPV	Total NPV	NPV (in R\$/m ² of ABL)
11	71,695	64,885	136,580	4,162
10	63,909	74,447	138,356	4,216
9	54,975	85,420	140,395	4,278
8	44,725	98,012	142,737	4,349
7	32,963	112,479	145,442	4,432
6	19,466	129,084	148,549	4,526
5	3,976	153,599	157,574	4,801
4	-14,456	175,457	161,000	4,906
3	-35,511	205,660	170,149	5,184
2	-60.190	-29.067	-89.257	-2.720
1	Construction only			

IX.5 SENSITIVITY ANALYSIS

Having elaborated the cash flows, JONES LANG LASALLE developed a Sensitivity Analysis that consists of the interpretation of the financial results of the investments, using different variables individually and subsequently crossing such variables. This analysis is aimed at testing to what extent the venture continues feasible in the event of some adopted projects failing to behave as expected. Therefore, we applied variations to the following assumptions of Basic Scenarios:

- ✓ Discount rate of the cash flow; and
- ✓ Reversion cap rate.

We present below the results obtained from these sensitivity analysis:

Reversion Cap Rate	Discount Rate				
	13.00%	14.00%	15.00%	16.00%	17.00%
10.00%	R\$ 177,104	R\$ 161,479	R\$ 147,221	R\$ 134,197	R\$ 122,286
11.00%	R\$ 168,776	R\$ 153,920	R\$ 140,355	R\$ 127,955	R\$ 116,606
12.00%	R\$ 161,837	R\$ 147,622	R\$ 134,634	R\$ 122,753	R\$ 111,873
13.00%	R\$ 155,965	R\$ 142,292	R\$ 129,792	R\$ 118,351	R\$ 107,868
14.00%	R\$ 150,932	R\$ 137,724	R\$ 125,642	R\$ 114,578	R\$ 104,435

The variations used were +/-2 percentage points for terminal cap rate, and of +/-2 percentage points for discount rate. By reducing or increasing the cap rate in one percentage point, the market value of the property would raise or fall in 4%. In regards to the discount rate, a variation of one percentage point means an increase or reduction of around 10% upon the property value.

The influence of discount rate strongly reflects the risk involved with construction and we understand that as far as the construction risks diminish, the property value will tend to stabilize.

X VALUATION – ASSET VALUE

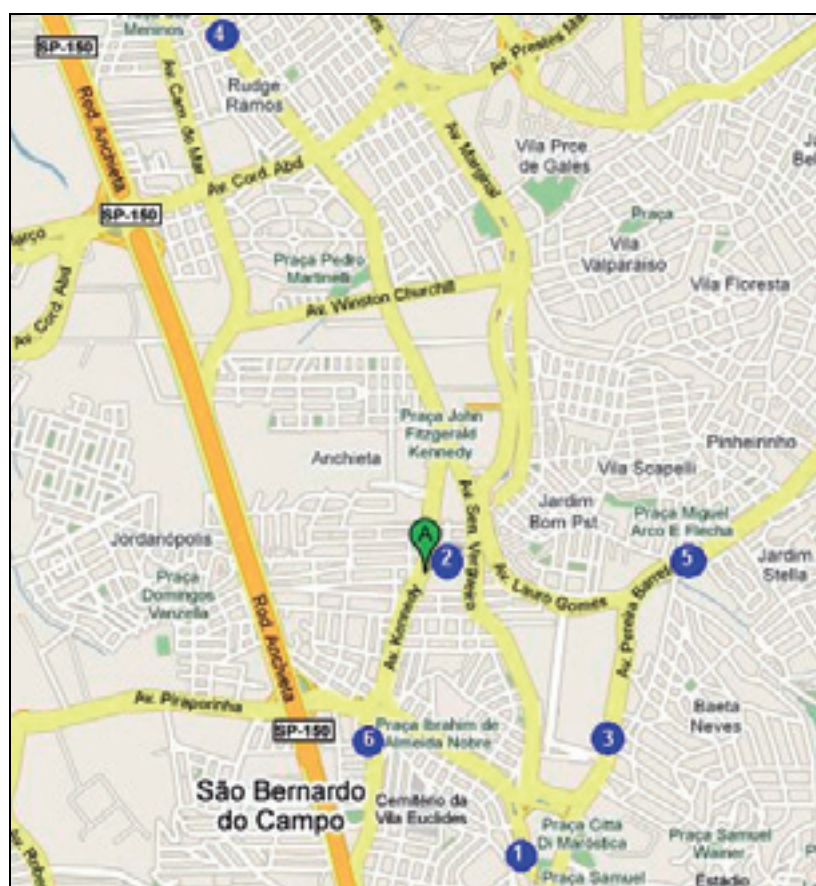
X.1 INTRODUCTION

In addition to the economical valuation of the property, we conducted an analysis of asset value, considering the value of the property as it is at the moment, an incomplete building. The asset value was obtained through our interpretations, based on market experience and regional trends. The approaches used were:

- [i] - Comparative Approach for the approximate land value;
- [ii] - Depreciated Replacement Cost Approach for the property's Asset Value.

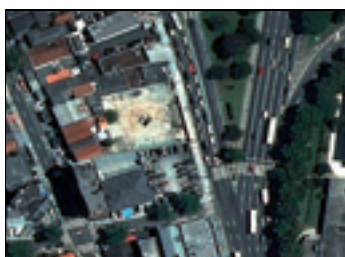
X.2 COMPARATIVE APPROACH

Find below the details of comparables used in this valuation process with photos and location map:

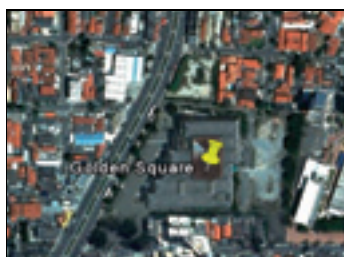


We have listed below the properties under offer / completed transactions which we consider as having a certain degree of comparison to the property under analysis, in order to ascertain its land value.

#	Address	Land Area (sqm)	Asking Price (R\$)	Unit. Value (R\$/m ²)	Type	Source		
						Broker	Contact	Telephone (11)
1	Rua Jurubatuba, close to # 2000	4.800,00	R\$ 6.600.000,00	1.375,00	Offer	Barella Imoveis	Conceição	4123-3866
2	Avenida Kennedy, close to the mall	640,00	R\$ 980.000,00	1.531,25	Offer	Jardim Imoveis	Carlos / Silvia	4122-5211 / 7881-8257
3	Rua Tales dos Santos Freire x Av. Pereira Barreto	2.800,00	R\$ 3.564.400,00	1.273,00	Offer	Jardim Imoveis	Carlos / Silvia	4122-5211 / 7881-8257
4	Avenida Senador Vergueiro, close to # 800	1.300,00	R\$ 2.340.000,00	1.800,00	Offer	Jardim Imoveis	Carlos / Silvia	4122-5211 / 7881-8257
5	Avenida Pereira Barreto, close to # 2000	8.000,00	R\$ 12.000.000,00	1.500,00	Offer	Jardim Imoveis	Carlos / Silvia	4122-5211 / 7881-8257
6	Avenida das Nações Unidas, close to Praça das Nações Unidas	8.400,00	R\$ 19.670.000,00	2.341,67	Offer	Jardim Imoveis	Carlos / Silvia	4122-5211 / 7881-8257



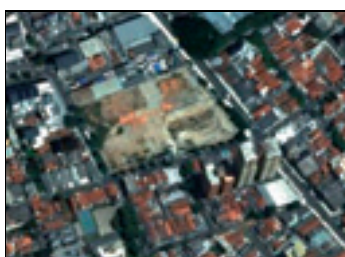
1. Rua Jurubatuba



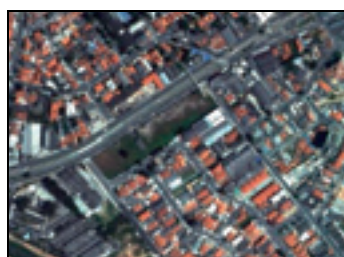
2. Avenida Kennedy



3. Rua Tales dos Santos Freire



4. Avenida Senador Vergueiro



5. Avenida Pereira Barreto



6. Avenida das Nações Unidas

It is important to mention that all the comparables are located within the same occupation zone, which means that all of them have the same FAR.

After considerations regarding location, area and offer factor, the following results were obtained:

#	Address	Adjust. Factors			Total Factor	Adjusted Value (R\$/sqm)	Trimmed Value (R\$/sqm)
		Offer	Local	Area			
1	Rua Jurubatuba, close to # 2000	0,90	1,00	0,90	0,81	\$1.113,75	\$1.113,75
2	Avenida Kennedy, close to the mall	0,90	1,00	0,80	0,72	\$1.102,50	\$1.102,50
3	Rua Tales dos Santos Freire x Av. Pereira Barreto	0,90	1,25	0,90	1,01	\$1.288,91	\$1.288,91
4	Avenida Senador Vergueiro, close to # 800	0,90	1,10	0,85	0,84	\$1.514,70	\$1.514,70
5	Avenida Pereira Barreto, close to # 2000	0,90	1,00	0,95	0,86	\$1.282,50	\$1.282,50
6	Avenida das Nações Unidas, close to Praça das Nações Unidas	0,90	0,80	0,95	0,68	\$1.601,70	\$1.601,70

Adjusted Average	R\$	1.317,34
Min	-30%	\$922,14
Max	30%	\$1.712,54

Trimmed Average	R\$	1.317,34
Min. Interv.	-10%	R\$ 1.185,61
Max. Interv.	+10%	R\$ 1.449,08

Land Area (sqm)	19.502,63
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Total Value
\$25.690.000,00

The analysis resulted in a range of values between R\$ 1,185.61/sqm and R\$ 1,449.08/sqm, with a weighted average of **R\$ 1,317.34/sqm**. Applying this value to the total land area of **19,502.63sqm** led to the rounded value of **R\$ 25,690,000.00**.

X.3 DEPRECIATED REPLACEMENT COST APPROACH

This approach illustrates the value in use of the property resulting from the sum of the land value obtained through the comparative approach, with the value of the buildings duly depreciated due to age and conservation conditions.

Construction Phase:

We highlight that since the building is under construction, we used the Unitary Cost from *Nova Construção Magazine*, in order to determine with precision the stage of such construction.

The calculation basis considers a building with high-end finish and the executed percentage of the construction, through the percentage of participation of main items that compose it. Therefore, for January 2010, we have:

CONSTRUCTION STAGES	cost %	Execution	Total (%)
Enabling Works	0.90	50.00	0.50
Land Leverage	1.00	80.00	0.80
Special Foundation	3.50	60.00	2.10
Infrastructure	3.50	60.00	2.10
Superstructure	27.60	20.00	5.50
Cladding	3.00	5.00	0.20
Windows	10.00	0.00	0.00
Roof	0.00	0.00	0.00
Hydraulic Installation	10.00	0.00	0.00
Electric Installation	4.00	20.00	0.80
Waterproofing and Thermal Insulation	2.50	0.00	0.00
Covering (floor, ceiling and walls)	18.00	0.00	0.00
Glasses	2.50	0.00	0.00
Painting	7.50	0.00	0.00
Complementary Services	1.00	0.00	0.00
Elevators	5.00	0.00	0.00
Global Cost/sqm	100.00	(%)	12.00

According to table above, the accomplished percentage of construction in the present date is approximately 12%. However, due to demolition work, recuperation and adaptation of the existing structure, we have discounted 30% from the percentage previously calculated, resulting in a percentage of construction progress of 8.40%.

Equivalent Area:

Some of the floors will be occupied by parking lots and do not have the same kind of finishes that the standard shopping mall floors have. Therefore, for valuation purposes, we applied different weights to each group of floors, reaching an equivalent built area, as demonstrated below.

Description	Area (sqm)	Weight	Equivalent Area (sqm)
Ground Floor	11.600,00	0,80	9.280,00
1st to 3rd Floor	34.800,00	1,00	34.800,00
4th to 7th Floor	46.400,00	0,50	23.200,00
TOTAL	92.800,00		67.280,00

Depreciated Replacement Cost Approach:

I- UNITARY COST

Global Cost/sqm (Nova Construção Magazine - Nov-09):	\$1.168,34 p/sqm
Update:	1,00% 11,68
Global Cost(R\$/sqm):	1.180,02
Transposition (Dimension)	0,95
Standard Adjustment:	0,85
Index	0,81
Global Cost / sqm (Adjusted)	\$952,87 p/sqm
Additional Cost (4%)	485,96
Indirect Expenses (10%)	143,88
Management Fee (5%)	79,14
BASIC UNITARY COST	\$1.661,85 p/sqm

II - AREAS, COSTS AND DEPRECIATIONS - Buildings

Description	Quantity	Unit	Weight	EU	AA	EU	% AA/EU	EC	K	DF	Value - New	Depreciated Value
Equivalent Area	67.280	sqm	1,00	1.661,85	0	50	0%	a	0,00%	1,000	111.809.335	111.809.335

Total Built Area 67.280,00 sqm

New Reposition Cost (R\$) \$111.809.335,09

Depreciated Reposition Cost (R\$) \$111.809.335,00

Construction Progress 0,083

Buildings Value \$9.320.000,00

EU = Equivalent unit (R\$)

EU = Economic Useful Life (years)

K = Factor Table of the Ross-Heidecke

AA = Apparent age (years)

EC = State of Conservation

DF = Depreciation Factor

IV - LAND TOTAL

Area (sqm)	19.502,63
Unit Value (Direct Comparative)	1.317,34
Total	\$25.691.667,74

LAND VALUE \$25.690.000,00

VI - ASSET VALUE

Land Value	\$25.690.000,00
Buildings Value	\$9.320.000,00
	\$35.010.000,00

VALUE IN USE \$35.000.000,00

The analysis resulted in the value in use of **R\$ 35,000,000.00**, after the application of the due depreciation considerations such as state of conservation and functional obsolescence.

X.4 CONSOLIDATION OF VALUES

In the analysis of the property in its current condition, we have performed calculations through the comparative approach, in order to determine the market value for the land and depreciated replacement cost approach, in order to calculate the asset value, i.e., land, constructions and accomplished improvements.

According to analysis, the results are the following:

Market Value of the Land (Basis: Comparative Approach)	R\$ 25,690,000.00
Asset Value (Basis: Depreciated Replacement Cost Approach)	R\$ 35,000,000.00

XI CRITICAL ANALYSIS OF THE PROPERTY

XI.1 LOCATION

The property is located in one of the main commercial avenues of São Bernardo do Campo city, with a wide frontage, which provides a good visibility and, consequently, good promotion also. The access can be considered easy and quick through avenues and roads with intense vehicle flow, however with traffic jam in rush hours. The access to downtown is also easy, which can be done through Avenida Lucas Nogueira Garcez.

XI.2 THE PROPERTY

The property is under construction; therefore it is not possible to evaluate the installations and technical specifications. However, if the specifications in the construction report are accomplished properly, the development will be considered suitable for the A and B classes standard.

Only the structure of the old Golden Shopping will be reused, and having considered its dimensions, we find that it is suitable for the new development.

The GLA expected, in addition to the mix, appear to meet the potential demand of the region, according to Gismarket report. However, we highlight that its distribution is slightly unbalanced, in function of the amount of stores in the clothing segment. In order to improve the balance, the vacant stores should be used for other segments, resulting in final average areas closer to the one projected by the research.

Nevertheless, every time a development shows a concept different from the existing ones in market, it can overcome the competition, becoming a regional reference point. Summarizing, every time there is a successful paradigm breaking, it becomes a regional centre.

XI.3 MARKET POSITION

Golden Square is located in a region surrounded by good offer in regards to shopping malls and street commerce. However, there are only a few direct competitors at this moment.

The region has already been targeted as potential revenue, with other strong shopping malls operators announcing construction of new developments in São Caetano do Sul and São Bernardo, such as Multiplan and BR Malls. We understand that Golden Shopping has the advantage of being accomplished first, with the following developments, if actually built, being completed after one or two years from the opening of Golden Shopping.

It is notable that the biggest shopping malls buyers in Brazil are all concentrated in only a few groups, which within the last three years, accomplished significant acquisition. We can mention the BR Malls as an example, with 40 developments. Some of the big shopping mall investors (Iguatemi, BR Malls, Multiplan, Brascan Shopping and Sonae) are well capitalized and will possibly announce new developments in the sector, for this year.

XI.4 OPINION OF VALUE

We are of the opinion that the value applicable to the venture in question as at January, 2010 is:

MARKET VALUE

R\$ 134,600,000.00

(ONE HUNDRED AND THIRTY FOUR MILLION AND SIX HUNDRED THOUSAND BRAZILIAN REAIS)

ASSET VALUE

R\$ 35,000,000.00

(THIRTY FIVE MILLION BRAZILIAN REAIS)

Note 1: These values are based on the fact that there are no restrictions that may prevent the property commercialization or its occupation, i.e., no debts, titles free of any judicial encumbrance, no building irregularities or soil contamination, among others.

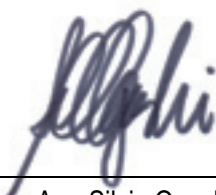
Note 2: The market value (in this case, the economical value for the property based on the shopping centre operation, was attributed, considering the development finished and operating, and also every investments previewed for the construction conclusion, from the data base of January 2010.

XII CLOSING


The information contained in this report is for the strict and exclusive use of LIBERUM CAPITAL AND THE DIRECTORS OF SQUARESTONE BRASIL LTD, except for the presentation on AIM as mentioned in page 2 of this report, and shall not be modified, copied, reproduced or disclosed without the prior and written consent of JONES LANG LASALLE, considering that its undue use will be subject to the application of the competent legislation.

This report is printed in two counterparts of equal tenor and form, one of which being supplied to the customer and one to JONES LANG LASALLE, in order to resolve any eventual doubts.

Sincerely,



Arq. Silvia Ogoshi
CREA 5060840669



Arq. Denise Bellinati
CREA 5060817838



César Eduardo Caputo
CREA 5060169976

São Paulo, February, 2010.

XIII TERMS OF BUSINESS AND PRINCIPLES

XIII.1 GENERAL TERMS AND CONDITIONS OF BUSINESS

The contract to provide the services above will be subject to Jones Lang LaSalle General Terms and Conditions of Business - Exhibit I and the General Principles Adopted in the Preparation of Valuations and Reports stated below:

XIII.2 GENERAL PRINCIPLES ADOPTED IN THE PREPARATION OF VALUATIONS AND REPORTS

Following are the general principles upon which our Valuations and Reports are prepared:

1. Valuation Standards

All work is carried out in accordance with the Brazilian Association of Technical Norms - ABNT – NBR14653 - *Assets Appraisal – Part 1: General Procedures; Part 2: Appraisal of Urban Real Estate and Part 4: Business*, as well as recommendations from the Brazilian Institute of Engineering and Valuation - IBAPE/SP.

2. Valuation Basis

Our reports state the purpose of the valuation and unless otherwise noted, the basis of valuation is as defined in the appropriate valuation standard. The full definition of the basis which we have adopted is either set out in our report or appended to these General Principles.

3. Source of Information

We accept as being complete and correct the information provided to us by the client, as details of tenant, tenancies, tenant's improvements, planning consents and other relevant matters, as summarized in our report.

4. Disposal Costs and Liabilities

No allowances are made for any expenses of realization, or for taxation which might arise in the event of disposal. All property is considered as if free and clear of all mortgages or other charges which may be secured thereon.

No allowance is made for the possible impact of potential legislation which is under consideration.

Valuations are prepared and expressed exclusive of tax payments.

5. Documentation

We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoings of an onerous nature which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.

6. Tenants

Although we reflect our general understanding of a tenant's status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

7. Measurements

We do not measure premises. Our valuation is based upon the information made available to us.

8. Town Planning and Other Statutory Regulations

Information on town planning is, wherever possible, obtained verbally from the local planning authority and, if confirmation is required, we recommend that verification be obtained from lawyers that:-

(a) the position is correctly stated in our report;

(b) the property is not adversely affected by any other discussions made or conditions prescribed by public authorities;

(c) that there are no outstanding statutory notices.

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and City Hall regulations, including enactments relating to fire regulations, access and use by disabled persons and control and remedial measures for asbestos in the workplace.

9. Structural Surveys

We do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair which we note during our inspection or costs of repair which are brought to our attention. Unless stated otherwise in our reports we assume any tenants are fully responsible for the repair of their demise either directly or through a service charge.

10. Deleterious Materials

We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, wood wool as permanent shuttering, calcium chloride or asbestos). Our valuations are on the basis that no such materials or techniques have been used and, if confirmation is required, we recommend that verification be obtained from a specialist on this matter.

11. Site Conditions

We do not carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses or delays will be incurred during the construction period due to these matters.

12. Environmental Conditions

We do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. Jones Lang LaSalle is not permitted to provide assumptions or technical opinion related to the environmental contamination.

13. Tax

Valuations are prepared and expressed exclusive of tax payments.

14. Outstanding Debts

In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favor of contractors, subcontractors or any members of the professional or design team.

15. Insurance:

Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms.

16. Confidentiality

Our Valuations and Reports are confidential to the party to whom they are addressed for the specific purpose to which they refer, and no responsibility whatsoever is accepted to any third parties. Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.

17. Statement of Valuation Approach

We are required to make a statement of our valuation approach. In the absence of any particular statements in our report the following provides a generic summary of our approach:

The majority of institutional portfolios comprise income producing properties. We usually value such properties adopting the investment approach where we apply a capitalization rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice we construct our valuations adopting hardcore methodology where the reversions are generated from regular short term uplifts of market rent. We would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation.

Vacant buildings, in addition to the above methodology, may also be valued and analyzed on a comparison method with other capital value transactions where applicable.

Where land is held for development we adopt the comparison method when there is good evidence, and/or the residual method, particularly on more complex and bespoke proposals.

There are situations in valuations for accounts where we include in our valuation properties which are owner-occupied.

These are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

XIV EXHIBIT I

XIV.1 JONES LANG LASALLE GENERAL TERMS AND CONDITIONS OF BUSINESS

XIV.1.1 Introduction

When the Terms Apply

These Terms of Business (“the Terms”) apply where Jones Lang LaSalle provides a service to a client and there is no written agreement for the provision of that service or if there is, to the extent that these Terms do not conflict with the terms of that written agreement. In the case of conflict between these Terms and the terms of any written agreement, the terms of the written agreement shall prevail to the extent of the conflict. Reference in these Terms to the agreement means the written or informal agreement that incorporates these Terms (“the Agreement”).

Jones Lang LaSalle

Jones Lang LaSalle means Jones Lang LaSalle S.A. of Avenida das Nações Unidas, 12.551 conj. 2305/06/07, Brooklin Novo, São Paulo – SP – Brazil, that provides any of the service under the Agreement.

XIV.1.2 Service Level

Standard

Jones Lang LaSalle is to provide the service to the specification and performance level stated in writing in the Agreement or, if none is stated, to the specification and performance level that it ordinarily provides in accordance with Jones Lang LaSalle’s duty of care as set out below. Any variations must be agreed in writing.

What is not included

Jones Lang LaSalle has no responsibility for anything that is beyond the scope of the service so defined. In particular, it has no obligation to provide nor liability for:

- ✓ an opinion on price unless specifically instructed to carry out a formal valuation
- ✓ advice, or failure to advise, on the condition of a property unless specifically instructed to carry out a formal survey
- ✓ the security or management of property unless specifically instructed to arrange it
- ✓ the safety of those visiting a property, unless that is specified in its instructions.

Legal, Financial and Insurance Services

Jones Lang LaSalle is not permitted to carry out any activity regulated by the Financial Services and including the insurance of property nor any legal service.

Valuations Standards

All work is carried out in accordance with the Brazilian Association of Technical Norms - ABNT – NBR14653 - Assets Appraisal – Part 1: General Procedures; Part 2: Appraisal of Urban Real Estate and Part 4: Business, as well as recommendations from the Brazilian Institute of Engineering and Valuation - IBAPE/SP.

XIV.1.3 Liability and Duty of Care

Duty of care

Jones Lang LaSalle owes to the client a duty to act with reasonable skill and care in providing the service and complying with the client's instructions where those instructions do not conflict with (a) these Terms, (b) the Agreement or (c) applicable law and professional rules. Jones Lang LaSalle is not obliged to carry out any instructions of the client which conflict with the applicable law, regulations and professional rules.

Liability to the Client

Jones Lang LaSalle has no liability for the consequences, including delay in or failure to provide the services, of any failure by the client or any agent of the client:

- ✓ promptly to provide information or other material that Jones Lang LaSalle reasonably requires, or where that information or material provided is inaccurate or incomplete. The client warrants that, where it provides information or material to Jones Lang LaSalle, Jones Lang LaSalle is entitled to rely on its accuracy

- ✓ to follow Jones Lang LaSalle's advice or recommendations.

The liability of Jones Lang LaSalle in contract, tort (including negligence or breach of statutory duty), misrepresentation or otherwise howsoever caused arising out of or in connection with the provision of services or otherwise under the Agreement is not limited for fraud or where its negligence causes death or personal injury, but otherwise:

- ✓ is excluded to the extent that the client or someone on the client's behalf for whom Jones Lang LaSalle is not responsible is responsible,
- ✓ is excluded if caused by circumstances beyond Jones Lang LaSalle's reasonable control;
- ✓ excludes loss of profit, revenue and anticipated savings;
- ✓ excludes indirect, special and consequential losses;
- ✓ (where Jones Lang LaSalle is but one of the parties liable) is limited to the share of loss reasonably attributable to Jones Lang LaSalle on the assumption that all other parties pay the share of loss attributable to them (whether or not they do); and
- ✓ in any event is limited to the Jones Lang LaSalle's fee under this Agreement.

Liability to Third Parties

Jones Lang LaSalle owes no duty of care and has no liability to anyone but its client. No third party is intended to have any rights under the Agreement unless agreed in writing.

Liability for Others

Jones Lang LaSalle has no liability for products or services that it reasonably needs to obtain from others in order to provide the service.

Delegation

Jones Lang LaSalle may delegate to a third party the provision of the service, or part of it, only where this is reasonable but remains liable for what the third party does unless the client agrees to rely only on the third party (and the client must not unreasonably withhold that agreement). If delegation is at the client's specific request, Jones Lang LaSalle is not liable for what the third party does or does not do.

The Client shall effect and maintain adequate property and public liability insurance and general third party liability insurance providing coverage for bodily injury and property damage which will either

include Jones Lang LaSalle as a joint insured or a waiver of the insurer's subrogation rights against Jones Lang LaSalle, its employees or delegates.

Protection of Employees

Apart from fraud or criminal conduct no employee of the Jones Lang LaSalle group of companies has any personal liability to the client and neither the client nor anyone representing the client may make a claim or bring proceedings against an employee or former employee personally.

Liability to Jones Lang LaSalle

The client agrees to indemnify Jones Lang LaSalle against all third party (including any insurer of the client) claims (including without limitation all third party actions, claims, proceedings, loss, damages, costs and expenses) ("Claims"):

- ✓ for which the client has agreed to insure under the Agreement;
- ✓ that relate in any way to the provision of the service except a Claim that a court of competent jurisdiction decides or Jones Lang LaSalle acknowledges (whether or not it admits liability) was caused by the fraud, wilful default, breach of contract or negligence of Jones Lang LaSalle or of a delegate for whom Jones Lang LaSalle is responsible under these Terms.

XIV.1.4 Delivering the Service

Timetable

Jones Lang LaSalle is to use reasonable endeavours to comply with the client's timetable but is not responsible for not doing so unless specifically agreed in writing. Even then, Jones Lang LaSalle is not liable for delay that is beyond its control.

Outside Brazil

Where Jones Lang LaSalle reasonably requires a service to be performed by a service provider outside Brazil it may require the client to enter into a separate contract with that service provider that is subject to local law, separate invoicing arrangements and a standard of service no greater than that reasonably obtainable in that locality.

E-mail and on-line Services

Jones Lang LaSalle may use electronic communication and systems to provide services.

Conflict

If Jones Lang LaSalle becomes aware of a conflict of interest it is to advise its client promptly and recommend an appropriate course of action.

Publicity

Neither Jones Lang LaSalle nor its client may publicise or issue any specific information to the media about the service or its subject matter without the consent of the other.

Criminal Activity

To comply with law and professional rules on suspected criminal activity Jones Lang LaSalle has to check the identity of clients and to report, without telling the client, any activity that it suspects may be linked to crime.

Personal Data

Jones Lang LaSalle processes and protects personal data about individuals in compliance with the law of Brazil wherever in the world that data is accessed. In most cases individuals are entitled to see the personal data about them on request.

Intellectual Property

All intellectual property rights in material supplied by the client belong to the client and in material prepared by Jones Lang LaSalle belong to Jones Lang LaSalle, unless otherwise agreed in writing. Each has a non-exclusive right to use the material provided for the purposes for which it is supplied or prepared. No third party has any right to use it without the specific consent of the owner.

Confidential Material

Each party must keep confidential all confidential information and material of commercial value to the other party of which it becomes aware but it may:

- ✓ use it to the extent reasonably required in providing the service
- ✓ disclose it if the other party agrees
- ✓ disclose it if required to do so by law, regulation or other competent authority

This obligation continues after termination of the Agreement.

The effect of Termination on Client Material

On termination of the Agreement Jones Lang LaSalle may, to comply with legal, regulatory or professional requirements, keep one copy of all material it then has that was supplied by or on behalf of the client in relation to the service. The client may request the return or destruction of all other client material.

Destruction of Papers

Jones Lang LaSalle may after one year from the earlier of completion of the service or termination of the Agreement destroy any papers it retains.

XIV.1.5 Remuneration

Not Specified

The fees and expenses payable for any service not specified in this proposal / contract will entitle Jones Lang LaSalle to:

- ✓ the fee specified by the RICS or other applicable professional body or, if none is specified, to a fair and reasonable fee by reference to time spent.
- ✓ reimbursement of expenses properly incurred on the client's behalf.

Part Performance

Where the service is not performed in full Jones Lang LaSalle is entitled to a reasonable fee proportionate to the service provided as estimated by Jones Lang LaSalle.

Tax

The client must pay tax at the rate then current on the issue of a valid invoice.

Interest on Overdue Amounts

If an invoice is not paid or not paid in full Jones Lang LaSalle may charge interest on the balance due at a monthly rate of 1% above restatement on the base rate of IGP-M index.

XIV.1.6 Miscellaneous

Transfer

The client may transfer the benefit of the Agreement but must first get the consent of Jones Lang LaSalle, which will not be unreasonably withheld.

Termination

The client or Jones Lang LaSalle may terminate the Agreement immediately by notice to the other if the other:

- ✓ has not satisfactorily rectified a substantial or persistent breach of the Agreement within the reasonable period specified in an earlier notice to rectify it;
- ✓ is insolvent or bankrupt according the laws of its country of incorporation.

Effect of Termination on Claims

Termination of the Agreement does not affect any claims that arise before termination or the entitlement of Jones Lang LaSalle to its proper fees up to the date of termination or to be reimbursed its expenses.

Waiver and Severance

Failure to enforce any of these Terms is not a waiver of any right to subsequently enforce that or any other term of the Agreement.

The invalidity, illegality and unenforceability in whole or in part of any of the provisions of this Agreement shall not affect the validity, legality or enforceability of its remaining provisions which shall remain in full force and effect.

Notices

A notice is valid if in writing addressed to the last known address of the addressee and is to be treated as served:

- ✓ when delivered, if delivered by hand (if that is during normal business hours) otherwise when business hours next commence
- ✓ two business days after posting, if posted by recorded delivery
- ✓ when actually received, if sent by ordinary mail or fax.

Notice may not be given by electronic mail.

The law of Brazil applies to the Agreement and to the Terms. Jones Lang LaSalle and the client submit to the exclusive jurisdiction of the courts of São Paulo – SP - Brazil.

PART 8
PRINCIPAL ACCOUNTING POLICIES
AND
FINANCIAL INFORMATION ON
SB2 FIP

The following pages contain: (i) the Principal Accounting Policies to be adopted by the Company, and (ii) the financial information on SB2 FIP, which currently holds an interest in Golden Square Mall, and which is being indirectly acquired by the Company.

PRINCIPAL ACCOUNTING POLICIES TO BE ADOPTED BY THE COMPANY

1. Basis of preparation

The consolidated financial statements will be prepared in accordance with International Financial Reporting Standards and International Financial Reporting Interpretations Committee (“IFRC”), interpretations as endorsed by the European Union (“EU”) and with those parts of the Companies Law applicable to companies reporting under IFRS. The Financial Statements will be prepared in sterling and rounded to the nearest thousand, which is the presentational currency of the Squarestone Brasil Group. The subsidiary entities of the Group use a different functional currency in the primary economic environment in which the entity operates.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of land and buildings, available for sale financial assets, and assets and financial liabilities (including derivative instruments) at fair value through the income statement.

2. Basis of Consolidation

Subsidiaries

The consolidated financial statements will include the financial statements of the Squarestone Brasil Group. Control is assumed where the Company has the power to govern the financial and operating policies of an investee entity so as to gain benefits from its activities.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences to the date that control ceases. All intercompany balances and transactions are eliminated.

Business combinations are accounted for under the acquisition method. Any excess of the purchase price of business combinations over the fair value of the assets, liabilities and contingent liabilities acquired and resulting deferred tax thereon is recognised as goodwill.

Where properties are acquired through corporate acquisitions and there are no significant assets or liabilities other than property, the acquisition is treated as an asset acquisition.

Joint ventures

Joint ventures are those entities over whose activities the group has joint control, established by contractual agreement. Interests in joint ventures and associates are accounted for under the equity method, whereby the consolidated balance sheet incorporates the Squarestone Brasil Group’s share of the net assets of its joint ventures and associates. The consolidated income statement incorporates the Squarestone Brasil Group’s share of joint venture and associate profits after tax. Their profits include revaluation movements on investment properties.

Accounting practices of subsidiaries, joint ventures or associates which differ from the Squarestone Brasil Group’s accounting policies are adjusted on consolidation.

Goodwill

Goodwill represents the excess of the cost of an acquisition over the the Squarestone Brasil Group’s interest in the fair value of the net identifiable assets of the acquired undertaking at the date of acquisition. Goodwill is recognised as an intangible asset and will be reviewed for impairment at least on an annual basis. Any impairment will be recognised immediately in the consolidated statement of comprehensive income.

Goodwill in respect of overseas subsidiaries denominated in a foreign currency will be retranslated at each balance sheet date using the closing rate of exchange. The resulting foreign exchange differences will be taken to the foreign exchange reserve.

3. Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Depreciation is recognised through profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment. The estimated useful lives of the current period are as follows:

Furniture and fixtures	10 years
Computer Equipment	4 years

The depreciation methods, useful lives and residual values of the property, plant and equipment are reviewed at each reporting date.

4. Dividends

Dividends payable on the ordinary share capital are recognised in the year in which they are declared. Dividends are subtracted directly from retained earnings.

5. Investment property

Property held to earn rentals and/or for capital appreciation is classified as investment property.

Investment properties are externally valued on an open market basis at the balance sheet date. Any surplus or deficit arising on revaluing investment properties or investment properties being redeveloped is recognised in profit or loss.

6. Investment properties in the course of construction

Investment properties in the course of construction for rental purposes are stated at fair value. Changes in fair value are recognised in profit or loss.

7. Depreciation

In accordance with IAS 40 Investment Property, no depreciation is provided in respect of investment properties or properties in the course of construction.

8. Surpluses on sale of investment and properties in the course of construction

Surpluses on sales of investment properties and properties in the course of construction will be calculated by reference to the carrying value at the previous balance sheet date, adjusted for subsequent capital expenditure.

9. Revenue recognition

Revenue will comprise rental income and such other income as received from ancillary activities related to the management and operation of investment properties.

Revenue is recognised to the extent that it is probable that economic benefit will flow to the Squarestone Brasil Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duties.

Rental income from investment properties arising from operating leases on properties owned by the Squarestone Brasil Group is recognised in profit or loss on a straight line basis over the period of the lease term.

Rental income is recognised on an accruals basis.

Contingent rental income, such as turnover rent, will be recorded as income in the periods in which they are earned. Rent reviews will be recognised when such reviews have been agreed with tenants.

Where a rent-free period is included in a lease, the rental income foregone is allocated evenly over the period from the date of lease commencement to the first break option or the term of the lease where there is no break option.

Where a lease incentive payment does not enhance the value of a property, it is amortised on a straight-line basis over the period from the date of lease commencement to the earliest termination date.

Property operating expenses will be expensed as incurred and any property operating expenditure not recovered from tenants through service charges (condominium charges) will be charged to profit or loss.

10. Trade receivables

Trade and other receivables will be measured initially at fair value and subsequently at amortised cost. Appropriate allowances for estimated irrecoverable amounts will be recognised in the income statement when there is objective evidence that the asset is impaired.

11. Borrowings

Bank borrowings will be initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument and subsequently measured at amortised cost using the effective interest method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the balance sheet.

12. Borrowing costs

Borrowing costs that are directly attributable to the construction of qualifying assets are capitalised from the date of commencement of the project, until the asset is ready for its intended use or sale. Qualifying assets are those that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

13. Financial instruments

Investments in Brazilian investment fund quotas are stated at fair value and are classified as financial instruments held for trading. From the date the Squarestone Brasil Group commits to purchase/sell such instruments any gains and losses arising from changes in fair value are recognised in the consolidated income statement.

14. Derivatives and hedge accounting

The Squarestone Brasil Group will use derivative financial instruments (derivatives) to hedge its exposure to foreign exchange risks arising from operational activities.

Derivatives will be recognised initially at fair value, which will equate to cost and subsequently re-measured at fair value. The fair value of forward exchange contracts is their quoted market price at the balance sheet date, being the present value of the quoted forward price. The fair value of simple option contracts is their quoted market price at the balance sheet date. Derivatives are de-recognised when they mature or are sold. The gain or loss on re-measurement to fair value is recognised immediately in the income statement unless the derivatives qualify for hedge accounting.

15. Foreign currency translation

Transactions in foreign currencies with overseas customers and suppliers are converted at the date at which transactions occur.

Monetary assets and liabilities are translated at the period-end rates and the gains or losses on translation are included in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using exchange rates ruling at the date the fair value was determined.

Foreign trading profits and cash flows are translated at a weighted average rate for the period. The assets and liabilities of overseas companies, including goodwill and fair value adjustments arising on consolidation, are translated using foreign exchange rates ruling at the balance sheet date.

On consolidation, the exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign entity is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on sale.

16. Taxation

The Company is a limited company registered in Guernsey, Channel Islands, which has a standard rate of tax of 0 per cent. The Group is liable to Brazilian tax arising on the activities of its Brazilian operations. Current tax is based on taxable profit for the year and is calculated using tax rates that have been enacted or substantively enacted. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are not taxable (or tax deductible).

Deferred tax is provided for using the balance sheet liability method, providing for the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

17. Administration fees

Fees payable under administration and services agreements are charged to profit or loss as they are incurred.

Squarestone Brasil II (SB2) – Fundo de Investimento em Participações

(CNPJ nº 09.579.058/0001-06)

(Managed by Banco Santander S.A.)

(Manager's CNPJ nº 90.400.888/0001-42)

Consolidated financial statements

December 31, 2008

CONTENTS

Independent auditors' report	134
Consolidated balance sheets	135
Statement of changes in net assets	136
Consolidated statement of changes in net assets attributable to holders of redeemable quotas	137
Consolidated statement of cash flow – Indirect Method	138
Notes to the consolidated financial statements	139 – 146



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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Squarestone Brasil II (SB2) – Fundo de Investimento em Participações (the “Fund”), which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated statement of income, consolidated statement of changes in net asset attributable to holders of redeemable quotas and consolidated statement of cash flows for the period from July 17 (start-up date) to December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2008, and its consolidated financial performance and its consolidated cash flows for the period from July 17 (start-up date) to December 31, 2008 in accordance with International Financial Reporting Standards.

KPMG AUDITORES INDEPENDENTES

February 12, 2010

Consolidated balance sheet

December 31, 2008

(In thousands of Reais)

	Note	2008
Assets		
Cash and cash equivalents	3	351
Investment in investment fund	3	4,083
Other assets		592
Advances to suppliers	5	547
other		45
Investment property	6	33,373
Total assets		<u>38,399</u>
Other liabilities		10,189
Accounts payable	7	9,786
Suppliers		385
Other		18
Total liabilities		<u>10,189</u>
Net assets attributable to holders of redeemable quotas		<u>28,210</u>
Number of quotas		114,182,096
Net Asset Value ("NAV") per quotas		0.2471

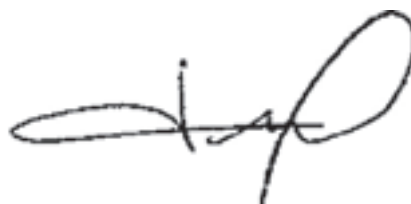
See accompanying notes to the consolidated financial statements.

These consolidated financial statements were approved on February 12, 2010 by the following



James Edward Morse

Name of director



Lorena Miranda Nascimento

Name of director

Statement of changes in net assets*Period from July 17 (start-up date) to December 31, 2008**(In thousands of Reais, excepting the unit value of quotas)*

	<i>Note</i>	<i>2008</i>
Investment income		<u>194</u>
Income with application in investment fund quotas		194
Operating expenses		<u>(429)</u>
Administrative expenses	13	(342)
Financial expenses		(1)
Other expenses	14	<u>(86)</u>
Change in net assets attributable to holders of redeemable quotas resulting from operations		<u><u>(235)</u></u>

See the accompanying notes to the consolidated financial statements.

Consolidated statement of changes in net assets attributable to holders of redeemable quotas

Period from July 17 (start-up date) to December 31, 2008

(In thousands of Reais)

	2008
Proceeds from issue of redeemable quotas	28,445
Change in net assets attributable to holders of redeemable quotas resulting from operations	<u>(235)</u>
Balance at December 31, 2008	<u><u>28,210</u></u>

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows – Indirect Method*Period from July 17, 2008 (start-up date) to December 31, 2008**(Stated in thousands of Reais)*

	2008
Operating activities	
Loss for the period	(235)
Changes in operating assets and liabilities	
Investment in investment fund	(4,083)
Advances to suppliers	(547)
Other assets	(45)
Investment property	(33,373)
Accounts payable	9,786
Suppliers	385
Other accounts payable	18
	<u>(28,094)</u>
Financing activities	
Proceeds from issue of Quotas	28,445
	<u>28,445</u>
Net increase(decrease) in cash and cash equivalents	<u>351</u>
Movement in cash and cash equivalents	<u>351</u>
Cash and cash equivalents at beginning of the period	<u>–</u>
Cash and cash equivalents at the end of the period	<u><u>351</u></u>

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

Period from July 17 (beginning of activities) to December 31, 2008

(In thousands of Reais)

1. Operations

Squarestone Brasil II (SB2) – Fundo de Investimento em Participações, domiciled in Brazil, was organized in the form of a privately-held fund, and has a stipulated term of 7 years.

The Fund is intended exclusively for Brazilian or foreign qualified investors defined as non-residents, pursuant to Article 5 of the CVM Instruction 391/2003.

The Fund started its operations on July 17, 2008 and its objective is to provide its unitholders with an appreciation of the capital invested, in the long term, in the Securities portfolio, through the acquisition of shares, debentures, subscription bonuses, or other securities convertible into or exchangeable for shares issued by publicly-held or privately-held companies, taking part in the decision-making process of the investee (“Target Company”).

The Target Companies are publicly-held or privately-held companies, operating in the real estate sector – including, without limitation, the segment of Shopping Centers/Malls.

The Fund's investments in publicly-held or privately-held companies should enable the Fund to take part in the decision-making process of the respective Investees, and this participation may occur, in an independent manner, through one of the following ways: (i) holding of shares issued by the Investees that comprise of the respective control block; (ii) execution of a shareholders' agreement with other shareholders of the Investees; (iii) election of member(s) of the Board of Directors with sufficient representation power to have influence over the Investees' management, ensuring the Fund's participation (even if by means of the right of veto) in strategic definitions and in the management of the Investees; or (iv) execution of an arrangement of a different nature or adoption of a procedure that ensures the Fund's participation (even if by means of the right of veto) in strategic definitions and in the management of the Investees.

In the case of investments of the Fund in privately-held companies, these will only be classified as Target Companies if they comply with the following governance practices:

- i. Prohibition of issuance of beneficiary parties and inexistence of these securities traded on the market;
- ii. Unified term of office of one (1) year for the entire board of directors;
- iii. Provision, to their respective shareholders, of contracts with related parties, shareholders' agreements and share or other security call option programs issued by the Target Company;
- iv. Adhesion to the court of arbitration for resolution of corporate conflicts;
- v. In the event it goes public, the Target Companies formally undertake, with the Fund, to adhere to a special segment of a stock exchange or of an organized over-the-counter market maintainer entity that at least assures differentiated levels of corporate governance practices provided for in paragraphs (i) to (iv) above; and
- vi. And annual audit of their financial statements, by independent auditors registered at the Brazilian Securities and Exchange Commission (CVM).

The Fund's Investment Manager is Banco Santander S.A. (the ‘Investment Manager’), a company incorporated in Brazil.

The Administrator, Calculation Agent and Registrar and Transfer Agent of the Fund is Banco Santander S.A., which is located at Amador Bueno Street, 474, Sao Paulo, Brazil.

2. Presentation and preparation of the financial statements

a. Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”)

The consolidated financial statements were authorized for issue by the Board of director on February 12, 2010.

b. Use of estimates

Assumptions and price estimates were used in the preparation of these consolidated financial statements for the recording and determination of the amounts of assets and financial instruments comprising the Fund’s portfolio. Consequently, upon the effective financial settlement of these assets, the net income earned could be different from the estimated amounts.

c. Basis of preparation

The functional and presentation currency of the Fund is the Brazilian Reais, reflecting the fact that the shares of the Fund are issue and redeemed in Brazilian Reais. The consolidated financial statements are presented in thousands of Brazilian Reais.

d. Basis of consolidation

The Fund performs its investments through special purpose vehicles, generally incorporated to hold specific real estate investments.

As of December 31, 2008, the Fund has ownership interest in the following investment vehicle:

<i>Name of the Investment Vehicle</i>	<i>Type of company</i>	<i>Country of incorporation</i>	<i>% of interest owned</i>	<i>Year of incorporation</i>
SBBrast Participações S.A.	Limited liability company	Brazil	100,00%	2008

The Fund has holdings in SBBrast Participações S.A. (“SBBrast”), a privately-held corporation, with its business purpose consisting of performing the activities of management of shopping centers/malls, as well as holding interest in other companies as a quotaholder and shareholder.

During the year of 2008, the SBBrast operations consisted basically of the acquisition of a fraction of 50% of “Golden Shopping Sao Bernardo” located at Avenida Kennedy, n° 700, in the city of Sdo Bernardo do Campo. Up to December 2007, the property was commercially exploited under the name “Golden Shopping”. Presently, the property is vacant, without any commercial utilization, having undergone a renovation and expansion, which are expected to be concluded by October 2010.

The budget for renovation and expansion establishes an investment under the responsibility of SBBrast in the amount of R\$75,400. These costs for renovation and expansion of “Golden Shopping”, as well as the financed obligations relating to the acquisition of the investment will be covered by future capital increases by the Fund.

The Fund has a 100% ownership interest in SBBrast, represented by the capitalization of R\$22,501. As of December 31, 2008 the shareholders’ equity of SBBrast is R\$22,131.

3. Description of significant accounting policies

a. Financial instrument – Investment fund

Investments in investment fund are corrected daily at the respective value of the quota disclosed by the Manager. The fund classifies its investments into the “Financial instruments held-for trading” category.

The Fund recognizes financial assets and liabilities on the date it commits to purchase/sell the instruments. From this date any gains and losses arising from changes in fair value are recognized in the consolidated statement of income.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

At December 31, 2008 the amount comprised an investment in an open-ended investment fund incorporated in Brazil ("Fundo de Investimento em Cotas de Fundos de Investimento Santander Referenciado DI, managed by Banco Santander S.A), with the investment objective to invest in fixed income instruments, issued by Brazilian entities and government, with an expected return of a proportion of the Brazilian Interbank short-term floating rate.

b. *Statement of income*

Income and expenses are recognized on the accrual basis.

c. *Impairment*

Financial assets that are stated at amortised cost are reviewed at each consolidated balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognized in the consolidated statement of income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If in a subsequent period the amount of an impairment loss recognized on a financial asset carried at amortised cost decrease and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the consolidated statement of income.

d. *Redeemable quotas*

All redeemable quotas issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's quota in the Fund's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount. All quotas are redeemable quotas.

e. *Cash and cash equivalents*

Cash and cash equivalents include cash deposited with banks subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

f. *Investment property*

Investment property is property held either to earn rental income or for capital appreciation or for both. The value of items comprising the company's investment property has been obtained considering the initial acquisition value plus costs incurred by SBBrastr required for the acquisition of the Shopping. Hence, the Company's investment property is recorded at the acquisition cost deducted from depreciation, which is calculated by the straight-line method at the rates mentioned in the Explanatory Note n. 6. The depreciation rates mentioned above are based on the useful life time of assets.

g. *Income and social contribution taxes*

Income tax was calculated at the 15% base rate plus 10% surcharge on the taxable income exceeding R\$240 p.a.. Social contribution was calculated at the 9% base rate on the taxable income before income tax.

4. Derivative financial instruments

The Fund is prohibited to perform operations with derivatives, excepting when these operations are performed exclusively for equity protection purposes.

The Fund did not operate with derivative financial instruments in the period.

5. Advances to suppliers

It is composed, as of December 31, 2008, by the values advances to Sdo Bernardo Shopping Center S.A. to finance expenditures incurred with the reform of the "Golden Shopping Sao Bernardo".

	2008
<i>Description</i>	
Advances granted	547
Total	<u>547</u>

6. Investment property

	2008
<i>Description</i>	
Golden Shopping Sao Bernardo (i)	
Land	28,858
Constructions in progress	4,387
Property, plant and equipment – Others	128
Total	<u>33,373</u>

In July 2008, the company acquired 50% of the "Golden Shopping São Bernardo" located at Avenida Kennedy, 700, in the city of São Bernardo do Campo, São Paulo Estate, for R\$27,600. In addition, costs incurred by SBBrast required for the acquisition of the Shopping have been incorporated to the initial acquisition value.

According to a Private Instrument of Purchase and Sale Agreement, SBBrast shall be responsible for bearing with 91.76% of the costs incurred with Golden Shopping's reform/construction work. In July 2008, the project of reform, expansion and revitalization started, being October 2010 the date expected for conclusion. The forecast provides for an investment established of R\$89,000, being SB responsible for the amount of R\$75,400.

7. Other accounts payable

The balance of other accounts payable on December 31, 2008 is composed by 32 installments of R\$300 (principal value) remaining from the financed part of the Golden Shopping São Bernardo's purchase, being the last expected to be settled in September 2011, being the installments restated by the IGP-M variation.

These are represented by its present value and calculated using the interest effective rate, on December 31 as follows:

	2008
<i>Description</i>	
Other accounts payable – Short term	3,677
Other accounts payable – Long term	6,109
Total	<u>9,786</u>

8. Risk management

In view of the nature of the investments to be made by the Fund, the unitholders are aware of the risks to which their investments and deposits in the Fund are subject, as described below, with no assurance that they will be remunerated, as is the objective of the Fund.

a. Risks of non-performance of the investment

There are no guarantees that the investments intended by the Fund will be available at the time and in the quantity deemed appropriate or desirable for the satisfaction of its investment policy, which could result in lower investments or even in their non-performance.

b. *Liquidity risks*

Investments in the Fund will be made, preponderantly, in assets not quoted in the market. Therefore, if the Fund needs to sell these assets, or if the unitholder receives these assets as payment of redemption or amortization of his or her quotas: (i) there may be no buying market; or (ii) the sale price of these assets may result in loss for the Fund, or, as case may be, for the unitholder. Thus there is no assurance or certainty that it will be possible for the Fund and for the unitholder, as case may be, to settle positions or to perform the settlement of any of these assets at the desired price and time.

The table below analyses the Fund's financial assets and liabilities into relevant maturity grouping based on the remaining period at the consolidated balance sheet date to the contractual maturity date:

	<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>No stated maturity</i>	<i>Total</i>
Assets				
Cash and cash equivalents			351	351
Investment in investment fund			4,083	4,083
Advances to suppliers	547			547
Other assets	45			45
Investment property			33,373	33,373
Total assets	<u>592</u>	<u>–</u>	<u>37,807</u>	<u>38,399</u>
Liabilities				
Accounts payable	3,677	6,109		9,786
Suppliers	385			385
Other liabilities	18			18
Net assets attributable for holders of Redeemable quotas	<u>–</u>	<u>–</u>	<u>28,210</u>	<u>28,210</u>
Total liabilities and net assets	<u>4,080</u>	<u>6,109</u>	<u>28,210</u>	<u>38,399</u>

c. *Risks relating to the investees*

The Fund's investments are considered long-term ones and the return on the investment may not be in conformity with that expected by the unitholders.

The Investment Portfolio will be concentrated in securities issued by the Investees. Although the Fund always takes part in the decision-making process of the respective Investees, there are no guarantees of: (i) good performance of any of the Investees; (ii) solvency of the Investees; and (iii) continuity of the activities of the Investees. If these risks materialize, they could have a significant and negative impact on the results of the Investment Portfolio and the value of the quotas, with no responsibility for said impact imputable to the Fund Manager under any circumstances.

Notwithstanding the diligence and care of the Manager, payments relating to the securities issued by the Investees, like dividends, interest and other forms of remuneration/bonus may not occur on account of the insolvency, bankruptcy, poor operating performance of the respective Investee, or other factors as well. In these cases, the Fund and its unitholders may experience losses, with no assurance or certainty regarding the possibility of elimination of such risks.

The investments in the Investees involve risks relating to the retail and/or wholesale sectors of construction materials and property maintenance, decoration, gardening, and any other material, equipment or implement for domestic use in which each one of the Investees operate. There is no guarantee regarding the performance of any of these sectors and no certainty that the performance of each one of the Investees will keep up with the average performance of its respective sector. Additionally, even if the performance of the Investees keeps up with the performance of the other companies from their sector of activity, there is no guarantee that the Fund and its unitholders will not experience losses, or any certainty regarding the possibility of elimination of such risks.

On account of several factors relating to the functioning of government agencies on which the Fund's operation performance may depend in the future, there are no guarantees that the Fund will manage to

exercise all of its rights of quotaholder of the Investees, or as acquirer or seller of shares or other securities issued by these Investees, or that if the Fund manages to exercise said rights, the effects obtained will be in conformity with its original rights and/or rights obtained on a timely basis. These factors could have a negative impact on the profitability of the Fund portfolio.

Investments of the Fund may be made in privately-held companies, which, despite having to adopt governance practices, will not be obliged to comply with the same rules applicable to publicly-held companies, particularly in relation to the disclosure of their information to the market and to their shareholders, which may represent a difficulty for the Fund concerning: (i) the satisfactory monitoring of the activities and results of the Investee; and (ii) the correct decision on the settlement of the investment, which may affect the value of the Investment Portfolio and of the quotas.

d. *Market risks*

The financial assets and other securities that comprise the Fund portfolio may be subject to price fluctuations due to the reaction of markets to economic and political events, both in Brazil and abroad, and to specific events concerning the respective issuers or the sector and segment of activity relating to the Investees. The price variations of these financial assets and securities can also occur due to alterations in the expectations of market players, which may generate changes in the patterns of behavior of prices without there being significant changes in the domestic and international economic and/or political context.

The appraisal of securities and other financial assets that make up the Fund portfolio will be performed in accordance with the criteria and procedures for registration and valuation of securities and other operations established in the Rules and in the regulation in force. These asset valuation criteria, like the mark-to-market criterion, may give rise to variations in the value of the Fund's assets, resulting in an increase or decrease in the value of its quotas.

e. *Credit risks*

The financial assets that make up the Fund portfolio may be subject to the capacity of their issuers to honor the payment commitments of interest and principal related to these assets. Alterations in the financial conditions of the issuers of financial assets and/or in the investors perception of these conditions, as well as alterations in the economical and political conditions that could impair their payment capacity, may produce significant impacts on the prices and on the liquidity of the financial assets.

The Fund may incur credit risk in the settlement of operations performed by means of securities brokers and dealers that act as intermediaries in asset purchase and sale operations on behalf of the Fund. In the event of lack of payment capacity and/or lack of willingness to pay of any of the issuers of shares or of the counterparts in operations that form an integral part of the Fund portfolio, the Fund may experience losses and, also run the risk of incurring costs in managing to recover its loans.

At December 31, 2008, the following financial assets are exposed to credit risk:

	2008
Investment in investment fund	4,083
Advance to suppliers	547
	4,630
Total	4,630

9. Issuance, amortization and redemption of quotas

The Fund's quotas correspond to undivided interest of their quotaholders's equity under management, taking the nominative form and are held in a deposit account on behalf of its unitholders.

The minimum initial assets under management for the Fund's operations amount to R\$1,000, with the initial distribution of 1,000,000.00 quotas, at the value of R\$1.00 (one Real) per quota. As from the Initial Date of the Activities of the Fund, the value of the quotas will be that resulting from the division of the amount of quotaholders's equity under Management by the number of quotas, both determined upon daily closing, based on the quotation of the Assets that make up its portfolio.

Once they adhere to the Fund, the Fund's Unitholders should enter into Investment Commitments and sign a Subscription List in the minimum amount of R\$1,000.

Once the investor subscribes the Fund Quotas, he/she will execute with the Fund an Investment Commitment, in which it will be included the total amount that the Unitholder commits to pay in during the Validity Period of the Fund, according to the capital calls performed by the Manager in the manner described in the Regulation and the Investment Commitment ("Capital Calls"), under the penalties established in the Rules and in the applicable legislation.

No fee will be charged for admission to or for exit from the Fund.

The deadline for closing of the funding will be 180 (one hundred eighty) days counting from the initial date of activities of the Fund. This deadline may be extended once, for a period of no more than 180 (one hundred eighty) days, upon the CVM approval.

There will be no redemption of quotas, except due to the expiry of the validity period or the accelerated settlement of the Fund.

In the total or partial settlement of Securities issued by the Target Companies that make up the Fund portfolio, the product originating from said divestiture may be allocated to the Amortization of Quotas.

Any Amortization will comprise all Fund's Quotas and will be carried out on the same date for all Unitholders through apportionment of the sums always in cash, to be distributed by the number of existing Quotas, and will be paid to the Unitholders in up to ten (10) running days counting from the date of effective admission of the respective funds to the Fund.

There were no amortizations in the period from July 17 to December 31, 2008. The issued and fully paid capital of the Fund comprises:

	<i>Number</i>
Redeemable shares	
Issued during the period	114,182,096
Balance at end of the period	114,182,096

10. Management and custody services

The Manager delegates the management of the portfolio to Santander Investimento em Participações Ltda., to perform the activity of management of the securities portfolio.

The custody of the securities, financial assets and operating categories that make up the Fund's portfolio will be performed by the Manager itself.

The quotas of the investment funds administrated by the companies of Grupo Santander, are under custody at Banco Santander S.A.

11. Management fee

In exchange for rendering the Fund's management services, the Manager will receive annual remuneration in the form of a Management Fee, in the sum equivalent to 0.30% p.a. (zero point thirty percent per year) determined with a basis on the daily amount of the Fund's Assets under Management, with the Manager ensured a minimum monthly amount of R\$8,000.00 (eight thousand reais) when the aforementioned percentage defined per year and determined within the month, is below this amount.

The management fee will be calculated daily and paid monthly by or before the 5th business day of the month of March of the year in question.

The Fund's management fee for the period was R\$48.

12. Taxation

a. Income tax

In amortizations or in the redemption of quotas, the income tax calculation basis will be the positive difference between the amount of the amortization or of the redemption and the amount of acquisition, applying a rate of fifteen percent.

The form of income tax and withholding income tax at source calculation described above does not apply to unitholders that are subject to differentiated taxation systems, in the cases provided for in the legislation in force.

b. IOF (Decree 6306/07, of December 14, 2007)

Art. 32 of Decree 6306/07 determines the levy of IOF at the rate of 1% (one percent) per day on the redemption amount, limited to the percentage according to the table attached to Decree 6306/07, decreasing as the number of days lapsed between the deposit and the redemption of quotas increases. For redemptions executed as of the thirtieth day after the date of deposit, there will be no payment of this IOF.

13. Administrative expenses

Refers mainly to: (i) common ownership- vacant stores (SB Brast) – R\$137; (ii) Promotion Fund (SB Brast) – R\$86; (iii) outsourced services (SB Brast) – R\$41; (iv) management fee (Fund) – R\$48; (v) custody (Fund) – R\$2.

14. Other expenses

It refers to expenses paid to Sao Bernardo Shopping Center S.A. related to the promotion Fund of the "Golden Shopping Sao Bernardo".

Adriano Santos Amorim

Accountant CRC-1SP252101/0-0

Squarestone Brasil II (SB2) – Fundo de Investimento em Participações

(CNPJ nº 09.579.058/0001-06)

(Managed by Banco Santander S.A.)

(Manager's CNPJ nº 90.400.888/0001-42)

Consolidated financial statements

December 31, 2009 and 2008

CONTENTS

Independent auditors' report	149
Consolidated balance sheets	150
Statement of changes in net assets	151
Consolidated statement of changes in net assets attributable to holders of redeemable quotas	152
Consolidated statement of cash flow – Indirect Method	153
Notes to the consolidated financial statements	154 – 162



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INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated financial statements of Squarestone Brasil II (SB2) – Fundo de Investimento em Participações (the “Fund”), which comprise the consolidated balance sheets as at December 31, 2009 and 2008, and the consolidated statement of income, consolidated statement of changes in net asset attributable to holders of redeemable quotas and consolidated statement of cash flows for the year ended December 31, 2009 and period from July 17 (start-up date) to December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2009 and 2008, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2009 and period from July 17 (start-up date) to December 31, 2008 in accordance with International Financial Reporting Standards.

KPMG AUDITORES INDEPENDENTES

March 5, 2010

Consolidated balance sheet

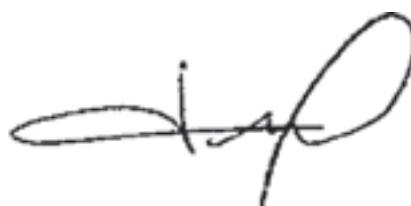
December 31, 2009 and 2008

(In thousands of Reais)

	Note	2009	2008
Assets			
Cash and cash equivalents	3	704	351
Investment in investment fund	3	4,072	4,083
Other assets		421	592
Advances to suppliers	5	388	547
Other		33	45
Investment property	6	43,621	33,373
Total assets		<u>48,818</u>	<u>38,399</u>
Other liabilities			
Accounts payable – Golden Shopping	7	6,016	9,786
Accounts payable – other	7	781	–
Suppliers		1	385
Other		8	18
Total liabilities		<u>6,806</u>	<u>10,189</u>
Minority interest		880	–
Net assets attributable to holders of redeemable quotas		<u>41,132</u>	<u>28,210</u>
Number of quotas		48,728,444.9365	11,418,209.6054
Net Asset Value (“NAV”) per quotas		0.8421	2.4706

See accompanying notes to the consolidated financial statements.

These consolidated financial statements were approved on March 5, 2010 by the following


James Edward Morse*Name of director*

Lorena Miranda Nascimento*Name of director*

Statement of changes in net assets

Year ended December 31, 2009 and period from July 17 (start-up date) to December 31, 2008

(In thousands of Reais, excepting the unit value of quotas)

	Note	2009	2008
Investment income		<u>911</u>	<u>194</u>
Income with application in investment fund quotas		911	194
Operating expenses		<u>(3,873)</u>	<u>(429)</u>
Administrative expenses	13	(1,837)	(342)
Financial expenses		7	(1)
Other expenses	14	(2,029)	(86)
Minority interest		<u>92</u>	<u>-</u>
Change in net assets attributable to holders of redeemable quotas resulting from operations		<u>(2,870)</u>	<u>(235)</u>

See the accompanying notes to the consolidated financial statements.

Consolidated statement of changes in net assets attributable to holders of redeemable quotas*Year ended December 31, 2009 and period from July 17 (start-up date) to December 31, 2008**(In thousands of Reais)*

	2009	2008
Balance at the beginning of the year	28,210	–
Proceeds from issue of redeemable quotas	19,692	28,445
Amortization	(3,900)	–
Change in net assets attributable to holders of redeemable quotas resulting from operations	<u>(2,870)</u>	<u>(235)</u>
Balance at December 31	<u><u>41,132</u></u>	<u><u>28,210</u></u>

See the accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows – Indirect Method

Year ended December 31, 2009 and period from July 17 (start-up date) to December 31, 2008

(Stated in thousands of Reais)

	2009	2008
Operating activities		
Loss for the year/period	<u>(2,870)</u>	<u>(235)</u>
Changes in operating assets and liabilities		
Investment in investment fund	11	(4,083)
Advances to suppliers	159	(547)
Other assets	12	(45)
Investment property	(10,248)	(33,373)
Accounts payable	(2,989)	9,786
Suppliers	(384)	385
Other accounts payable	(10)	18
	<u>(16,319)</u>	<u>(28,094)</u>
Financing activities		
Proceeds from issue of Quotas	19,692	28,445
Amortisation of Quotas	(3,900)	–
Minority interest	880	–
	<u>16,672</u>	<u>28,445</u>
Net increase/(decrease) in cash and cash equivalents	<u>(428)</u>	<u>351</u>
Movement in cash and cash equivalents	<u>353</u>	<u>351</u>
Cash and cash equivalents at beginning of the year/period	<u>351</u>	<u>–</u>
Cash and cash equivalents at the end of the year/period	<u><u>704</u></u>	<u><u>351</u></u>

See accompanying notes to the consolidated financial statements.

Notes to the consolidated financial statements

Year ended December 31, 2009 and period from July 17 (start-up date) to December 31, 2008

(In thousands of Reais)

1. Operations

Squarestone Brasil II (SB2) – Fundo de Investimento em Participações, domiciled in Brazil, was organized in the form of a privately-held fund, and has a stipulated term of 7 years.

The Fund is intended exclusively for Brazilian or foreign qualified investors defined as non-residents, pursuant to Article 5 of the CVM Instruction 391/2003.

The Fund started its operations on July 17, 2008 and its objective is to provide its unitholders with an appreciation of the capital invested, in the long term, in the Securities portfolio, through the acquisition of shares, debentures, subscription bonuses, or other securities convertible into or exchangeable for shares issued by publicly-held or privately-held companies, taking part in the decision-making process of the investee (“Target Company”).

The Target Companies are publicly-held or privately-held companies, operating in the real estate sector – including, without limitation, the segment of Shopping Centers/Malls.

The Fund's investments in publicly-held or privately-held companies should enable the Fund to take part in the decision-making process of the respective Investees, and this participation may occur, in an independent manner, through one of the following ways: (i) holding of shares issued by the Investees that comprise of the respective control block; (ii) execution of a shareholders' agreement with other shareholders of the Investees; (iii) election of member(s) of the Board of Directors with sufficient representation power to have influence over the Investees' management, ensuring the Fund's participation (even if by means of the right of veto) in strategic definitions and in the management of the Investees; or (iv) execution of an arrangement of a different nature or adoption of a procedure that ensures the Fund's participation (even if by means of the right of veto) in strategic definitions and in the management of the Investees.

In the case of investments of the Fund in privately-held companies, these will only be classified as Target Companies if they comply with the following governance practices:

- i. Prohibition of issuance of beneficiary parties and inexistence of these securities traded on the market;
- ii. Unified term of office of one (1) year for the entire board of directors;
- iii. Provision, to their respective shareholders, of contracts with related parties, shareholders' agreements and share or other security call option programs issued by the Target Company;
- iv. Adhesion to the court of arbitration for resolution of corporate conflicts;
- v. In the event it goes public, the Target Companies formally undertake, with the Fund, to adhere to a special segment of a stock exchange or of an organized over-the-counter market maintainer entity that at least assures differentiated levels of corporate governance practices provided for in paragraphs (i) to (iv) above; and
- vi. And annual audit of their financial statements, by independent auditors registered at the Brazilian Securities and Exchange Commission (CVM).

The Fund's Investment Manager is Banco Santander S.A. (the ‘Investment Manager’), a company incorporated in Brazil.

The Administrator, Calculation Agent and Registrar and Transfer Agent of the Fund is Banco Santander S.A., which is located at Amador Bueno Street, 474, São Paulo, Brazil.

2. Presentation and preparation of the financial statements

a. *Statement of compliance*

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

The consolidated financial statements were authorized for issue by the Board of directors on March 5, 2010.

b. *Use of estimates*

Assumptions and price estimates were used in the preparation of these consolidated financial statements for the recording and determination of the amounts of assets and financial instruments comprising the Fund’s portfolio. Consequently, upon the effective financial settlement of these assets, the net income earned could be different from the estimated amounts.

c. *Basis of preparation*

The functional and presentation currency of the Fund is the Brazilian Reais, reflecting the fact that the shares of the Fund are issued and redeemed in Brazilian Reais. The consolidated financial statements are presented in thousands of Brazilian Reais.

d. *Basis of consolidation*

The Fund performs its investments through special purpose vehicles, generally incorporated to hold specific real estate investments.

As of December 31, 2009, the Fund has ownership interest in the following investment vehicle:

<i>Name of the Investment Vehicle</i>	<i>Type of company</i>	<i>Country of incorporation</i>	<i>% of interest owned</i>	<i>Year of incorporation</i>
SBBrast Participações S.A.	Limited liability company	Brazil	97.69%	2008

The Fund has holdings in SBBrast Participações S.A. (“SBBrast”), a privately-held corporation, with its business purpose consisting of performing the activities of management of shopping centers/malls, as well as holding interest in other companies as a quotaholder and shareholder.

During the year of 2008, the SBBrast operations consisted basically of the acquisition of a fraction of 50% of “Golden Shopping São Bernardo” located at Avenida Kennedy, nº 700, in the city of São Bernardo do Campo. Up to December 2007, the property was commercially exploited under the name “Golden Shopping”. Presently, the property is vacant, without any commercial utilization, having undergone a renovation and expansion, which are expected to be concluded by October 2010.

The budget for renovation and expansion establishes an investment under the responsibility of SBBrast in the amount of R\$67,900. These costs for renovation and expansion of “Golden Shopping”, as well as the financed obligations relating to the acquisition of the investment will be covered by future capital increases by the Fund.

The Fund has a 97.69% (100% – 2008) ownership interest in SBBrast, represented by the capitalization of R\$41,225. As of December 31, 2009 the shareholders’ equity of SBBrast is R\$37,082 – (2008: R\$22,131).

3. Description of significant accounting policies

a. *Financial instrument – Investment fund*

Investments in investment fund are corrected daily at the respective value of the quota disclosed by the Manager. The fund classifies its investments into the “Financial instruments held-for trading” category.

The Fund recognizes financial assets and liabilities on the date it commits to purchase/sell the instruments. From this date any gains and losses arising from changes in fair value are recognized in the consolidated statement of income.

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with IAS 39.

At December 31, 2009 and 2008 the amount comprised an investment in an open-ended investment fund incorporated in Brazil ("Fundo de Investimento em Cotas de Fundos de Investimento Santander Referenciado DI, managed by Banco Santander S.A.), with the investment objective to invest in fixed income instruments, issued by Brazilian entities and government, with an expected return of a proportion of the Brazilian Interbank short-term floating rate.

b. *Statement of income*

Income and expenses are recognized on the accrual basis.

c. *Impairment*

Financial assets that are stated at amortised cost are reviewed at each consolidated balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, an impairment loss is recognized in the consolidated statement of income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If in a subsequent period the amount of an impairment loss recognized on a financial asset carried at amortised cost decrease and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the consolidated statement of income.

d. *Redeemable quotas*

All redeemable quotas issued by the Fund provide the investors with the right to require redemption for cash at the value proportionate to the investor's quota in the Fund's net assets at the redemption date. In accordance with IAS 32 such instruments give rise to a financial liability for the present value of the redemption amount. All quotas are redeemable quotas.

e. *Cash and cash equivalents*

Cash and cash equivalents include cash deposited with banks subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

f. *Investment property*

Investment property is property held either to earn rental income or for capital appreciation or for both. The value of items comprising the company's investment property has been obtained considering the initial acquisition value plus costs incurred by SBBBrast required for the acquisition of the Shopping. Hence, the Company's investment property is recorded at the acquisition cost deducted from depreciation, which is calculated by the straight-line method at the rates mentioned in the Explanatory Note no. 6. The depreciation rates mentioned above are based on the useful life time of assets.

g. *Income and social contribution taxes*

Income tax was calculated at the 15% base rate plus 10% surcharge on the taxable income exceeding R\$240 p.a.. Social contribution was calculated at the 9% base rate on the taxable income before income tax.

4. Derivative financial instruments

The Fund is prohibited to perform operations with derivatives, excepting when these operations are performed exclusively for equity protection purposes.

The Fund did not operate with derivative financial instruments in the period.

5. Advances to suppliers

It is composed, as of December 31, 2009 and 2008, by the values advances to São Bernardo Shopping Center S.A. to finance expenditures incurred with the reform of the "Golden Shopping São Bernardo".

<i>Description</i>	2009	2008
Advances granted	388	547
Total	<u>388</u>	<u>547</u>

6. Investment property

<i>Description</i>	2009	2008
Golden Shopping São Bernardo (i)		
Land	28,858	28,858
Constructions in progress	14,223	4,387
Property, plant and equipment – Others	540	128
Total	<u>43,621</u>	<u>33,373</u>

In July 2008, the company acquired 50% of the "Golden Shopping São Bernardo" located at Avenida Kennedy, 700, in the city of São Bernardo do Campo, São Paulo Estate, for R\$27,600. In addition, costs incurred by SBBrast required for the acquisition of the Shopping have been incorporated to the initial acquisition value.

According to a Private Instrument of Purchase and Sale Agreement, SBBrast shall be responsible for bearing with 91.76% of the costs incurred with Golden Shopping's reform/construction work. In July 2008, the project of reform, expansion and revitalization started, being October 2010 the date expected for conclusion. The forecast provides for an investment established of R\$74,000, being SB responsible for the amount of R\$67,900.

The fair value of the investment property as of December 31, 2009 is R\$134,600.

*The Fund, at present, is under negotiations for the acquisition of two more shopping centers, i.e. one in the City of Canoas, State of Rio Grande do Sul, and the other one in the City of Carapicuíba, State of São Paulo.

7. Accounts payable

a. *Accounts payable – Golden Shopping*

The balance of other accounts payable on December 31, 2009 is composed by 20 installments (2008: R\$32) of R\$300 (principal value) remaining from the financed part of the Golden Shopping São Bernardo's purchase, and the last installment is expected to be settled in September 2011, and the installments corrected by the IGP-M variation.

These are represented by its present value and calculated using the interest effective rate, on December 31 as follows

<i>Description</i>	2009	2008
Other accounts payable – short term	3,610	3,677
Other accounts payable – long term	2,406	6,109
Total	<u>6,016</u>	<u>9,786</u>

b. *Accounts payable – other*

This concerns mainly share of costs for renovation and expansion of "Golden Shopping", the responsibility of SB Brast.

8. Risk management

In view of the nature of the investments to be made by the Fund, the unitholders are aware of the risks to which their investments and deposits in the Fund are subject, as described below, with no assurance that they will be remunerated, as is the objective of the Fund.

a. Risks of non-performance of the investment

There are no guarantees that the investments intended by the Fund will be available at the time and in the quantity deemed appropriate or desirable for the satisfaction of its investment policy, which could result in lower investments or even in their non-performance.

b. Liquidity risks

Investments in the Fund will be made, preponderantly, in assets not quoted in the market. Therefore, if the Fund needs to sell these assets, or if the unitholder receives these assets as payment of redemption or amortization of his or her quotas: (i) there may be no buying market; or (ii) the sale price of these assets may result in loss for the Fund, or, as case may be, for the unitholder. Thus there is no assurance or certainty that it will be possible for the Fund and for the unitholder, as case may be, to settle positions or to perform the settlement of any of these assets at the desired price and time.

The table below analyses the Fund's financial assets and liabilities into relevant maturity grouping based on the remaining period at the consolidated balance sheet date to the contractual maturity date:

2009

	<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>No stated maturity</i>	<i>Total</i>
Assets				
Cash and cash equivalents			704	704
Investment in investment fund			4,072	4,072
Advances to suppliers	388			388
Other assets	33			33
Investment property			43,621	43,621
Total assets	<u>421</u>	<u>–</u>	<u>48,397</u>	<u>48,818</u>
Liabilities				
Accounts payable	4,391	2,406	–	6,797
Suppliers	1			1
Other liabilities	8			8
Net assets attributable for holders of Redeemable quotas			41,132	41,132
Minority interest	880			880
Total liabilities and net assets	<u>5,280</u>	<u>2,406</u>	<u>41,132</u>	<u>48,818</u>

2008

	<i>Less than 1 year</i>	<i>More than 1 year</i>	<i>No stated maturity</i>	<i>Total</i>
Assets				
Cash and cash equivalents			351	351
Investment in investment fund			4,083	4,083
Advances to suppliers	547			547
Other assets	45			45
Investment property			33,373	33,373
Total assets	<u>592</u>	<u>–</u>	<u>37,807</u>	<u>38,399</u>
Liabilities				
Accounts payable	3,677	6,109		9,786
Suppliers	385			385
Other liabilities	18			18
Net assets attributable for holders of Redeemable quotas	<u>–</u>	<u>–</u>	<u>28,210</u>	<u>28,210</u>
Total liabilities and net assets	<u>4,080</u>	<u>6,109</u>	<u>28,210</u>	<u>38,399</u>

c. Risks relating to the investees

The Fund's investments are considered long-term ones and the return on the investment may not be in conformity with that expected by the unitholders.

The Investment Portfolio will be concentrated in securities issued by the Investees. Although the Fund always takes part in the decision-making process of the respective Investees, there are no guarantees of: (i) good performance of any of the Investees; (ii) solvency of the Investees; and (iii) continuity of the activities of the Investees. If these risks materialize, they could have a significant and negative impact on the results of the Investment Portfolio and the value of the quotas, with no responsibility for said impact imputable to the Fund Manager under any circumstances.

Notwithstanding the diligence and care of the Manager, payments relating to the securities issued by the Investees, like dividends, interest and other forms of remuneration/bonus may not occur on account of the insolvency, bankruptcy, poor operating performance of the respective Investee, or other factors as well. In these cases, the Fund and its unitholders may experience losses, with no assurance or certainty regarding the possibility of elimination of such risks.

The investments in the Investees involve risks relating to the retail and/or wholesale sectors of construction materials and property maintenance, decoration, gardening, and any other material, equipment or implement for domestic use in which each one of the Investees operate. There is no guarantee regarding the performance of any of these sectors and no certainty that the performance of each one of the Investees will keep up with the average performance of its respective sector. Additionally, even if the performance of the Investees keeps up with the performance of the other companies from their sector of activity, there is no guarantee that the Fund and its unitholders will not experience losses, or any certainty regarding the possibility of elimination of such risks.

On account of several factors relating to the functioning of government agencies on which the Fund's operation performance may depend in the future, there are no guarantees that the Fund will manage to exercise all of its rights of quotaholder of the Investees, or as acquirer or seller of shares or other securities issued by these Investees, or that if the Fund manages to exercise said rights, the effects obtained will be in conformity with its original rights and/or rights obtained on a timely basis. These factors could have a negative impact on the profitability of the Fund portfolio.

Investments of the Fund may be made in privately-held companies, which, despite having to adopt governance practices, will not be obliged to comply with the same rules applicable to publicly-held companies, particularly in relation to the disclosure of their information to the market and to their shareholders, which may represent a difficulty for the Fund concerning: (i) the satisfactory monitoring of the

activities and results of the Investee; and (ii) the correct decision on the settlement of the investment, which may affect the value of the Investment Portfolio and of the quotas.

d. *Market risks*

The financial assets and other securities that comprise the Fund portfolio may be subject to price fluctuations due to the reaction of markets to economic and political events, both in Brazil and abroad, and to specific events concerning the respective issuers or the sector and segment of activity relating to the Investees. The price variations of these financial assets and securities can also occur due to alterations in the expectations of market players, which may generate changes in the patterns of behavior of prices without there being significant changes in the domestic and international economic and/or political context.

The appraisal of securities and other financial assets that make up the Fund portfolio will be performed in accordance with the criteria and procedures for registration and valuation of securities and other operations established in the Rules and in the regulation in force. These asset valuation criteria, like the mark-to-market criterion, may give rise to variations in the value of the Fund's assets, resulting in an increase or decrease in the value of its quotas.

e. *Credit risks*

The financial assets that make up the Fund portfolio may be subject to the capacity of their issuers to honor the payment commitments of interest and principal related to these assets. Alterations in the financial conditions of the issuers of financial assets and/or in the investors perception of these conditions, as well as alterations in the economical and political conditions that could impair their payment capacity, may produce significant impacts on the prices and on the liquidity of the financial assets.

The Fund may incur credit risk in the settlement of operations performed by means of securities brokers and dealers that act as intermediaries in asset purchase and sale operations on behalf of the Fund. In the event of lack of payment capacity and/or lack of willingness to pay of any of the issuers of shares or of the counterparts in operations that form an integral part of the Fund portfolio, the Fund may experience losses and, also run the risk of incurring costs in managing to recover its loans.

At December 31, the following financial assets are exposed to credit risk:

	2009	2008
Investment in investment fund	4,072	4,083
Advance to suppliers	388	547
Total	4,460	4,630

9. Issuance, amortization and redemption of quotas

The Fund's quotas correspond to undivided interest of their quotaholders's equity under management, taking the nominative form and are held in a deposit account on behalf of its unitholders.

The minimum initial assets under management for the Fund's operations amount to R\$1,000, with the initial distribution of 1,000,000.00 quotas, at the value of R\$1.00 (one Real) per quota. As from the Initial Date of the Activities of the Fund, the value of the quotas will be that resulting from the division of the amount of quotaholders's equity under Management by the number of quotas, both determined upon daily closing, based on the quotation of the Assets that make up its portfolio.

Once they adhere to the Fund, the Fund's Unitholders should enter into Investment Commitments and sign a Subscription List in the minimum amount of R\$1,000.

Once the investor subscribes the Fund Quotas, he/she will execute with the Fund an Investment Commitment, in which it will be included the total amount that the Unitholder commits to pay in during the Validity Period of the Fund, according to the capital calls performed by the Manager in the manner described in the Regulation and the Investment Commitment ("Capital Calls"), under the penalties established in the Rules and in the applicable legislation.

No fee will be charged for admission to or for exit from the Fund.

The deadline for closing of the funding will be 180 (one hundred eighty) days counting from the initial date of activities of the Fund. This deadline may be extended once, for a period of no more than 180 (one hundred eighty) days, upon the CVM approval.

There will be no redemption of quotas, except due to the expiry of the validity period or the accelerated settlement of the Fund.

In the total or partial settlement of Securities issued by the Target Companies that make up the Fund portfolio, the product originating from said divestiture may be allocated to the Amortization of Quotas.

Any Amortization will comprise all Fund's Quotas and will be carried out on the same date for all Unitholders through apportionment of the sums always in cash, to be distributed by the number of existing Quotas, and will be paid to the Unitholders in up to ten (10) running days counting from the date of effective admission of the respective funds to the Fund.

There were no amortizations in the period from July 17 to December 31, 2008. There were amortizations for the year ended December 31, 2009 of R\$3,900.

The issued and fully paid capital of the Fund comprises:

	<i>Number</i> 2009	<i>Number</i> 2008
Redeemable shares		
Balance at the beginning of the period	11,418,209.6054	–
Issued during the period	33,310,235.3311	11,418,209.6054
Balance at end of the period	44,728,444.9365	11,418,209.6054

10. Management and custody services

The Manager delegates the management of the portfolio to Santander Investimento em Participações Ltda., to perform the activity of management of the securities portfolio.

The custody of the securities, financial assets and operating categories that make up the Fund's portfolio will be performed by the Manager itself.

The quotas of the investment funds administrated by the companies of Grupo Santander, are under custody at Banco Santander S.A.

11. Management fee

In exchange for rendering the Fund's management services, the Manager will receive annual remuneration in the form of a Management Fee, in the sum equivalent to 0.30% p.a. (zero point thirty percent per year) determined with a basis on the daily amount of the Fund's Assets under Management, with the Manager ensured a minimum monthly amount of R\$8,000.00 (eight thousand reais) when the aforementioned percentage defined per year and determined within the month, is below this amount.

The management fee will be calculated daily and paid monthly by or before the 5th business day of the month of March of the year in question.

The Fund's management fee for the period was R\$127 – (2008 – R\$48).

12. Taxation

a. Income tax

In amortizations or in the redemption of quotas, the income tax calculation basis will be the positive difference between the amount of the amortization or of the redemption and the amount of acquisition, applying a rate of fifteen percent.

The form of income tax and withholding income tax at source calculation described above does not apply to unitholders that are subject to differentiated taxation systems, in the cases provided for in the legislation in force.

b. *IOF (Decree 6306/07, of December 14, 2007)*

Art. 32 of Decree 6306/07 determines the levy of IOF at the rate of 1% (one percent) per day on the redemption amount, limited to the percentage according to the table attached to Decree 6306/07, decreasing as the number of days lapsed between the deposit and the redemption of quotas increases. For redemptions executed as of the thirtieth day after the date of deposit, there will be no payment of this IOF.

13. Administrative expenses

Refers mainly to: (i) common ownership-vacant stores (SB Brast) R\$399 – (2008: R\$137); (ii) outsourced services (SB Brast) R\$1,094 – (2008: R\$41); (iii) management fee (Fund) R\$127 – (2008: R\$48); (iv) custody (Fund) R\$5 – (2008: R\$2).

14. Other expenses

Refers mainly to: (i) It refers to expenses paid to São Bernardo Shopping Center S.A. related to the promotion Fund of the “Golden Shopping São Bernardo” R\$1,024 (R\$86 em 2008) and (ii) As a result of the negotiations for acquisition of the investment in “Golden Shopping São Bernardo”, SB Brast agreed on the transfer of 975,000 common nominative shares at a par value of R\$1.00, to the company “Verzasca Participações Ltda.”, with payment of R\$10. The share transfer generated loss in the sale of the shares of R\$965 presented in “Loss with variable income securities”.

15. Legal claims

There is no record of any judicial or extrajudicial claims, either in the defense of the rights of the unitholders, or filed by these against the Fund and SB Brast.

16. Income and social contribution taxes (SB Brast Participações S.A.)

	2009	2008
Income before tax on profit in the period	(2,870)	(235)
Tax loss determined in the period	(2,870)	(235)

The Company's Management does not account for tax credits arisen from tax losses in the amount of R\$1,055 – (2008 – R\$80).

Adriano Santos Amorim
Accountant CRC-1SP252101/O-0

PART 9

PRO FORMA STATEMENT OF NET ASSETS

The following unaudited pro forma statement of net assets (the “**Pro Forma Financial Information**”) has been prepared to illustrate the effect on the consolidated net assets of the Company as if the Placing and the Conditional Acquisitions had been completed on 31 December 2009.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results.

The pro forma financial information has been prepared under IFRS as adopted by the EU and on the basis set out in the notes below. The pro forma financial information is stated on the basis of the accounting policies to be adopted in the next consolidated financial statements of the Group.

	<i>Adjustments</i>				<i>Pro forma net assets</i>
	<i>The Company as at incorporation (note 2) £000</i>	<i>The Placing proceeds (note 3) £000</i>	<i>Net assets acquired (note 4) £000</i>	<i>The Conditional Acquisitions</i>	
				<i>Consideration and consolidation adjustments (note 5) £000</i>	
Cash and cash equivalents	–	26,300	262	(7,528)	19,033
Investment in investment fund	–	–	1,508	–	1,508
Other assets					
Advances to suppliers	–	–	150	–	150
Other debtors	–	–	5	–	5
Other	–	–	17	–	17
Investment property	–	–	16,156	–	16,156
Tangible fixed assets	–	–	36	–	36
Intangible assets	–	–	–	3,537	3,537
Total assets	–	26,300	18,134	(3,991)	40,443
Other liabilities					
Accounts payable	–	–	2,557	–	2,557
Labour and tax obligations	–	–	17	–	17
Other	–	–	3	–	3
Total liabilities	–	–	2,577	–	2,577
Minority interest	–	–	326	(326)	–
Net assets	–	26,300	15,231	(2,665)	37,866

Notes:

1. Figures converted from Brazilian Reais into £sterling have been converted using an exchange rate of £1:Reais 2.70.
2. The net assets of the Company at 29 January 2010, the date of incorporation of the Company, have been extracted from the accounting records of the Company.
3. The Placing is estimated to raise net proceeds of approximately £26.3 million (approximately £28.3 million gross proceeds less estimated expenses of approximately £1.9 million), as set out in Paragraph 1 of Part 6 of this document.

4. The net assets acquired in relation to the Conditional Acquisitions are calculated as follows:

	<i>Golden Square Acquisition (note i) R\$000</i>	<i>SB ManCo Acquisition (note ii) R\$000</i>	<i>Total R\$000</i>	<i>Total £000</i>
Cash and cash equivalents	704	3	707	262
Investment in investment fund	4,072	–	4,072	1,508
Other assets				
Advances to suppliers	388	18	406	150
Other debtors	–	13	13	5
Other	33	13	46	17
Investment property	43,621	–	43,621	16,156
Tangible fixed assets	–	96	96	36
Total assets	<u>48,818</u>	<u>143</u>	<u>48,961</u>	<u>18,134</u>
Other liabilities				
Accounts payable	6,797	107	6,904	2,557
Suppliers	1	–	1	–
Labor and tax obligations	–	44	44	17
Other	8	–	8	3
Total liabilities	<u>6,806</u>	<u>151</u>	<u>6,957</u>	<u>2,577</u>
Minority interest	<u>880</u>	<u>–</u>	<u>880</u>	<u>326</u>
Net assets/(liabilities)	<u>41,132</u>	<u>(8)</u>	<u>41,124</u>	<u>15,231</u>

- i. The consolidated net assets of SB2 FIP at 31 December 2009 have been extracted without material adjustment from the consolidated financial information on Squarestone Brasil II (SB2) – Fundo de Investimento em Participações for the year ended 31 December 2009 set out in Part 8 of this document.
- ii. The net assets of SB ManCo have been extracted without material adjustment from the accounting records of Squarestone Brasil Administração e Participação Ltda.

5. The consideration and consolidation adjustments include the impact on net assets of the cash consideration to be paid in respect of the Conditional Acquisitions. In addition, as a fair value exercise has yet to be performed to identify any intangible assets which may arise in respect of the Conditional Acquisitions, the difference between the consideration and the net assets acquired as at 31 December 2009 has been allocated to goodwill for purposes of the Pro Forma Financial Information. The consideration and consolidation adjustments have been calculated as follows:

	<i>Golden Square Acquisition</i>	<i>SB ManCo Acquisition</i>	<i>Total</i>
Consideration (£000)			
Cash	6,278	1,250	7,528
Shares	11,240	–	11,240
	<u>17,518</u>	<u>1,250</u>	<u>18,768</u>
Net assets/(liabilities) acquired			
Net assets/(liabilities) (R\$000)	41,132	(8)	41,124
Net assets/(liabilities) converted into sterling (£000)	15,234	(3)	15,231
	<u>2,284</u>	<u>1,253</u>	<u>3,537</u>

6. No fair value adjustments have been reflected in relation to the Conditional Acquisitions. Investment property is therefore shown at historical cost and not fair value. The fair value of the Golden Mall is R\$134.6 million (of which the 50 per cent. share attributable to the Company assuming completion of the Golden Square Acquisition would be R\$67.3 million) as reported by the Valuers and disclosed in the Valuation Report in Part 7 of this document.
7. No account has been taken in the Pro Forma Financial Information of the financial performance of the Group since 31 December 2009, of the acquisition of the Luxembourg Holding Companies, nor of any other event save as disclosed above.

PART 10

TAXATION

The information below, which relates only to Guernsey and United Kingdom taxation, is applicable to the Company and to persons who are resident in those jurisdictions (except where indicated) and who hold Ordinary Shares or Warrants as investments. It is based on existing law and practice and is subject to subsequent changes therein. If you are in any doubt as to your tax position, or require more detailed information than the general outline below, you should consult your own professional adviser without delay.

1. Guernsey

1.1 The Company

The Company is resident for tax purposes in Guernsey and is subject to the company standard rate of income tax in Guernsey, currently at zero per cent. provided the income of the Company does not include: (i) income from banking business (subject to tax at 10 per cent.); (ii) income from trading activities regulated by the Office of the Director General of Utility Regulation (subject to tax at 20 per cent.); or (iii) income from the ownership of land and buildings situated in Guernsey (subject to tax at 20 per cent.). It is not intended that the income of the Company will derive from any of these sources.

A further consequence of the changes to the tax law is that there is now an obligation on the Company, when it makes distributions to Guernsey resident “beneficial members” and, in the case of certain deemed distribution events, where a Guernsey resident beneficial member owns more than one per cent. of the shares in the Company, to withhold and pay over tax at the rate of 20 per cent. on behalf of the relevant Shareholders to the Administrator of Income Tax. The liability to account for tax from the Company’s distributions arises where the beneficial member is resident in Guernsey for Guernsey tax purposes. Provided the beneficial member is not resident in Guernsey, then the Company’s distributions can be paid free of withholding tax.

The Company will have a reporting requirement to file returns with the Administrator of Income Tax for both distributions or deemed distributions to Guernsey residents. A deemed distribution will only occur if there is undistributed income which is assessable to Guernsey income tax and has not previously been distributed and where the recipient is a Guernsey-resident beneficial member who owns more than one per cent. of the shares in the Company. Undistributed income in this case will not include any income which has been taxed at 20 per cent. or higher in Guernsey or another jurisdiction.

It is understood that the States of Guernsey are considering potential changes to the system of company taxation but, at the present time, no firm proposals have been announced.

1.2 Investors

Shareholders who are resident in Guernsey, Alderney or Herm will incur Guernsey income tax on any dividends paid to them on Ordinary Shares. The Company will be required to treat any such dividend to a Guernsey resident beneficial member as being declared gross but paid net, and to pay the appropriate tax on the Shareholder’s behalf to the States of Guernsey. Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of, or in connection with, the acquisition, holding or disposal of any Ordinary Shares or Warrants owned by them.

2. United Kingdom

2.1 The Company

The Company and its subsidiary companies intend to conduct their affairs so that they are managed and controlled in their jurisdiction of incorporation and, accordingly, for United Kingdom corporation tax purposes, should not be regarded as resident by HMRC within the United Kingdom. Similarly, it is not intended that the Company or any of its subsidiary companies will carry on a trade through a permanent establishment located in the United Kingdom. On that basis and on the assumption that it has no United

Kingdom source income, the Company and its subsidiary companies will have no liability in respect of United Kingdom corporation tax on its income or capital gains.

No withholding tax will be deducted from dividends paid by the Company.

2.2 Investors

Shareholders who are resident in the United Kingdom may be liable to United Kingdom income tax or corporation tax in respect of dividend income received from the Company and to United Kingdom capital gains tax or corporation tax on chargeable gains in respect of capital gains realised on a disposal of Ordinary Shares or Warrants.

In principle, UK resident but non-domiciled individual investors who retain the remittance basis of taxation should not be liable to UK income or capital gains tax upon dividend income or capital gains from the Company as HMRC should accept that the Ordinary Shares and Warrants are Guernsey situs assets, unless the income or gains are remitted to the UK. It is essential that any such investors obtain specific taxation advice to confirm their own taxation position.

(a) Taxation of dividends

A distribution by the Company with respect to the Ordinary Shares, in the form of a dividend, may give rise to income taxable in the United Kingdom; this may give rise to income tax in the case of UK resident individuals or corporation tax in the case of UK resident companies.

In the case of a dividend, individuals resident for tax purposes in the United Kingdom, who are liable to income tax at the basic rate, will be taxed at the dividend ordinary rate (10 per cent.). A UK resident individual who is a higher rate tax payer will be taxed at the dividend upper rate (32.5 per cent.). UK resident individuals with income in excess of £150,000 will be taxed at a dividend rate of 42.5 per cent.

In the case of UK resident individuals with a shareholding of less than 10 per cent. of the ordinary share capital of the Company, may be entitled to a tax credit in a similar manner to that available in respect of dividends from UK companies. Where applicable, the effect of the tax credit would be to reduce the effective rate of income tax payable, in respect of such dividends, down from 32.5 per cent. of the dividend received to 25 per cent. of the dividend received. For those earning over £150,000, the effective rate applicable is approximately 36.11 per cent. (compared to the nominal rate of 42.5 per cent.).

United Kingdom resident companies will, in principle, be subject to corporation tax (normal rate 28 per cent.) on any dividends paid by the Company. The application of Part 9A of the Corporation Tax Act 2009, which can exempt dividends from corporation tax under certain circumstances, will depend upon the position of the recipient company.

(b) Taxation of capital gains

Any gain realised by a United Kingdom resident holder of Ordinary Shares or Warrants on a sale or other disposal (including from liquidation or dissolution of the Company) of their Ordinary Shares or Warrants may, depending on their circumstances and subject as mentioned below, be subject to United Kingdom capital gains tax (in the case of individuals) or corporation tax on chargeable gains (in the case of companies).

The base cost of the Ordinary Shares and the Warrants will be determined by allocating the £1 per share Placing Price on the basis of the market value of the Ordinary Shares and the Warrants on issue. HMRC generally accept the initial listed prices of the Ordinary Shares and the Warrants as an appropriate basis for this allocation.

In the event of a sale of the Warrants, the allowable base cost will be determined as a proportion of the base cost at issue, calculated on a pro rata basis according to the remaining duration of the Warrants at the date of sale as a fraction of the Subscription Period.

For UK resident individuals a single rate of capital gains tax of 18 per cent. applies to chargeable gains realised by individuals, trustees and personal representatives, who are resident or ordinarily resident in the United Kingdom.

A UK resident company may benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index and the resulting chargeable gain will be subject to UK corporation tax (normal rate 28 per cent.).

It is anticipated that Shareholders or Warrantholders will realise their shareholdings or holdings of Warrants (as the case may be) in the Company by means of a sale on the AIM market and it is not intended that there will be any other arrangements whereby a Shareholder or Warrantholder can realise all or part of their investment by reference to the net asset value of the underlying assets. Accordingly, the Company will not be an Offshore Fund as defined in Section 40A Finance Act 2008 and any such gain will be subject to tax under the normal capital gains principles set out above.

(c) *Stamp Duty and Stamp Duty Reserve Tax ("SDRT")*

No United Kingdom stamp duty or SDRT will arise on the issue of Ordinary Shares or Warrants. Generally, no United Kingdom stamp duty or SDRT is payable on a transfer of, or agreement to transfer, Ordinary Shares or Warrants executed outside of the United Kingdom provided certain conditions are satisfied. Transfers of CREST depository interests within CREST may be subject to stamp duty reserve tax at the rate of 0.5 per cent. of the amount or value of the consideration paid.

(d) *Transfer of Assets Abroad*

Individual investors ordinarily resident in the UK for tax purposes should note that Chapter II of Part 13 of the Income Tax Act 2007 may render them liable to income tax, in respect of undistributed income or profits of the Company. These provisions are aimed at preventing the avoidance of income tax by individuals through a transaction resulting in the transfer of assets or income to persons (including companies) resident, or domiciled abroad. However, these provisions will not apply if either:

- (1) the purpose of avoiding liability to United Kingdom taxation was not the purpose or one of the purposes of his investment in the Company; or
- (2) the investment was a bona fide commercial transaction and was not designed for the purpose of avoiding United Kingdom taxation.

Given that the underlying assets of the Company will be Brazilian real estate and that the Company is being established in order to facilitate investment from investors in a wide range of jurisdictions, HMRC ought to accept that these provisions should not be applied.

(e) *Controlled Foreign Companies Legislation*

The attention of companies resident in the United Kingdom is drawn to the fact that the "controlled foreign companies" provisions contained in Sections 747 to 756 of the Income and Corporation Taxes Act 1988 could be material to any company so resident that has an interest in the Company such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them, if at the same time the Company is controlled by companies or other persons who are resident in the United Kingdom for taxation purposes. The effect of such provisions could under certain circumstances be to render such companies liable to United Kingdom corporation tax in respect of their share of the undistributed income and profits of the Company.

(f) *Section 13 Taxation of Chargeable Gains Act 1992 ("TCGA")*

The attention of United Kingdom investors resident or ordinarily resident in the United Kingdom is drawn to the provisions of Section 13 TCGA under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to an investor who holds, alone or together with associated persons, more than 10 per cent. of the Ordinary Shares. Under certain circumstances, the Shareholder could suffer capital gains tax or corporation tax liabilities on this basis.

(g) *Exercise of Warrants*

The exercise of Warrants by a UK resident or ordinarily resident Warrantholder will not constitute a disposal for the purposes of UK capital gains tax. The base cost (as determined at the date of issue, as set out in (b) above) of the Warrants together with the amount paid on exercise will form the base cost in computing any gain or loss arising on a subsequent disposal of the Ordinary Shares acquired.

PART 11

TERMS AND CONDITIONS OF THE WARRANTS

The Warrants are constituted by, and will be issued subject to and with the benefit of the Warrant Instrument. Warrantheolders will be bound by all the terms and conditions set out in the Warrant Instrument. The terms and conditions attached to the Warrants are set out below.

The Warrants and the Ordinary Shares issued upon the exercise of any Warrant have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons, except in accordance with the US Securities Act or an exemption therefrom.

1. DEFINITIONS AND INTERPRETATION

In the Warrant Instrument the following expressions have the following meanings, except where the context otherwise requires:

“Admission”	the Admission of the Ordinary Shares to trading on the AIM market of the London Stock Exchange plc;
“Articles”	the articles of association of the Company as altered from time to time;
“Auditors”	the auditors for the time being of the Company;
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London and Guernsey;
“Directors”	the directors for the time being of the Company;
“Extraordinary Resolution”	a resolution passed at a meeting of the Warrantheolders duly convened and passed by a majority consisting of not less than three-fourths of the votes cast, whether on a show of hands or on a poll;
“Ordinary Shares”	ordinary shares of no par value in the Company;
“Registrar”	the registrar appointed from time to time by the Company to maintain the register of Warrantheolders;
“Subscription Date”	the date on which a holder exercises his Subscription Rights;
“Subscription Period”	the period from (and including) the date of Admission to (but excluding) the third anniversary of the date of Admission;
“Subscription Price”	the price of £1.20 per Ordinary Share at which the Subscription Rights are exercisable during the Subscription Period, or such adjusted price as may be determined from time to time in accordance with the provisions described in paragraph 3 below;
“Subscription Rights”	the rights to subscribe for Ordinary Shares specified in paragraph 2.1 below; and
“Warrantheolder”	a holder of Warrants.

2. SUBSCRIPTION RIGHTS

2.1 A Warrantheolder shall have rights to subscribe in cash during the Subscription Period for, subject to paragraph 2.2 below, all or any of the Ordinary Shares for which he is entitled to subscribe under such Warrants of which he is the holder at the Subscription Price payable in full on subscription, subject to adjustment as provided in paragraph 3 below (the **“Subscription Rights”**). The number of Ordinary Shares to which each Warrant relates is (prior to any adjustment as provided in paragraph 3 below)

one Ordinary Share. The Subscription Price, the number of Warrants outstanding and the number of the Ordinary Shares to be subscribed upon exercise of the Warrants shall be subject to adjustment as provided in paragraph 3 below. The Warrants registered in a Warrantheader's name will, save where issued in uncertificated form, be evidenced by a Warrant certificate issued by the Company.

- 2.2 The minimum number of Warrants for which Subscription Rights shall be exercised at any time shall be 50,000 or, if lower, the total number of Warrants held by a Warrantheader.
- 2.3 In order to exercise the Subscription Rights, in whole or in part, in relation to Warrants held in certificated form, a Warrantheader must, unless the Directors may in their absolute discretion determine otherwise, lodge the relevant Warrant certificate(s) (or such other document(s) as the Company may, in its absolute discretion, accept) at the office of the Registrar during the Subscription Period, having completed the notice of exercise of Subscription Rights thereon (or by giving such other notice of exercise of Subscription Rights as the Company may, in its absolute discretion, accept), accompanied by a remittance for the aggregate Subscription Price for the Ordinary Shares in respect of which the Subscription Rights are being exercised.
- 2.4 In relation to any Warrants that are in uncertificated form on any Subscription Date, the Subscription Rights shall be exercised (and treated by the Company as exercised) on that Subscription Date if an uncertificated notice of exercise is received as referred to below during the Subscription Period (but not later than the latest time for input of the instruction permitted by the relevant system on that date). For these purposes, an "**uncertificated notice of exercise**" shall mean a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require and in such form and subject to such terms and conditions as may be from time to time prescribed by the Directors (subject always to the facilities and rules of the relevant system concerned) and that specifies (in accordance with the form prescribed by the Directors as aforesaid) the number of Warrants in respect of which the subscription rights are to be exercised. Such uncertificated notice of exercise shall be accompanied by a payment transfer for the aggregate amount payable on subscription for the Ordinary Shares in respect of which the subscription rights are being exercised, such payment to be made through the relevant system in accordance with its rules or by any other means permitted by the Directors. The Directors may in addition determine when any such properly authenticated dematerialised instruction and/or instruction and notification is to be treated as received by the Company or by such person as it may require for these purposes (subject always to the facilities and rules of the relevant system concerned). Once lodged, a notice of exercise shall be irrevocable save with the consent of the Directors of the Company. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- 2.5 Once lodged, a notice of exercise of Subscription Rights or an uncertificated notice of exercise (as the case may be) shall be irrevocable, save with the consent of the Directors. Compliance must also be made with any statutory and regulatory requirements for the time being applicable.
- 2.6 Each notice of subscription or properly authenticated dematerialised instruction as referred to in this paragraph 2, and any transfer of a Warrant, will be deemed to contain a representation that, at the time of submission to the Company, the Warrantheader exercising the subscription rights or the transferee of the Warrant (as the case may be) is not a US Person or, if they are such a person, that their exercise of subscription rights is otherwise permitted by the US securities laws. The exercise of subscription rights, or the transfer of the Warrant, or the right of any Warrantheader to receive the Ordinary Shares falling to be issued following the exercise of subscription rights will be subject to such requirements, conditions, restrictions, limitation or prohibition (together "**restrictions**") as the Company may at any time impose, in its discretion, for the purpose of complying with (or for avoiding any requirement which would otherwise arise to comply with) the securities laws of the US (including, without limitation, the US Securities Act, and any rules or regulations promulgated under such Act) and will only be effective to the extent that it conforms to such restrictions. The Directors may accept as valid notices of exercise of Subscription Rights which are received twenty four hours after the end of the Subscription Period provided they are accompanied by the correct remittance, as described above.
- 2.7 Not earlier than 56 days and not later than 28 days before the end of the Subscription Period, the Company shall give notice in writing to the holders of the outstanding Warrants reminding them of their Subscription Rights. Failure by any Warrantheader to receive such notice shall not prejudice his

rights, nor those of any other Warrantholder, to subscribe for Ordinary Shares pursuant to their Warrants.

- 2.8 Unless the Directors otherwise determine, the Ordinary Shares arising on exercise of the Warrants shall be issued in uncertificated form (where the Warrants exercised were in uncertificated form on the Subscription Date concerned) or in certificated form (where the Warrants exercised were in certificated form on the Subscription Date concerned). Ordinary Shares issued pursuant to the exercise of Subscription Rights will be allotted on the last Business Day of the calendar month in which the Subscription Date falls, and with effect from, the relevant Subscription Date. In the case of any Warrants that were in certificated form on the Subscription Date concerned, certificates in respect of such Ordinary Shares will be issued free of charge and despatched (at the risk of the person(s) entitled thereto) not later than 35 days after the relevant Subscription Date to the person(s) in whose name(s) the Warrants are registered at the date of such exercise (and, if more than one, to the first named, which shall be sufficient despatch for all) or (subject as provided by law and to payment of stamp duty, stamp duty reserve tax or any like tax as may be applicable) to such other person(s) as may be named in the form of nomination available from the Registrar (and, if more than one, to the first named, which shall be sufficient despatch for all).
- 2.9 In the event of a partial exercise of the Subscription Rights evidenced by a Warrant certificate, the Company shall at the same time issue a fresh Warrant certificate in the name of the Warrantholder for any balance of Warrants with Subscription Rights remaining exercisable. In the case of any Warrants in uncertificated form, evidence of title to the Ordinary Shares allotted will be recorded in accordance with the Regulations and/or the rules of the relevant system concerned. No form of nomination may be submitted in respect of uncertificated Warrants unless and until the Directors otherwise determine in accordance with the rules of the relevant system.
- 2.10 No fractions of an Ordinary Share will be issued on the exercise of any Warrant, provided that if more than one Warrant is exercised at the same time by the same holder then, for the purposes of determining the number of Ordinary Shares to be issued upon the exercise of such Warrants and whether (and, if so, what) fraction of an Ordinary Share arises, the number of Ordinary Shares arising on the exercise of each Warrant (including for this purpose fractions) shall first be aggregated. Any fractions of Ordinary Shares arising on the exercise of Warrants on any Subscription Date shall be aggregated and, if practicable, sold in the market. The net proceeds of such sale will be paid to the Warrantholders entitled thereto in proportion to the fractions arising on exercise of their Warrants, save that amounts of less than £5.00 will be retained for the benefit of the Company.
- 2.11 Ordinary Shares allotted pursuant to the exercise of Subscription Rights will not rank for any dividends or other distributions declared, paid or made on the Ordinary Shares by reference to a record date prior to the relevant Subscription Date but, subject thereto, will rank in full for all dividends and other distributions declared, paid or made on the Ordinary Shares and otherwise will rank *pari passu* in all other respects with Ordinary Shares in issue at the Subscription Date.
- 2.12 For so long as the Company's ordinary share capital is admitted to trading on AIM, it is the intention of the Company to apply to AIM for the Ordinary Shares allotted pursuant to any exercise of Subscription Rights to be admitted to AIM and the Company will use all reasonable endeavours to obtain such admission as soon as practicable and, in any event, not later than 14 days after the allotment thereof.
- 2.13 Within seven days following the end of the Subscription Period, the Company shall appoint a trustee who, provided that in his opinion the proceeds of sale after deduction of all costs and expenses incurred by, and any fee payable to, him will exceed the costs of subscription, shall within the period of 14 days following the end of the Subscription Period exercise the Subscription Rights which shall not have been exercised, on the terms (subject to any adjustments made previously pursuant to paragraphs 3.1 to 3.8 below) on which the same could have been exercised on the final Subscription Date and sell in the market the Ordinary Shares acquired on such subscription. The trustee shall distribute pro rata the net proceeds of such sale (after deduction of any costs and expenses incurred by, and any fee payable to, him) less such subscription costs to the persons entitled thereto within two months of the end of the Subscription Period, provided that entitlements of under £5.00 shall be retained for the benefit of the Company. If the trustee shall not exercise the Subscription Rights within the period of 14 days following the end of the Subscription Period (and so that his decision in respect

thereof shall be final and binding on all holders of outstanding Warrants), any outstanding Warrants shall lapse at the expiry of the period of 14 days following the end of the Subscription Period.

- 2.14 The trustee referred to in paragraph 2.13 above shall have no liability of any nature whatsoever where he has acted honestly and reasonably and shall have no responsibility for the safe custody of, or to earn any interest on, any unpaid or unclaimed money.

3. ADJUSTMENTS OF SUBSCRIPTION RIGHTS

The Subscription Price (and the number of Warrants outstanding and the number of the Ordinary Shares to be subscribed upon exercise of the Warrants) shall from time to time be adjusted in accordance with the provisions of this paragraph 3.

- 3.1 If and whenever the Company shall allot to holders of Ordinary Shares any Ordinary Shares by way of capitalisation of reserves or profits (other than Ordinary Shares paid up out of distributable reserves and issued in lieu of a cash dividend), the Subscription Price in force immediately prior to such allotment shall be adjusted by multiplying it by a fraction of which the numerator shall be the aggregate number of issued Ordinary Shares immediately before such alteration and the denominator shall be the aggregate number of issued and allotted Ordinary Shares immediately after such allotment, and such adjustment shall become effective as at the date of allotment of such Ordinary Shares.
- 3.2 If on a date (or by reference to a record date) before the expiry of 14 days from the end of the Subscription Period, the Company makes any offer or invitation to the holders of the Ordinary Shares (whether by way of rights issue or otherwise but not being an offer to which paragraph 4.5 below applies or an offer made in connection with scrip dividend arrangements), or any offer or invitation (not being an offer to which paragraph 4.5 below applies) is made to such holders otherwise than by the Company, then the Company shall not be required to procure that the same offer or invitation is made to the then holders of the Warrants but the Subscription Price shall be adjusted: (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Subscription Price in force immediately before such announcement by a fraction of which the numerator is the number of Ordinary Shares in issue on the date of such announcement plus the number of Ordinary Shares which the aggregate amount payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares in issue on the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription and (ii) in any other case, in such manner as the Auditors shall report in writing to be, in their opinion, fair and reasonable. Any such adjustments shall become effective, in the case of (i) above, as at the date of allotment of the new Ordinary Shares which are the subject of the offer or invitation and, in the case of (ii) above, as at the date determined by the Auditors. For the purposes of this paragraph "**market price**" shall mean the average of the middle market quotations for one Ordinary Share for the five consecutive dealing days ending on the dealing day immediately preceding the day on which the market price is to be ascertained, making an appropriate adjustment if the Ordinary Shares to be issued pursuant to the offer or invitation do not rank, on some or all of the relevant dealing days, *pari passu* as to dividends or other distributions with the Ordinary Shares in issue on those days.
- 3.3 No adjustment shall be made to the Subscription Price pursuant to paragraphs 3.1 or 3.2 above if it would result in an increase in the Subscription Price and, in any event, no adjustment shall be made if such adjustment would (taken together with the amount of any adjustment carried forward under the provisions of this paragraph 3.3) be less than 1 per cent. of the Subscription Price then in force and on any adjustment the adjusted Subscription Price will be rounded down to the nearest 1 penny. Any adjustment not so made and any amount by which the Subscription Price is rounded down will be carried forward and taken into account in any subsequent adjustment.
- 3.4 Whenever the Subscription Price is adjusted in accordance with paragraphs 3.1 to 3.3 above the Company shall, subject as provided below, issue, for no payment, additional Warrants to each Warrantholder at the same time as such adjustment takes effect. The number of additional Warrants to which a Warrantholder will be entitled shall be the number of existing Warrants held by him multiplied by the following fraction:

$$\frac{X - Y}{Y}$$

where:

X = the Subscription Price immediately before the adjustment; and

Y = the Subscription Price immediately after the adjustment.

Fractions of Warrants will not be allotted to Warrantholders but all such fractions will be aggregated and, if practicable, sold in the market. The net proceeds will be paid to the holders of Warrants entitled thereto at the risk of such persons, save that amounts of less than £5.00 will be retained for the benefit of the Company.

The Company may, following such an adjustment to the Subscription Price, elect to adjust the subscription terms of existing Warrants (as opposed to issuing additional Warrants) so that the number of Ordinary Shares to be subscribed on any subsequent exercise of the Warrants will be increased or, as the case may be, reduced in due proportion (fractions being ignored on an aggregated basis) so as to maintain the same cost of exercising the Subscription Rights of each Warrantholder. Such adjustment shall be determined by the Directors and the Auditors shall confirm that, in their opinion, the adjustments have been determined in all material respects in accordance with the provisions of the Warrant Instrument.

- 3.5 The Company shall give notice to Warrantholders within 28 days of any adjustment made pursuant to paragraphs 3.1 to 3.4 above and, if appropriate, within such period despatch Warrant certificates (at the risk of the persons entitled thereto) to the Warrantholders in respect of any additional Warrants.
- 3.6 If a Warrantholder shall become entitled to exercise his subscription pursuant to paragraph 4.5 below, the Subscription Price payable on such exercise (but not otherwise) shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B + C) - D$$

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would, but for the provisions of this paragraph 3.6, be applicable (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 above) if the Subscription Rights were exercisable on the date on which the Company shall become aware as provided in paragraph 4.5 below;

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the announcement of the offer referred to in paragraph 4.5 below (or, where such offer is a revised offer, the original offer) or, if applicable and earlier, the date of the first announcement of the intention to make such offer or original offer or of the possibility of the same being made; and

D = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Ordinary Share for the 10 consecutive dealing days referred to in the definition of 'C' above,

provided that:

- (i) the Subscription Price shall not be reduced where the value of D exceeds the aggregate value of B and C in the above formula;
- (ii) notwithstanding (i) above, the Subscription Price shall be further adjusted to take account, to the extent that it is not already reflected in the market value of the Warrants, of the time value of money in such manner as the Directors shall determine, subject to the Auditors having reported that in their opinion, in all the circumstances, such adjustment is fair and reasonable.

The notice required to be given by the Company under paragraph 4.5 below shall give details of any reduction in the Subscription Price pursuant to this paragraph 3.6.

- 3.7 For the purpose of determining whether paragraph 4.7 below shall apply and, accordingly, whether each holder of a Warrant is to be treated as if his Subscription Rights had been exercisable and had been exercised as therein provided, the Subscription Price which would have been payable on such exercise shall be reduced by an amount determined by the Auditors in accordance with the following formula:

$$A = (B + C) - D$$

where:

A = the reduction in the Subscription Price;

B = the Subscription Price which would but for the provisions of this paragraph 3.7, be applicable (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 above) if the Subscription Rights were exercisable immediately before the date on which the order referred to in paragraph 4.7 below shall be made or on which the effective resolution referred to in that paragraph shall be passed (as the case may be);

C = the average of the middle market quotations (as derived from the London Stock Exchange Daily Official List) for one Warrant for the 10 consecutive dealing days ending on the dealing day immediately preceding the date of the presentation of the petition for such order or of the notice convening the meeting at which such resolution shall be passed (as the case may be) or, if applicable and earlier, the date of the first announcement of the presentation of such petition or the convening of such meeting (as the case may be) or that the same is proposed; and

D = the amount (as determined by the Auditors) of the surplus available for distribution in respect of each Ordinary Share, taking into account for this purpose the Ordinary Shares which would arise on exercise of all the Subscription Rights and the Subscription Price which would be payable on the exercise of such Subscription Rights (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 above but ignoring any adjustment to be made pursuant to this paragraph 3.7).

The provisos set out in paragraph 3.6 above shall apply *mutatis mutandis* to any adjustment made in accordance with this paragraph 3.7.

- 3.8 Notwithstanding the provisions of sub-paragraphs 3.1 to 3.7 above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint the Auditors to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if the Auditors shall consider this to be the case, the adjustment shall be modified or nullified, or another adjustment made instead, or no adjustment made, in such manner (including without limitation, making an adjustment calculated on a different basis) and/or to take effect from such other date and/or time as shall be reported by the Auditors to be in their opinion appropriate.

4. OTHER PROVISIONS

So long as any Subscription Rights remain exercisable:

- 4.1 the Company shall not (except with the sanction of an Extraordinary Resolution):

4.1.1 make any distribution of capital profits or capital reserves except by means of a capitalisation issue in the form of Ordinary Shares issued to the holders of its Ordinary Shares or except on the winding up of the Company;

4.1.2 issue securities by way of capitalisation of profits or reserves except pursuant to the provisions of the Articles; or

- 4.1.3 on or by reference to a record date falling within the period of six weeks ending on the final Subscription Date, make any such allotment as is referred to in paragraph 3.1 above or any such offer or invitation as is referred to in paragraph 3.2 above (except by extending to the Warrantheolders any such offer or invitation as may be made by a third party);
- 4.2 the Company shall not (except with the sanction of an Extraordinary Resolution) in any way modify the rights attached to its existing Ordinary Shares as a class, or create or issue any new class of equity share capital except for shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital, provided that nothing herein shall restrict the right of the Company to increase, consolidate or sub-divide its share capital or to issue further Ordinary Shares which carry, as compared with the rights attached to the existing Ordinary Shares, rights which are not more advantageous as regards voting, dividend or return of capital;
- 4.3 the Company shall maintain all corporate authorities necessary to satisfy in full all Subscription Rights remaining exercisable;
- 4.4 except in circumstances where paragraph 3.2 above applies or except with the sanction of an Extraordinary Resolution, the Company shall not grant (or offer or agree to grant) any option in respect of, or create any rights of subscription for, or issue any loan capital carrying rights of conversion into, Ordinary Shares if the price per Ordinary Share at which any such option or right is exercisable, or into which such loan capital is convertible, is lower than the Subscription Price for the time being;
- 4.5 subject as provided in paragraph 4.7 below, if at any time an offer is made to all holders of Ordinary Shares (or all such holders other than the offeror and/or any company controlled by the offeror and/or persons acting in concert with the offeror) to acquire the whole or any part of the issued ordinary share capital of the Company and the Company becomes aware on or before the end of the Subscription Period that as a result of such offer (or as a result of such offer and any other offer made by the offeror) the right to cast a majority of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such companies or persons as aforesaid, the Company shall give notice to the Warrantheolders of such vesting within 14 days of its becoming so aware, and each such Warrantheolder shall be entitled, at any time within the period of 30 days immediately following the date of such notice, to exercise his Subscription Rights on the term (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 and subject to paragraph 3.6 above) on which the same could have been exercised if they had been exercisable and had been exercised on the date on which the Company shall have become aware as aforesaid. If any part of such period falls after the end of the Subscription Period, the end of the Subscription Period shall be extended to the last business day of that 30 day period;
- 4.6 if under any offer as referred to in paragraph 4.5 above the consideration shall consist solely of the issue of ordinary shares of the offeror and the offeror shall make available an offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants, which offer the financial advisers to the Company (acting as experts and not as arbitrators) shall consider to be fair and reasonable (having regard to the terms of the offer and to the terms of paragraph 3.6 and any other circumstances which may appear to such financial advisers to be relevant), then a Warrantheolder shall not have the right to exercise his Subscription Rights on the basis referred to in paragraph 4.5 above and, subject to the offer as referred to in paragraph 4.5 above becoming or being declared wholly unconditional and the offeror being in a position to acquire compulsorily the whole of the then issued ordinary share capital of the Company not already owned by it, and/or any company controlled by it and/or any persons acting in concert with it, any director of the Company shall be irrevocably authorised as attorney for the Warrantheolders who have not accepted the offer of warrants to subscribe for ordinary shares in the offeror in exchange for the Warrants:
- 4.6.1 to execute a transfer thereof in favour of the offeror in consideration of the issue of warrants to subscribe for ordinary shares in the offeror as aforesaid, whereupon all the Warrants shall lapse; and
- 4.6.2 to do all such acts and things as may be necessary or appropriate in connection therewith;
- 4.7 if an order is made or an effective resolution is passed for winding up the Company (except for the purpose of reconstruction, amalgamation or unitisation on terms sanctioned by an extraordinary

resolution) each Warrantholder shall (if in such winding up, on the basis that all Subscription Rights then unexercised had been exercised in full and the Subscription Price therefore had been received in full by the Company, there shall be a surplus available for distribution amongst the holders of the Ordinary Shares, including for this purpose the Ordinary Shares which would arise on exercise of all the subscription rights taking into account any adjustments previously made pursuant to paragraphs 3.1 to 3.4, which surplus would, on such basis, exceed in respect of each Ordinary Share a sum equal to such subscription price) be treated as if immediately before the date of such order or resolution (as the case may be) his Subscription Rights had been exercisable and had been exercised in full on the terms (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4) on which the same could have been exercised if they had been exercisable immediately before the date of such order or resolution (as the case may be), and shall accordingly be entitled to receive out of the assets available in the winding up *pari passu* with the holders of the Ordinary Shares, such a sum as he would have received had he been the holder of the Ordinary Shares to which he would have become entitled by virtue of such subscription after deducting a sum per Ordinary Share equal to the Subscription Price (subject to any adjustments previously made pursuant to paragraphs 3.1 to 3.4 and subject to paragraph 3.6 above). Subject to the foregoing, all Subscription Rights shall lapse on winding up of the Company.

5. MODIFICATION OF RIGHTS

Subject to the existing rights of the holders of Ordinary Shares, all or any of the rights for the time being attached to the Warrants and all or any of these terms and conditions may from time to time (whether or not the Company is being wound up) be altered or abrogated with the sanction of an Extraordinary Resolution. All the provisions of the Articles for the time being of the Company as to general meetings shall apply *mutatis mutandis* as though the Warrants were a class of shares forming part of the capital of the Company, but so that:

- 5.1 the necessary quorum shall be the requisite number of Warrant holders (present in person or by proxy) entitled to subscribe ten per cent. of the Ordinary Shares attributable to such outstanding Warrants;
- 5.2 every holder of a Warrant present in person at any such meeting shall be entitled on a show of hands to one vote and every such holder present in person or by proxy shall be entitled on a poll to one vote for each Ordinary Share for which he is entitled to subscribe;
- 5.3 any holder of a Warrant present in person or by proxy may demand or join in demanding a poll; and
- 5.4 if at any adjourned meeting a quorum as above defined is not present, the holder or holders of Warrants then present in person or by proxy shall be a quorum.

Any such alteration or abrogation approved as aforesaid shall be effected by a written instrument executed by the Company and expressed to be supplemental to the Warrant Instrument. Modifications to the Warrant Instrument which are of a formal, minor or technical nature, or made to correct a manifest error, and which do not adversely affect the interests of the holders of the Warrants, may be effected without the sanction of an Extraordinary Resolution of the Company and expressed to be supplemental to the Warrant Instrument and notice of such alteration or abrogation or modification shall be given by the Company to the Warrantholders.

6. PURCHASE

The Company and its subsidiaries shall have the right to purchase Warrants in the market, by tender or by private treaty or otherwise, and the Company may accept the surrender of Warrants at any time but:

- 6.1 such purchases will be made in accordance with the rules of any stock exchange on which the Warrants are listed and/or quoted; and
- 6.2 if such purchases are by tender, such tender will be available to all Warrantholders alike.

All Warrants so purchased or surrendered shall forthwith be cancelled and shall not be available for re-issue or resale.

7. TRANSFER

Each Warrant will be in registered form and will be transferable by instrument of transfer in any usual or common form, or in any other form which may be approved by the Directors. No transfer of a right to subscribe for a fraction of an Ordinary Share may be effected.

8. GENERAL

- 8.1 The Company will, concurrently with the issue of the same to the holders of the Ordinary Shares, send to each Warrantholder (or, in the case of joint holders, to the first-named) a copy of each published annual report and accounts of the Company (or such abbreviated or summary financial statement sent to holders of Ordinary Shares in lieu thereof), together with all documents required by law to be annexed thereto, and a copy of every other statement, notice or circular issued by the Company to holders of Ordinary Shares.
- 8.2 Subject as otherwise provided in the Warrant Instrument, the provisions of the Articles for the time being of the Company relating to notice of meetings, untraced members, lost certificates and the registration, transfer and transmission of Ordinary Shares shall apply *mutatis mutandis* to the Warrants as if they were Ordinary Shares.
- 8.3 Any determination or adjustment made pursuant to these terms and conditions by the Auditors shall be made by them as experts and not as arbitrators and any such determination or adjustment made by them shall be final and binding on the Company, its shareholders and each Warrantholders.
- 8.4 Any reference in the Warrant Instrument to a statutory provision shall include that provision as from time to time modified or re-enacted.

9. WARRANTS IN UNCERTIFICATED FORM

In these terms and conditions:

- 9.1 “**Regulations**” means such regulations as may be applicable to the holding of dematerialised securities, including the CREST Regulations and includes:
- 9.1.1 any enactment or subordinated legislation which amends or supersedes those regulations; and
- 9.1.2 any applicable rules made under those regulations including those of a relevant system or under any such enactment or subordinated legislation for the time being in force;
- 9.2 words and expressions used in these terms and conditions have the same meaning as in the Regulations;
- 9.3 “notice of exercise” means, in relation to any Warrants that are in certificated form on any subscription date, a certificated notice of exercise (as set out in paragraph 2.3 above) or, in relation to any Warrants that are in uncertificated form on any subscription date, an uncertificated notice of exercise (as defined in paragraph 2.4 above);
- 9.4 whether any Warrants are in certificated form or uncertificated form on a Subscription Date shall be determined by reference to the register of Warrantholders as at the close of business on the relevant Subscription Date or at such other time or date as the Directors (subject to the facilities and requirements of the relevant system concerned) in their absolute discretion determine;
- 9.5 nothing in these terms and conditions shall preclude any Warrant from being issued, held, registered, exercised, transferred or otherwise dealt with in uncertificated form in accordance with the Regulations and any other rules and requirements laid down from time to time by CREST or any other relevant system operated pursuant to the Regulations. The Directors may make arrangements for the Warrants to become a participating security in a relevant system;
- 9.6 in relation to any Warrant which is in uncertificated form, these terms and conditions shall have effect subject to the provisions of the Regulations and (so far as consistent with them) to the following provisions:

- 9.6.1 the Company shall not be obliged to issue a certificate evidencing title to a Warrant and all references to a Warrant certificate in respect of any Warrants held in uncertificated form in these terms and conditions shall be deemed inapplicable to such Warrants which are in uncertificated form and furthermore shall be interpreted as a reference to such form of evidence of title to uncertificated Warrants as the Regulations and the rules of the relevant system concerned prescribe or permit;
- 9.6.2 the registration of title to and transfer of any Warrants in uncertificated form shall be effected in accordance with the Regulations and the rules of the relevant system concerned and there shall be no requirement for written instrument of transfer;
- 9.6.3 a properly authenticated dematerialised instruction given in accordance with the Regulations and any rules of the relevant system operated pursuant to the Regulations shall be given effect to in accordance with its terms;
- 9.6.4 Warrants may be changed from uncertificated form, and from certificated to uncertificated form, in accordance with and subject as provided in the Regulations and the Company shall record on the register of Warrantholders that the Warrants are held in certificated or uncertificated form as appropriate;
- 9.6.5 any communications required or permitted by these terms and conditions given by a person to the Company or by the Company to a person, may be given in accordance with and in any manner (whether or not in writing), prescribed or permitted by the Regulations or any rules operated by the relevant system;
- 9.6.6 the provisions of these terms and conditions with respect to meetings of the holders of the Warrants shall have effect subject to the provisions of the Regulations;
- 9.6.7 for the avoidance of doubt, these terms and conditions are applicable to the Warrants held in uncertificated form and shall remain so applicable (and accordingly the Company shall continue to comply with the terms and conditions of the same) notwithstanding that they are not endorsed on any certificate for such Warrants;
- 9.6.8 the Company shall provide to any Warrantholder in uncertificated form a copy of these terms and conditions on request by him (but so that joint holders of such Warrants shall be entitled to receive one copy only of these terms and conditions in respect of the Warrants held jointly by them, which copy shall be delivered to that one of the joint holders whose name stands first in the register of Warrant holders in respect of that holding); and
- 9.7 these terms and conditions may be amended by the Directors to reflect changes made to, and continued compliance with, the Regulations.

PART 12

ADDITIONAL INFORMATION

1. Responsibility

The Directors, whose names appear on page 5 of this document, and the Company accept responsibility for all the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated with an unlimited number of shares of no par value on 29 January 2010 in Guernsey with registered number 51409, as a non-cellular company limited by shares, under the name Squarestone Brasil Limited.
- 2.2 The principal legislation under which the Company operates (and under which the Ordinary Shares have been created) is the Companies Law, together with the ordinances and regulations made under the Companies Law. The liability of the Company's members is limited.
- 2.3 The registered office of the Company is at No.1 Le Truchot, St. Peter Port, Guernsey GY1 3JX (telephone number +44 (0)1481 810100). The statutory books of the Company are kept at its registered office.
- 2.4 Save for its entry into the Warrant Instrument summarised at Part 11, the material contracts summarised in paragraph 7 of this Part 12 and the Limited Partnership Agreement summarised in paragraph 8 of this Part 12 the Company has not, since its incorporation, carried on business and no accounts of the Company have been made up.
- 2.5 Following Admission and completion of the SB Manco Acquisition, the Golden Square Acquisition and the Verzasca Golden Square Sale Agreement the Company will be the holding company of the Squarestone Brasil Group and will have the following significant subsidiaries and subsidiary undertakings (the issued share capital of each of the subsidiaries is fully paid):

<i>Subsidiary</i>	<i>Activity</i>	<i>Country of incorporation</i>	<i>Percentage of issued share capital held directly or indirectly by the Company</i>
Squarestone Brasil (GP) Limited	General partner of Management Incentive LP and SLP	Guernsey	100 per cent.
Marato s.a.r.l.	Intermediate holding company	Luxembourg	100 per cent.
Cotia s.a.r.l.	Intermediate holding company	Luxembourg	100 per cent.
Jandira s.a.r.l.	Intermediate holding company	Luxembourg	100 per cent.
Squarestone Brasil II (SB2) – Fundo de Investimento em Participações	Intermediate holding vehicle	Brazil	100 per cent.
SB Brast Participações S.A.	Property holding company	Brazil	100 per cent.

SB Canoas Empreendimentos Imobiliários S.A.	Property holding company	Brazil	100 per cent.
Squarestone Brasil Administracao e Participações S.A.	Property management and development services	Brazil	100 per cent. ⁽¹⁾

(1) The issued share capital of Squarestone Brasil Administracao Participações S.A. is 38,154 shares, of which one share is registered in the name of SPIM (in order to satisfy the requirement under Brazilian law that a S.A. have a minimum of two shareholders). This single share is held by SPIM under the terms of a bare trust in favour of the Company.

2.6 The Company is also the principal limited partner of Management Incentive L.P., a limited partnership registered in Guernsey on 4 March 2010, under registration number 1280 and constituted pursuant to the Limited Partnership Agreement (further details of which are set out at paragraph 8 of this Part 12). The other limited partner of Management Incentive L.P. is SLP. The general partner of Management Incentive L.P. and SLP is Squarestone Brasil (GP) Limited.

3. Share Capital

3.1 The Company's capital structure comprises a single class of Ordinary Shares which will be admitted to trading on AIM. The issued share capital of the Company all of which is or will be fully paid-up and the associated Warrants, (A) as at the date of this document, (B) as it will be immediately following Admission and (C) in the Enlarged Share Capital (as it will be following issue of the Reinvestment Shares), is as follows:

	(A)	(B)	(C)
Issued number of Ordinary Shares	1	39,500,960 ⁽¹⁾	40,675,960 ⁽²⁾
Issued number of Warrants	–	26,333,982	27,117,316 ⁽³⁾

(1) Comprising the Placing Shares and the 11,240,000 Consideration Shares.

(2) Comprising the Placing Shares, the 11,240,000 Consideration Shares and the 1,175,000 Reinvestment Shares.

(3) Assuming no Warrants issued at Admission have been exercised.

3.2 The Ordinary Shares have been created pursuant to the Companies Law. The Company was incorporated with the ability to issue an unlimited number of shares with no par value which, upon issue, the Directors may categorise as Ordinary Shares or otherwise. On incorporation, one Ordinary Share was issued to the subscriber to the Company's Memorandum of Incorporation and is in issue prior to Admission. Subject to Admission, the issued subscriber share will be repurchased by the Company and cancelled.

3.3 On 6 April 2010, the Placing Shares and the Consideration Shares were allotted by resolution of the Board, at a subscription price of £1.00 per Ordinary Share and the associated Warrants were issued, each conditionally upon Admission. The Company has also agreed to allot, in due course, the Reinvestment Shares.

3.4 Save as referred to in paragraphs 3.2 and 3.3 and pursuant to the Warrant Instrument, since the date of its incorporation no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued, for cash or any other consideration. Save as referred to in paragraph 5.3, 7.3 and 7.4 and pursuant to the Warrant Instrument no share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

4. Constitution of the Company

4.1 Memorandum of Incorporation

The Memorandum of Incorporation of the Company provides that the objects of the Company are unlimited.

4.2 **Articles of Incorporation**

The Articles of Incorporation of the Company contain provisions, *inter alia*, to the following effect:

4.2.1 *Voting rights*

Subject to any rights or restrictions attached to any shares, on a show of hands, every Shareholder present in person, or by proxy and entitled to vote shall have one vote, and on a poll every Shareholder present in person, or by proxy shall have one vote for each share held by him, but this entitlement shall be subject to the conditions with respect to any special voting powers, or restrictions for the time being attached to any shares, which may be subject to special conditions.

4.2.2 *Transfer of Ordinary Shares*

Subject to the Articles (and the restrictions on transfer contained therein), a Shareholder may transfer all or any of his shares in any manner which is permitted by the Companies Law, or in any other manner which is, from time to time, approved by the Board. A transfer of a certificated share shall be in the usual common form, or in any other form, approved by the Board.

An instrument of transfer of a certificated share shall be signed by, or on behalf of the transferor and unless the share is fully paid by or on behalf of the transferee. Subject to the Articles (and the restrictions on ownership contained therein), a Shareholder may transfer an uncertificated share by means of a relevant system authorised by the Board, or in any other manner which may from time to time be approved by the Board. The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any share in certificated form or uncertificated form (subject to the Articles) which is not fully paid or on which the Company has a lien provided that, in the case of a share admitted to trading on AIM, this would not prevent dealings in the shares from taking place on an open and proper basis on AIM.

In addition, the Board may refuse to register a transfer of certificated shares unless: (i) it is in respect of only one class of shares; (ii) it is in favour of a single transferee, or not more than four joint transferees; (iii) it is delivered for registration to the registered office of the Company or such other place as the Board may decide, accompanied by the certificate for the shares to which it relates and such other evidence of title as the Board may reasonably require; and (iv) the transfer is in favour of any individual who would not hold, or obtain Prohibited Shares (as defined below). The Board may decline to register a transfer of an uncertificated share which is traded through the CREST system in accordance with the CREST Regulations where, in the case of a transfer to joint holders, the number of joint holders to whom uncertificated shares is to be transferred exceeds four.

If at any time the holding or beneficial ownership of any shares in the Company by any person (whether on its own or taken with other shares), in the opinion of the Directors: (i) would cause the assets of the Company to be treated as “plan assets” of any Benefit Plan Investor under Section 3(42) of **ERISA**; (ii) may give rise to a breach of any applicable law or requirement in any jurisdiction; (iii) would or might result in the Company and/or its shares being required to register or qualify under the United States Investment Company Act 1940 and/or the United States Securities Act 1933 and/or the United States Securities Exchange Act 1934 and/or the local “Blue Sky Laws” of any State of the United States; or (iv) contravene the criteria for eligibility for investing in the Company determined by the Directors from time to time, then any shares which the Directors decide are shares which are so held or beneficially owned (“**Prohibited Shares**”) must be dealt with as follows. The Directors may at any time give notice in writing to the holder of a share, requiring him to make a declaration as to whether or not the share is a Prohibited Share. The Directors shall give written notice to the holder of any share which appears to them to be a Prohibited Share requiring him within 21 days (or such extended time as the Directors consider reasonable) to transfer (and/or procure the disposal of interests in) such share to another person, so that it will cease to be a Prohibited Share. From the date of such notice until registration for such a transfer, or a transfer arranged by the Directors as referred to below, the share will not confer any right on the holder to receive notice of or to attend and vote at a general meeting of the Company and of any class of Shareholders) and those rights will vest in the chairman of any such meeting, who may exercise or refrain from exercising them entirely at his discretion). If the notice is not complied with within 21 days to the satisfaction of the Directors, the Directors shall arrange for the Company to sell the share at the best price reasonably obtainable to any other person, so that the share will cease to be a

Prohibited Share. The net proceeds of sale (after payment of the Company's costs of sale and together with interest at such rate as the Directors consider appropriate) shall be paid over by the Company to the former holder upon surrender by him of the relevant share certificate (if applicable).

4.2.3 *Alteration of Share Capital and Redemption*

Subject as provided in the Articles, the Company may by ordinary resolution: (i) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares; (ii) subdivide all or any of its shares into shares of smaller amounts so, however, that in the subdivision 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 and so that the resolution whereby any share is subdivided, may determine that as between the holders of the shares resulting from subdivision one or more of the shares may have such preferred, deferred or other rights over the others as the Company has power to attach to unissued or new shares; (iii) cancel any shares which at the date of the resolution 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; (iv) convert the whole, or any particular class, of its shares into redeemable shares; (v) redesignate the whole, or any particular class, of its shares into shares of another class; (vi) convert all or any of its fully paid shares, the nominal amount of which is expressed in a particular currency, into fully paid shares of a nominal amount of a different currency, the conversion being effected at the rate of exchange (calculated to not less than 3 significant figures) current on the date of the resolution, or on such other date as may be specified therein; or (vii) authorise the Directors to do any of the above.

Any shares of the Company may, with the sanction of the Board, be issued or created on terms that they are, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner as the Board may determine.

4.2.4 *Variation of Rights*

Whenever the shares of the Company are divided into different classes, all or any of the rights at the relevant time attached to any share or class of shares (and notwithstanding that the Company may be, or may be about to be, in liquidation) may be varied or abrogated in such manner (if any) as may be provided by those rights, or in the absence of such provision, either with the consent in writing of the holders of not less than two-thirds in number of the issued shares of the class, or with the sanction of an ordinary resolution of the holders of the shares of the relevant class. The quorum at any separate general meeting of the holders of the relevant class (other than an adjourned meeting) shall be one person holding, or representing by proxy, at least one-third in number of the issued shares of the class in question. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not (unless otherwise expressly provided by the terms of issue of the shares of that class) be deemed to be varied by: (i) the creation or issue of further shares ranking as regards the profits or assets of the Company in some or all respects *pari passu* with them, but in no respect in priority thereto; or (ii) the purchase or redemption by the Company of any of its own shares.

4.2.5 *Pre-emption rights*

Other than in respect of any shares allotted and issued in payment of any management incentive fee or arrangement, or for a consideration that is wholly or partly otherwise than in cash or unless otherwise directed by special resolution, no un-issued Ordinary Shares in the capital of the Company shall be allotted wholly for cash unless the following provisions are complied with:

- (i) all shares to be allotted (the "**relevant shares**") shall first be offered on the same, or more favourable terms to the Shareholders of the Company (excluding any shares held by the Company as treasury shares) in the same proportion (as nearly as practicable) to their existing holdings of such shares on the chosen record date, subject to such exclusions or other arrangements as the Board, in its absolute discretion, deems necessary or expedient to deal with fractional entitlements or legal or practical problems arising in connection with the laws of, or the requirements of any regulatory body or stock exchange in, any overseas territory, or any other matter whatsoever;
- (ii) such offer shall be made by written notice (the "**offer notice**") from the Board, specifying the number and price of the relevant shares and shall invite each Shareholder to state in writing

- within a period, which shall not be less than 14 clear days, whether they are willing to accept any of the shares and, if so, the maximum number of relevant shares they are willing to accept;
- (iii) at the expiration of the period during which each Shareholder may accept the relevant shares as specified in the offer notice, the Board shall allocate the relevant shares to or amongst the Shareholders who have notified to the Board their willingness to accept any of the relevant shares, but so that no Shareholder shall be obliged to take more than the maximum number of shares previously notified by him; and
 - (iv) if any of the relevant shares are not accepted and remain unallocated pursuant to the above offer, the Board shall be entitled to allot, grant options over or otherwise dispose of such shares to any person in such manner, as it sees fit provided that the Board shall not be entitled to allot, grant options over or otherwise dispose of those shares on terms which are more favourable than the terms of the offer, pursuant to the Articles referred to above.

4.2.6 *Dividends & Reserves*

Subject to the Companies Law and the Listing Rules, the Board may declare and pay such dividends, including interim dividends, as appears to be justified. No dividend or other monies payable by the Company on or in respect of a share shall bear interest against the Company. All unclaimed dividends may be invested, or otherwise made use of by the Board, for the benefit of the Company until claimed. All dividends unclaimed on the earlier of: (i) seven years after the date when it first became due for payment; and (ii) the date on which the Company is wound up, shall be forfeited and shall revert to the Company.

The Directors may, at their discretion and in respect of any dividend declared or proposed to be declared (and provided that an adequate number of un-issued shares are available for the purpose), determine and announce, prior to or contemporaneously with their announcement of the dividend in question and any related information as to the Company's profits for such financial period or part thereof, that Shareholders will, receive in lieu of such dividend (or part thereof) an allotment of additional shares credited as fully paid.

The Board may, from time to time (but need not unless required by applicable law), set aside out of the profits of the Company and carry to reserves such sums as they think proper which, at the discretion of the Board, shall be applicable for any purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Board may divide the reserves into such special funds as they think fit and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Board may also, without placing the same to reserve, carry forward any profits.

4.2.7 *Winding-Up*

On a winding up, the surplus assets remaining after payment of all creditors, including the repayment of bank borrowings, will be divided *pari passu* among the Shareholders pro rata to their holdings of those shares, but subject to the rights of any shares which may be issued with special rights or privileges.

If the Company shall be wound up, the liquidator may with the authority of an extraordinary resolution divide among the Shareholders in specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of a single kind and may for such purposes set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Shareholders or different classes of Shareholders. The Liquidator may with the like authority vest any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator with the like authority shall think fit and the liquidation of the Company may be closed and the Company dissolved but so that no Shareholder shall be compelled to accept any shares or other assets in respect of which there is any outstanding liability.

4.2.8 *Disclosure of Beneficial Interests*

From the date of Admission and for so long as the Company has any of its shares admitted to trading on AIM, or any successor market or any other market operated by the London Stock Exchange, every Shareholder shall comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules as if the Company were classified as an “issuer” whose “Home State” is the “United Kingdom” (as such terms are defined in the FSA Handbook of Rules and Guidance).

If it shall come to the attention of the Directors that any Shareholder has not, within the requisite period made or, as the case may be, procured the making of any notification required, the Company may (in the absolute discretion of the Directors) at any time thereafter by notice (a “**Restriction Notice**”) to such Shareholder direct that, in respect of the shares in relation to which the default has occurred (the “**Default Shares**” which expression shall include any further shares which are issued in respect of any Default Shares), the Shareholder shall not be entitled to be present or to vote on any question (either in person or in proxy), at any general meeting or separate general meeting of the holders of any class of shares of the Company, or to be recognised in a quorum or to sign a written resolution.

Where the Default Shares represent at least 0.25 per cent. in nominal value of the issued shares of their class, then the Restriction Notice may additionally direct that in respect of the Default Shares: (i) any distribution or any part of a distribution or other amounts payable in respect of the Default Shares be withheld by the Company, which has no obligation to pay interest on the same, and shall be payable (when the Restriction Notice ceases to have effect) to the person who would but for the Restriction Notice have been entitled to them; and/or (ii) where an offer of the right to elect to receive shares of the Company instead of cash in respect of any dividend or part thereof is or has been made by the Company any election made thereunder by such Shareholder in respect of such Default Shares shall not be effective; and/or (iii) no transfer of any of the shares held by any such Shareholder shall be recognised or registered by the Directors unless: (a) the transfer is an “excepted transfer”; or (b) the Shareholder is not himself in default as regards supplying the requisite information required and when presented for registration the transfer is accompanied by a certificate by the Shareholder in a form satisfactory to the Directors to the effect that after due and careful enquiry the Shareholder is satisfied that none of the shares, the subject of the transfer are Default Shares.

4.2.9 *Request for Information*

The Directors have the power by notice in writing to require any Shareholder to disclose to the Company the identity of any person other than the Shareholder (an “**Interested Party**”) who has any interest in the share capital held by that Shareholder and the nature of such interest. Any such notice shall require any information in response to such notice to be given in writing within such reasonable time as the Directors shall determine.

If any Shareholder has been duly served with such notice given by the Directors and is in default for the prescribed period in supplying to the Company the information thereby required, then the Directors may in their absolute discretion at any time thereafter serve a notice (a “**Direction Notice**”) upon such Shareholder. Such Direction Notice may direct that: (a) in respect of the shares comprising the Shareholder account in the Shareholder register which comprises or includes the shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the “**Default Shares**”); and (b) any other shares held by the Shareholder, that the Shareholder shall have no right to vote at a general meeting or meeting of the holders of any class of shares of the Company either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company or of the holders of any class of shares of the Company. Where the Default Shares represent at least 0.25 per cent. of the class of shares concerned, the direction notice may additionally direct that: (a) in respect of the Default Shares, any distribution or part thereof which would otherwise be payable on such shares shall be retained by the Company without any liability to pay interest thereon when such money is finally paid to the Shareholder; and (b) no transfer other than an excepted transfer of any of the shares held by such Shareholder shall be registered unless: (i) the Shareholder is not himself in default as regards supplying the information requested; and (ii) the transfer is of part only of the Shareholder’s holding and when presented for registration is accompanied by a certificate by the Shareholder in a form satisfactory to the Directors to the effect

that after due and careful enquiry the Shareholder is satisfied that no person in default as regards supplying such information has an interest in any of the shares the subject of the transfer.

The Company shall send to each other person appearing to have an interest in the shares the subject of any Direction Notice a copy of the notice, but failure or omission by the Company to do so shall not invalidate such notice.

If shares are issued to a Shareholder as a result of that Shareholder holding other shares in the Company and if the shares in respect of which the new shares are issued are Default Shares in respect of which the Shareholder is for the time being subject to particular restrictions, the new shares shall on issue become subject to the same restrictions whilst held by that Shareholder as such Default Shares. For this purpose, shares which the Company procures to be offered to Shareholder pro rata (or pro rata ignoring fractional entitlements and shares not offered to certain Shareholders by reason of legal or practical problems associated with offering shares outside the United Kingdom or Guernsey) shall be treated as shares issued as a result of a Shareholder holding other shares in the Company.

Any Direction Notice shall have effect in accordance with its terms for as long as the default, in respect of which the Direction Notice was issued, continues but shall cease to have effect in relation to any shares which are transferred by such Shareholder by means of an excepted transfer. The Directors shall procure that once the default ceases the restrictions imposed above shall be removed and that distributions and other monies withheld are paid to the relevant Shareholder.

4.2.10 *General Meetings*

The Board shall convene the first meeting (being an annual general meeting) of the Company within such time as may be required by the Companies Law and thereafter general meetings (which are annual general meetings) shall be held in each subsequent calendar year (provided that not more than 15 months have elapsed since the last such meeting). All general meetings (other than annual general meetings) shall be called extraordinary general meetings. General meetings shall be held in Guernsey, or such other place as may be determined by the Board from time to time. The notice must specify the place, time and date of a general meeting and the general nature of the business to be transacted.

4.2.11 *Directors*

(a) *Number and Appointment and Re-Election of Directors*

The number of the Directors shall be not less than two (exclusive of alternate Directors) and there shall be no maximum number, unless otherwise determined by the Company by ordinary resolution. The Board shall have power at any time to appoint any person to be a Director either to fill a casual vacancy, or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed the number (if any) fixed pursuant to these Articles.

Any person so appointed by the Board shall hold office only until the next annual general meeting and shall then be eligible for election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting. At each annual general meeting, subject to the Articles, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to, but not greater than one-third) shall retire from office by rotation.

No person other than a Director retiring at a general meeting shall, unless recommended by the Board, be eligible for election by the Company to the office of Director, unless not less than seven nor more than 42 clear days, before the date appointed for the meeting there shall have been left at the registered office notice in writing signed by a Shareholder duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election, together with notice in writing signed by that person of his willingness to be elected and a declaration that he is not ineligible to be a Director in accordance with the Companies Law.

(b) *Removal of Directors*

Subject to the Articles: (i) the Shareholders may by ordinary resolution remove any Director; and (ii) a Director may also be removed from office by written notice served on him to that effect, signed by a majority of his co-Directors (being not less than two in number).

(c) *Vacation of office*

The office of a Director shall be vacated:

- (i) if he gives notice in writing to the Company that he resigns the office of Director;
- (ii) if he shall have absented himself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from three consecutive meetings of the board of Directors without special leave of absence from the Directors, and they pass a resolution that he has by reason of such absence vacated office;
- (iii) if he becomes bankrupt, or makes any arrangement or composition with his creditors generally;
- (iv) if he is found to be or becomes of unsound mind under the relevant mental health legislation;
- (v) if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under the provisions of any law or enactment;
- (vi) if he becomes ineligible to be a Director in accordance with the Companies Law; or
- (vii) if he dies.

(d) *Alternate Director*

Any Director may, subject to the Companies Law and by notice in writing under his hand and deposited at the registered office, or delivered at a meeting of the Board, appoint any person who fulfils the criterion contained in the Articles as an alternate director to attend, speak and vote in his place at any meeting of the Board at which he is not personally present, or to undertake and perform such duties and functions and to exercise such rights as he could personally, and such appointment may be made generally or specifically or for any period or for any particular meeting, subject to any particular restrictions. Subject to the Articles every alternate director shall, prior to his appointment, deliver to the Company notice in writing of: (a) his consent to being an alternate director; and (b) a declaration that he is not ineligible to be a Director under the Companies Law.

(e) *Proceedings of the Board*

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The Board shall meet at least four times a year. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman at the meeting shall not have a second, or casting vote. All meetings of Directors shall take place in Guernsey or such other place as may be determined by the Board from time to time and any decision reached, or resolution passed by the Directors, at any meeting held outside Guernsey or such other place as may be determined by the Board from time to time shall be invalid and of no effect. A video link, or telephone conference call, or other electronic, or telephonic means of communication, in which a quorum of Directors participates and all participants can hear and speak to each other, shall be a valid meeting provided that no Director is physically present in the United Kingdom at the time of any such meeting and accordingly no Director physically present in the United Kingdom shall count in the quorum, or be entitled to vote at any such meeting. The Board may elect one of its number as chairman of their meetings and determine the period for which he is to hold office. If no such chairman be elected, or if at any meeting the chairman be not present within five minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting. The quorum necessary for the transaction of the business of the Board may be fixed by the Board, and unless so fixed, shall be two. The Board may delegate any of its powers to committees consisting of two or more directors. Such committees shall meet only outside the United Kingdom. Any committee so formed

shall in the exercise of the powers so delegated, conform to any regulations that may be imposed on it by the Board.

(f) *Remuneration*

The directors (other than alternate directors) shall be entitled to receive, by way of fees for their services as Directors, such sum as the Board may from time to time determine, provided that the aggregate amount of such fees (including fees, if any, due to the Directors for attendance at meetings of any committee of the Board) for all the Board collectively shall not exceed £250,000 in any financial year, or such higher amount as may be determined from time to time, by ordinary resolution of the Company. Any fees payable pursuant to these Articles shall be distinct from and shall not include any salary, remuneration for any executive office, or other amounts payable to a Director pursuant to any other provisions of these Articles and shall accrue from day to day. The Directors shall be entitled to be repaid all reasonable travelling, hotel and other expenses properly incurred by them in, or about the performance of their duties as directors, including expenses incurred in attending meetings of the Board or any committee of the Board, or general meetings, or separate meetings of the holders of any class of shares, or of debentures of the Company. If, by arrangement with the Board, any Director shall perform, or render any special duties, or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration, as the Board may determine.

The Board shall have power to pay and agree to pay gratuities, pensions or other retirement, superannuation, death, or disability benefits to (or to any person in respect of) any Director or ex-Director and for the purpose of providing any such gratuities, pensions or other benefits to contribute to any scheme or fund or to pay premiums.

(g) *Executive Directors*

The Board may at any time appoint one or more of their body to be holder of any executive office, including the office of managing director, on such terms and for such periods as they may determine. The appointment of any Director to any executive office shall be subject to termination, if he ceases from any cause to be a Director but without prejudice to any claim for damages for breach of any contract of service between him and the Company.

(h) *Permitted interests of Directors*

A Director must, immediately after becoming aware of the fact that he is interested in a transaction, or proposed transaction with the Company, disclose to the Directors: (i) if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest; or (ii) if the monetary value of the Director's interest is not quantifiable, the nature and extent of that interest, in each case unless the transaction or proposed transaction is between the Director and the Company and is to be entered into in the ordinary course of the Company's business and on usual terms and conditions. A failure by a Director to comply does not affect the validity of a transaction entered into by the Company, or the Director.

Subject to the provisions of the Companies Law, and provided that he has disclosed to the other Directors the nature and extent including, where quantifiable, the monetary value of any interest of his, a Director notwithstanding his office:

- (i) may be a party to, or otherwise interested in, any transaction or arrangement with the Company, or in which the Company is otherwise interested;
- (ii) may act by himself or through his firm in a professional capacity for the Company (otherwise than as auditor) and he or his firm shall be entitled to remuneration for professional services, as if he were not a Director;
- (iii) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or a Shareholder of or otherwise, directly or indirectly, interested in, any body corporate promoted by the Company, or with which the Company has entered into any transaction, arrangement or agreement or in which the Company is otherwise interested; and

- (iv) shall not by reason of his office be accountable to the Company for any benefit which he derives from any such office, or employment or from any such transaction, or arrangement, or from any interest in any such body corporate and no such transaction, or arrangement shall be liable to be avoided on the ground of any such interest or benefit.

For the purposes of the Articles:

- (i) a general notice given to the Directors that a Director is to be regarded as having an interest of the nature and extent specified in the notice in any transaction or arrangement in which a specified person, or class of persons, is interested shall be deemed to be a disclosure that the Director has an interest in any such transaction of the nature and extent so specified; and
- (ii) an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge, shall not be treated as an interest of his.

Subject to the Companies Law and to the provisions of the rules of any Recognised Investment Exchange, 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. A Director may continue to be, or become a director, managing director, manager or other officer, employee or shareholder of any company promoted by the Company, or in which the Company may be interested, or with which the Company has entered into any transaction, arrangement or agreement, and no such Director shall be accountable for any remuneration or other benefits received by him as a director, managing director, manager, or other officer or shareholder of any such other company. The Directors may exercise the voting power conferred by the shares in any other company held, or owned by the Company, or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the directors, managing directors, managers or other officers of such company, or voting, or providing for the payment of remuneration to the directors, managing directors, managers or other officers of such company).

4.2.12 *Borrowing Power*

Subject to the Companies Law and the Articles, the Board may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or any part of its undertaking, property or assets (both present and future) and uncalled capital and to issue debentures, loan stock and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.2.13 *Issue of shares*

Subject to the Companies Law, the other provisions of the Memorandum of Incorporation and the Articles, the Directors may exercise the power of the Company to issue shares, grant rights to subscribe for or convert any security into shares, to issue shares of different types or classes or otherwise dispose of them to such persons at such time and for such consideration and upon such terms and conditions as the Directors may determine.

4.2.14 *Untraceable Shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable, the shares of a Shareholder or any shares to which a person is entitled by transmission on death, or bankruptcy if and provided that: (i) for a period of twelve years, no cheque or warrant sent by the Company through the post, in a pre-paid letter, addressed to the Shareholder, or to the person so entitled to the share at his address in the Register, or otherwise the last known address given by the Shareholder, or the person entitled by transmission, to which cheques and warrants are to be sent, has been cashed and no communication has been received by the Company from the Shareholder or the person so entitled; (ii) the Company has at the expiration of the said period of twelve years by advertisement in a newspaper circulating in the area in which the address above is located, given notice of its intention to sell such shares; (iii) the Company has not during the period of three months after the date of the advertisement and prior to the exercise of the power of sale received any communication from the Shareholder or person so entitled; or (iv) if the shares are quoted on any

stock exchange, the Company has given notice in writing to the quotations department of such stock exchange of its intention to sell such shares.

4.3 ***The Disclosure and Transparency Rules***

As the Company is incorporated in Guernsey, Shareholders are not obliged to disclose their interests in the Company in the same way as Shareholders of certain companies incorporated in the UK. In particular, the relevant provisions of Chapter 5 of the Disclosure and Transparency Rules do not apply. In accordance with advice from the London Stock Exchange, the Articles require that, from Admission and for so long as the Company has any of its share capital admitted to trading on AIM, or any successor market or any other market operated by the London Stock Exchange, every Shareholder must comply with the notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules Sourcebook (as amended and varied from time to time) of the FSA Handbook as if the Company were classified as an “issuer” whose “Home State” is the United Kingdom.

Under the Disclosure and Transparency Rules, a Shareholder is required to notify the Company of the percentage of its voting rights if the percentage of voting rights which he holds (directly or indirectly) reaches, exceeds or falls below 3 per cent., 4 per cent., 5 per cent., 6 per cent., 7 per cent., 8 per cent., 9 per cent., 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent. The notification must be made within four trading days of the Shareholder learning of the acquisition or disposal, leading to the increase or decrease in his shareholding.

Shareholders are urged to consider their notification and disclosure obligations carefully, as a failure to make the required disclosure to the Company may result in disenfranchisement.

4.4 ***Other relevant laws, regulation and resolutions***

Minority Purchase Rights

If, within 4 months after the date of making an offer the offer is approved by shareholders comprising 90 per cent. in value of the shares affected (excluding any shares held as treasury shares), the transferee may, within 2 months after the expiration of those 4 months, give notice to any dissenting shareholder that it desires to acquire his shares (a “**notice to acquire**”). Where a notice to acquire is given, the transferee is entitled and bound to acquire those shares on the terms on which the shares of the approving shareholders are to be transferred to the transferee. A dissenting shareholder may, within 1 month after the date of a notice to acquire, apply to the Royal Court of Guernsey to cancel that notice. The Royal Court, on such an application may cancel the notice or make such order as it thinks fit.

Shareholder resolution

By way of a number of special resolutions passed by a written resolution dated 1 April 2010, it was resolved that a waiver of the pre-emption rights contained in the Articles be approved in respect of the Placing Shares, the Consideration Shares, the Reinvestment Shares, and a general disapplication of the said pre-emption rights in respect of up to 33 per cent. of the Ordinary Shares in issue immediately following Admission (such authority to expire on the earlier of the date of the Company’s annual general meeting to be held in 2011 and 30 June 2011) any Ordinary Shares to be issued pursuant to the exercise of the Options, the Librum Option or the Warrants. It was further resolved that the Company be authorised to make market purchases of Ordinary Shares in accordance with Section 315 of the Companies Law provided that: (i) the maximum number of Ordinary Shares authorised to be purchased is up to 14.99 per cent. of the Ordinary Shares in issue immediately following Admission; (ii) the minimum price which may be paid for an Ordinary Share is £0.01; and (iii) the maximum price which may be paid for an Ordinary Share is not more than the higher of (i) five per cent. above the average of the middle market quotations on AIM for the Ordinary Shares for the five Business Days before the purchase is made; and (ii) the higher of the price of the last independent trade and the highest current independent bid at the time of purchase, such authority to expire at the annual general meeting of the Company in 2011 unless such authority is varied, revoked or renewed prior to such date by an ordinary resolution of the Company in general meeting and the Company may make a contract to purchase Ordinary Shares under such authority prior to its expiry which will or may be executed wholly or partly after its expiration and the Company may make a purchase of Ordinary Shares pursuant to any such contract.

5. Directors' and Other Interests

5.1 The interests of each Director (all of which are beneficial, except as shown below) in the Ordinary Shares and the associated Warrants, (A) immediately following Admission and (B) in the Enlarged Share Capital (as it will be following issue of the Reinvestment Shares), are as follows:

Name	(A)			(B)		Percentage of the Enlarged Share Capital
	Number of Ordinary Shares ⁽¹⁾	Number of Warrants	Percentage of share capital	Number of Ordinary Shares ⁽²⁾	Number of Warrants ⁽³⁾	
James Morse	–	–	–	275,000 ⁽⁴⁾	183,334	0.68
Robert Sloss	150,000	100,000	0.38	450,000 ⁽⁵⁾	300,000	1.11
Tim Barlow	50,000	33,334	0.13	350,000 ⁽⁶⁾	233,334	0.86
Tim Walker	25,000	16,667	0.06	25,000	16,667	0.06
Edwin Davies	4,000,000 ⁽⁷⁾	2,666,667	10.13	4,000,000 ⁽⁷⁾	2,666,667	9.83
Quentin Spicer	–	–	–	–	–	–

(1) Comprising the Placing Shares and the Consideration Shares.

(2) Comprising the Placing Shares, the Consideration Shares and the Reinvestment Shares.

(3) Assuming no Warrants issued at Admission have been exercised.

(4) Held by Blaen Coed (Guernsey) Limited, a company controlled by James Morse.

(5) 150,000 Ordinary Shares and 300,000 Ordinary Shares will be held by Granton Investments Limited and SPIM respectively. Robert Sloss is the controlling shareholder of Granton Investments Limited and a 50 per cent. shareholder in SPIM.

(6) 300,000 Ordinary Shares will be held by SPIM, a company in which Tim Barlow is a 50 per cent. shareholder.

(7) 4,000,000 Ordinary Shares will be held by Moonshift Investments Limited, a company controlled by Edwin Davies.

5.2 Monteagle Barlow Trust Limited, a related family business of which Tim Barlow is CEO and a minority shareholder, will hold 2,100,000 Ordinary Shares and 1,400,000 attached Warrants equating to 5.16 per cent. of the Enlarged Share Capital following Admission and the issue of the Reinvestment Shares.

5.3 Save as set out above, none of the Directors have any interests, beneficial or otherwise, in the share capital of the Company or the associated Warrants, nor does (so far as is known to, or could with reasonable diligence be ascertained by the Directors) any person connected with the Directors have any interests in such share capital or Warrants, in each case whether or not held through another party.

5.4 In addition to their directorships in the Company and its subsidiaries, the Directors are currently directors or have been directors of the following companies and/or been partners in the following partnerships within the five years prior to the date of this document:

Director	Current directorships/partnerships	Past directorships/partnerships
James Morse	Audley Road Stetchford Ltd The Avion Centre Limited Beverley Shopping Centre Limited Remor Holdings Limited Tidee Estates Limited Tidee Fine Art Limited Buildworth Limited Blaen Coed Participações e Serviços Ltda SB Bonsucesso Administradora de Shoppings S.A. Blaen Coed (Guernsey) Limited	The Avion Centre Management Limited C&C Commercial Properties Limited C and C Commercial Properties Limited Cheveley Park Shopping Centre Limited Lemonset Limited Marsh Lane Ford Houses Management Company Limited 1 Pump Lane Hayes Limited Remor Retail Limited Remor Small Properties Limited Shelfco (No. 2771) Limited Shelfco (No. 2772) Limited St Catherines Place Shopping Centre Limited 63/65 East Street Limited Wordsley Green Shopping Centre Management Company Limited

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Robert Sloss	Granton Investments Limited Squarestone Central London General Partner Limited Squarestone Ealing Limited Squarestone Educational Portfolio Limited Squarestone Management Limited Squarestone Property Investment Management Limited Squarestone Southend Limited Tidee Fine Art Limited Tidee Estates Limited Squarestone Hook Limited	Balmcrest Estates Limited Squarestone Nominees (No. 2) Limited Squarestone Nominees Limited 30 City Road Nominee Limited
Tim Barlow	Granton Investments Limited Monteagle Barlow Trust Limited Squarestone Central London General Partner Limited Squarestone Ealing Limited Squarestone Educational Portfolio Limited Squarestone Hook Limited Squarestone Management Limited Squarestone Property Investment Management Limited Squarestone Southend Limited Woodgrove Properties Limited	Balmcrest Estates Limited Blackpool Properties Limited Squarestone Nominees (No 2) Limited Squarestone Nominees Limited 30 City Road Nominee 1 Limited
Tim Walker	Church Farm Consultants Ltd Heron and Brearley Ltd Residan Ltd Endocrine Pharmaceuticals Ltd Neptune Developments Ltd C E Insurance Services Ltd Ishaan Real Estate PLC Clean Energy Brazil PLC Duet India Hotels Limited Infrastructure India PLC Carpathian PLC	Erissa Insurance Company Ltd The PFI Infrastructure Company plc Promenade Investments Ltd Lawcall Insurance Ltd Neptune Hotel Co. Ltd. Liselle Ltd Cytamerton Ltd
Edwin Davies	Burnden Leisure PLC Moonshift Investments Limited Sula Group Limited	Strix (U.K.) Limited
Quentin Spicer	Guernsey Housing Association LBG IRP Property Investments Limited Quintain (Guernsey) Ltd RAB Special Situations Limited Atlas Estates Limited O Twelve Estates Limited PINE Trustee (Jersey) Limited Bizspace Management (Jersey) Limited Safeland Management (Jersey) Limited Farley Investment Enterprises Limited Farley Property Company Limited Sesame Properties Limited	AUB General Partner (Guernsey) Limited AUB Prime Limited Protego Industrial Limited Protego Industrial (Guernsey) Limited European Value and Income Fund Limited David Stein Limited Dova Limited Protean Research and Development Limited South African Property Opportunities PLC

<i>Director</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Quentin Spicer (continued)	Develica Deustchland Limited Summit Germany Limited Phoenix Spree Deutschland Limited The International Property PLC Limited Redford Guernsey Limited Index Linked Properties Limited Wedlake Bell Guernsey (Partnership) Wedlake Bell (Partnership)	

5.5 At the date of this document, none of the Directors:

- (i) has any unspent convictions in relation to indictable offences; or
- (ii) has been bankrupt or entered into an individual voluntary arrangement; or
- (iii) was a director of any company at the time of or within 12 months preceding any receivership, compulsory liquidation, creditors' voluntary liquidation, administration, company voluntary arrangement or any composition or arrangement with that company's creditors generally or with any class of its creditors; or
- (iv) has been a partner in a partnership at the time of or within 12 months preceding any compulsory liquidation, administration or partnership voluntary arrangement of such partnership; or
- (v) has had his assets the subject of any receivership or has been a partner of a partnership at the time of or within 12 months preceding any assets thereof being the subject of a receivership; or
- (vi) has been subject to any public criticism by any statutory or regulatory authority (including any recognised professional body) or has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

5.6 No loan or guarantee has been granted or provided by the Company to any Director.

5.7 James Morse was appointed as an Executive Director of the Company pursuant to a letter of appointment with the Company dated 6 April 2010. SB ManCo has also entered into an agreement with Blaen Coed Participações e Serviços Ltda (a company controlled by James Morse) under the terms of which Blaen Coed has agreed to provide the services of James Morse as a director of SB ManCo. This is a temporary arrangement necessitated by certain Brazilian visa restrictions and as soon as possible following Admission it is intended for James Morse to be directly engaged by SB ManCo. Robert Sloss and Tim Barlow have each entered into a service agreement dated 6 April 2010 with the Company in respect of their roles as Executive Directors of the Company. The principal terms of the Executive Directors' appointments are as follows:

<i>Name</i>	<i>Commencement of period of office</i>	<i>Date of expiration of term of office</i>	<i>Notice Period*</i>
James Morse	18 February 2010	Until terminated	12 months
Robert Sloss	18 February 2010	Until terminated	12 months
Tim Barlow	18 February 2010	Until terminated	12 months

* Such notice to terminate cannot be given by the Company before the second anniversary of Admission.

The annual remuneration and benefits, payable to, or on behalf of, the Executive Directors is as follows:

<i>Director</i>	<i>Salary</i>	<i>Other benefits</i>	<i>Total</i>
James Morse	R\$530,000	R\$335,400 ⁽¹⁾	R\$865,400
Robert Sloss	£50,000	£–	£50,000
Tim Barlow	£50,000	£–	£50,000

(1) Other benefits comprise a typical expatriate package including, *inter alia*, flights, housing costs, pension contribution and car allowance.

5.8 The services of each of the Non-executive Directors of the Company are provided under letters of appointment dated 6 April 2010. The terms of each Non-executive Director's appointments are as follows:

<i>Name</i>	<i>Commencement of period of office</i>	<i>Annual Remuneration</i>	<i>Date of expiration of term of office</i>	<i>Notice Period*</i>
Tim Walker	18 February 2010	£35,000	Until terminated	3 months
Edwin Davies	1 April 2010	£20,000	Until terminated	3 months
Quentin Spicer	18 February 2010	£20,000	Until terminated	3 months

*Such notice to terminate cannot be given by the Company before the first anniversary of Admission.

5.9 Save as set out in paragraphs 5.7 and 5.8 above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries providing for benefits upon termination of employment.

6. Share interests

6.1 Save as set out below, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company or who will be interested in three per cent. or more of (A) the issued share capital of the Company or associated Warrants immediately following Admission, and (B) the Enlarged Share Capital or the associated Warrants:

<i>Name</i>	<i>(A)</i>			<i>(B)</i>		<i>Percentage of the Enlarged Share Capital</i>
	<i>Number of Ordinary Shares⁽¹⁾</i>	<i>Number of Warrants</i>	<i>Percentage of share capital</i>	<i>Number of Ordinary Shares⁽²⁾</i>	<i>Number of Warrants⁽³⁾</i>	
Spearpoint Ltd Moonshift	21,650,000	14,433,334	54.81	21,650,000	14,433,334	53.23
Investments Ltd	4,000,000	2,666,667	10.13	4,000,000	2,666,667	9.83
Prima SGR SpA	2,250,000	1,500,000	5.70	2,250,000	1,500,000	5.53
Monteagle Barlow Trust Ltd	2,100,000	1,400,000	5.32	2,100,000	1,400,000	5.16
Napier Brown Holdings Ltd	2,000,000	1,333,334	5.06	2,000,000	1,333,334	4.92
Aldersgate Investment Managers LLP	1,500,000	1,000,000	3.80	1,500,000	1,000,000	3.69

(1) Comprising the Placing Shares and the 11,240,000 Consideration Shares.

(2) Comprising the Placing Shares, the 11,240,000 Consideration Shares and the 1,175,000 Reinvestment Shares.

(3) Assuming no Warrants issued at Admission have been exercised.

6.2 None of the Company's major Shareholders have different voting rights.

7. Material Contracts

In addition to the Limited Partnership Agreement, details of which are summarised at paragraph 8 below, the following contracts, not being entered into in the ordinary course of business, have been entered into by (i) the Company, or (ii) a member of the Squarestone Brasil Group, or (iii) an entity which will be a member of the Squarestone Brasil Group following Admission, during the two years prior to the date of this document and are, or may be, material:

- 7.1 A Nominated Adviser and Broker Agreement dated 6 April 2010 between the Company and Liberum pursuant to which Liberum has been appointed as the Company's nominated adviser and broker in connection with Admission and undertakes to continue to provide ongoing nominated adviser and broker services. The agreement provides that Liberum will be paid a retainer of £50,000 per annum in respect of its ongoing services as the Company's nominated adviser and broker from Admission. The Company has agreed to consult and discuss with Liberum all of its announcements and statements and to provide Liberum with any information which Liberum reasonably requires to enable it to carry out its obligations as the Company's nominated adviser and broker. The Company has provided an indemnity to Liberum, subject to certain limited exceptions, in respect of the services Liberum provides under the nomad and broker agreement. The agreement has an initial term of one year but is terminable by either party on three months' notice and in certain other circumstances.
- 7.2 A Placing Agreement dated 6 April 2010 between the Company, the Directors and Liberum pursuant to which Liberum has been appointed as the agent of the Company for the purpose of managing the Placing and has agreed to use reasonable endeavours to procure placees to subscribe for the Placing Shares (with Warrants attached on a two for three basis) at the Placing Price. Pursuant to the Placing Agreement the Company and the Directors have given certain warranties to Liberum concerning, *inter alia*, the accuracy of the information in this document. In addition, the Company has given indemnities to Liberum. The Placing Agreement is conditional, *inter alia*, on Admission occurring not later than 8.00 a.m. on 12 April 2010 and the Company complying with certain obligations under the Placing Agreement. The Placing Agreement may be terminated by Liberum prior to Admission in certain circumstances, including if there has been a material breach of any of the warranties or if, before Admission, there shall have occurred certain force majeure events which will or may be materially prejudicial to the Company or to Admission.
- 7.3 An Option Deed dated 6 April 2010 between the Company and Liberum pursuant to which Liberum has been granted an option to subscribe for 508,450 Ordinary Shares at £1.00 per Ordinary Shares at any time during the period from the third to the tenth anniversary of Admission. Each option can be exercised in full (and not in part) on any date when the average price of an Ordinary Share for the preceding ten trading days is equal to or greater than £1.00 multiplied by 1.15^X, where 'X' equals the number of years since Admission (rounded down to the nearest whole number).
- 7.4 Option Deeds each dated 6 April 2010 between the Company and each of Michael Poynor and Neil Varnham pursuant to which the Company has granted each of them an option to subscribe for 100,000 Ordinary Shares at £1.00 per Ordinary Shares at any time during the period from the third to the tenth anniversary of Admission. Each option can be exercised in full (and not in part) on any date when the average price of an Ordinary Share for the preceding ten trading days is equal to or greater than £1.00 multiplied by 1.15^X, where 'X' equals the number of years since Admission (rounded down to the nearest whole number).
- 7.5 An Administration and Support Services Agreement dated 6 April 2010 between the Company and SPIM pursuant to which SPIM has agreed to provide from Admission day-to-day administration and support services to the Company. In consideration for its services, SPIM will be entitled to receive a ratcheting quarterly administration fee based upon "Equity Funds" being the aggregate of, (i) the Enlarged Share Capital multiplied by the Placing Price, (ii) in the event that the Company raises further funds through the issue of further Ordinary Shares the gross proceeds of such further issues, and (iii) the resulting proceeds arising for the Company on the exercise of Warrants or Options. Depending upon the size of Equity Funds from time to time the quarterly fee payable will be:

<i>Value of Equity Funds (£)</i>	<i>Quarterly fee (£)</i>
0 – 49,999,999	75,000
50,000,000 – 99,999,999	100,000
100,000,000 – 149,999,999	125,000
150,000,000 and over	175,000

The fee will be increased yearly from the second anniversary of Admission in line with the percentage increase in the Retail Prices Index. The Administration and Support Services Agreement is subject to termination by either party on twelve months' notice, such notice not to have effect until the second anniversary of Admission.

- 7.6 A Share Purchase and Sale Agreement dated 6 April 2010 between Blaen Coed Participações e Serviços Ltda ("**Blaen Coed**"), SPIM and SB2 FIP pursuant to which SB2 FIP will acquire from SPIM and Blaen Coed ("**SB ManCo Vendors**"), conditionally upon Admission, the entire issued share capital (less one share to be retained and held on bare trust for the Company by SPIM) of SB ManCo. The consideration for the sale of the shares in SB ManCo is £1.25 million payable in cash (see the summary of the SB ManCo Vendors Subscription Agreement summarised in paragraph 7.15 of this Part 12). The SB ManCo Vendors and SB2 FIP have given certain indemnities to SB2 FIP and the SB ManCo Vendors respectively concerning, *inter alia*, the accuracy of the warranties being given by them in the agreement.
- 7.7 Subscription agreements dated 6 April 2010 between each of the Executive Directors and the Company pursuant to which the Executive Directors shall, conditionally upon Admission and on receipt by them of their carried interest entitlement arising from a sale of Bonsucesso S.A. by 31 December 2010 and written notice from the Company, subscribe for, in aggregate, 1,000,000 Ordinary Shares (with Warrants attached) at the Placing Price provided that the prevailing market price is equal or greater than the Placing Price. If the prevailing market price is less than the Placing Price, the Executive Directors shall use their reasonable endeavours to purchase Ordinary Shares in the market at or below the Placing Price. In the event that the Executive Directors cannot purchase sufficient Ordinary Shares at or below the Placing Price within a period of 30 days from the date of receipt of their carried interest entitlement, the Executive Directors shall subscribe for, and the Company shall allot, such number of new Ordinary Shares as is required to make up the relevant shortfall at the Placing Price.
- 7.8 A Share Purchase and Sale Agreement dated 6 April 2010 between SPIM, Verzasca, SB ManCo and SB2 FIP pursuant to which SB2 FIP will acquire from Verzasca, conditionally upon Admission, approximately 2.3 per cent. of the entire issued share capital of Golden Square S.A. (less one share which is being transferred by SPIM to SB ManCo). The consideration for the sale of these shares in Golden Square S.A. is R\$975,000 which shall be payable in cash. Verzasca has given certain warranties to SB2 FIP concerning, *inter alia*, ownership of the Golden Square S.A. shares. In addition, the parties have each given certain indemnities to the others.
- 7.9 A Subscription Agreement dated 6 April 2010 between Verzasca and the Company pursuant to which Verzasca, conditionally upon Admission, shall subscribe for 300,000 Ordinary Shares (with Warrants attached) at the Placing Price upon receipt of its relevant cash consideration entitlement under the Share Purchase and Sale Agreements summarised in paragraph 7.8 of this Part 12.
- 7.10 Each of the Luxembourg Holding Companies has entered into a series of Sale and Purchase Agreements (each an "**SPA**") dated 6 April 2010, each such SPA being entered into between an SB2 Investor of such Luxembourg Holding Company, the General Partner (acting in its capacity as the general partner of Management Incentive L.P.), the Company and Liberum. Each SB2 Investor has entered into such an SPA, other than Skelda Limited which has entered into a sale agreement on differing terms and which is summarised at paragraph 7.11 below.

Pursuant to the terms of each such SPA, the relevant SB2 Investor has agreed to sell all shares held by it in the Luxembourg Holding Company to the General Partner. Completion of the SPA is conditional upon Admission taking place on or before 1 June 2010, with completion of the sale of such shares happening immediately upon Admission.

The consideration for the sale of the shares in the Luxembourg Holding Company is the original subscription price paid by such SB2 Investor for such shares, being satisfied by the allotment to the SB2 Investor of the equivalent aggregate value of Ordinary Shares (with Warrants attached) at the Placing Price. All such Ordinary Shares shall be allotted on Admission. If the SB2 Investor is the holder of either convertible bonds or loan notes issued by the Luxembourg Holding Company, then the outstanding principal sum plus accrued and unpaid interest on such convertible bonds or loan notes will be redeemed or repaid (as the case may be) on Admission, such principal sum being satisfied by the allotment to the SB2 Investor of the equivalent aggregate value of Ordinary Shares (with Warrants attached) at the Placing Price with the unpaid accrued interest being paid to the SB2 Investor in cash.

The relevant SB2 Investor undertakes to the Company and Liberum, conditionally upon Admission and certain limited exceptions, not to sell, transfer or dispose of such Ordinary Shares for a period of 12 months following Admission. For the 12 month period from the first anniversary of Admission the relevant SB2 Investor agrees that in certain circumstances it will only sell such Ordinary Shares through Liberum (or any future broker engaged by the Company).

The SB2 Investor provides the General Partner with warranties as to its title and its capacity to enter into and perform its obligations under the relevant SPA. The SB2 Investor's liability for claims under the SPA shall not exceed the purchase price payable for the transfer of its shares in the Luxembourg Holding Company.

The General Partner and the Company each provide the SB2 Investor certain warranties as to their capacity to enter into and perform their obligations under the SPA.

- 7.11 Sale and Purchase Agreements dated 6 April 2010 and entered into between Marato S.a.r.l, and Skelda Limited (one of the SB2 FIP investors), the General Partner (acting in its capacity as the general partner of Management Incentive L.P.) and the Company. The terms of this sale agreement is identical to the SPAs summarised at paragraph 7.10 above, other than as set out in this paragraph 7.11.

Pursuant to the terms of this sale agreement, Skelda Limited will receive cash consideration for the sale of its shares in Marato S.a.r.l and for the redemption of its convertible bonds. Completion of the sale of such shares and redemption of the convertible bonds will take place on the earlier of the date being two weeks immediately following and including the date of Admission and such date as the General Partner has received the consideration monies payable to Skelda Limited in cleared funds from the Company.

As Skelda Limited will not be allotted Ordinary Shares, it is not subject to the lock-in and orderly market restrictions which the other SB2 Investors are subject to.

- 7.12 A Sale and Purchase Agreement dated 6 April 2010 and entered into between Marato S.a.r.l, and Taverners G Pty Limited (one of the SB2 FIP investors), the General Partner (acting in its capacity as the general partner of Management Incentive L.P.) and the Company. The terms of this sale agreement are identical to the SPAs summarised at paragraph 7.10 above, other than as set out in this paragraph 7.12. Pursuant to the terms of this sale agreement, Taverners G Pty Limited will receive a partial cash consideration for the sale of its shares in Marato S.a.r.l and for the redemption of its convertible bonds, with the remainder of such consideration being satisfied by the allotment to Taverners G Pty Limited of the equivalent aggregate value of Ordinary Shares (with Warrants attached) at the Placing Price.

- 7.13 A Private Instrument for the Commitment for Purchase and Sale of Real Estate Property and Covenants dated 16 September 2008 between São Bernardo Shopping Center S.A. ("**SBSC**"), SBSM Participações Ltda. ("**SBSM**") and Golden Square S.A. pursuant to which SBSC and SBSM together hold a 50 per cent. interest in the Golden Square Mall and Golden Square S.A. holds the other 50 per cent. interest. SBSC and Golden Square S.A. have agreed to contribute, subject to inflationary adjustment, R\$67.9 million and R\$6.1 million to certain building works for the Golden Square Mall. If there is a material breach of the agreement by SBSC or Golden Square S.A. then the non breaching party has the option to purchase the other's interest at a price equal to, subject to inflationary adjustment, R\$7,074.07 per sq m. The same parties have also entered into a Condominium Pro Indiviso Agreement dated 16 September 2008 pursuant to which they have agreed to regulate the operation of the Golden Square Mall. Under such agreement, Golden Square S.A. has the right to appoint a manager of the Golden Square Mall, such appointment being approved by SBSC. Furthermore, there are certain reserved matters (e.g. determining the scope of the manager's services) that require the approval of both Golden Square S.A. and SBSC.

- 7.14 A Carried Interest Reinvestment Agreement dated 6 April 2010 between the Company and SLP pursuant to which SLP has agreed to use 50 per cent. of any net carried interest payment received (following any accrual or allocation being made for any crystallised tax liabilities) in purchasing Ordinary Shares in the market. SLP shall not, however be obliged to purchase Ordinary Shares at a price higher than 120 per cent. of the Reference Share Price (the "**Ceiling Share Price**"). The "**Reference Share Price**" shall be the average of the closing middle market prices of the Ordinary Shares for the five London Stock Exchange trading days immediately preceding the date of receipt of the relevant carried interest payment.

In the event that SLP cannot purchase sufficient Ordinary Shares at or below the Ceiling Share Price within a period of 30 days from the date of receipt of the relevant carried interest payment, SLP shall subscribe for, and the Company shall allot, such number of new Ordinary Shares as is required to make up the relevant shortfall at the Reference Share Price.

Each tranche of Ordinary Shares acquired or subscribed for by SLP as set out above shall be subject to an initial 12 month lock-up period following the expiration of which SLP shall be entitled to dispose of one-third of such Ordinary Shares in any rolling 12 month period. In order to maintain an orderly market in the Ordinary Shares, SLP has undertaken that such Ordinary Shares disposed of shall be sold via the Company's broker.

- 7.15 Subscription Agreements dated 6 April 2010 between SPIM, Blaen Coed (Guernsey) Limited (a company controlled by James Morse) and the Company pursuant to which SPIM and Blaen Coed (Guernsey) Limited, conditionally upon Admission, shall subscribe for 600,000 Ordinary Shares and 275,000 Ordinary Shares (in each case with Warrants attached) respectively at the Placing Price upon receipt of SPIM's and Blaen Coed's respective relevant cash consideration entitlements under the SB ManCo Acquisition Agreement.
- 7.16 A Consultancy Agreement dated 6 April 2010 entered into between the Company and Neil Varnham pursuant to which Neil Varnham agrees, conditionally upon Admission, to provide to the Company various consultancy services. The consultancy agreement is subject to termination at any time by either party on not less than three months' notice. In consideration for the consultancy services provided, the Company will pay Neil Varnham an annual fee of £20,000 and reimburse Neil Varnham for any reasonable out of pocket expenses incurred.
- 7.17 A Consultancy Agreement dated 6 April 2010 entered into between the Company and Michael Poyner pursuant to which Michael Poyner agrees, conditionally upon Admission, to provide to the Company various consultancy services. The consultancy agreement is subject to termination at any time by either party on not less than three months' notice. In consideration for the consultancy services provided, the Company will pay Michael Poyner an annual fee of £12,000 and reimburse Michael Poyner for any reasonable out of pocket expenses incurred.
- 7.18 Lock-in Deeds dated 6 April 2010 entered into between the Company, Liberum and each of the Directors pursuant to the terms of which the Directors have covenanted, pursuant to Rule 7 of the AIM Rules for Companies, not to dispose of any of the Ordinary Shares held by them at Admission, or subsequently acquired (including through the exercise of the Warrants) for a period of 12 months from Admission except in limited circumstances (being a sale pursuant to a court order, death or acceptance of a takeover offer which is open to all Shareholders). For the period from 12 months to 24 months after Admission each Director has also agreed that (except in certain limited circumstances), he will only sell such Ordinary Shares through Liberum (or any future broker engaged by the Company).
- 7.19 Lock-in Deeds dated 6 April 2010 between the Company, Liberum and each of SPIM and Verzasca pursuant to the terms of which SPIM and Verzasca have covenanted not to dispose of any of the Ordinary Shares held by them at Admission or subsequently acquired including through the exercise of the Warrants) for a period of 12 months from Admission except with the consent of the Company and Liberum or other limited circumstances. For the period from 12 months to 24 months after Admission SPIM and Verzasca have also agreed that (except in certain limited circumstances) they will only sell such Ordinary Shares through Liberum (or any future broker engaged by the Company).
- 7.20 A Relationship Agreement dated 6 April 2010 between the Company and Spearpoint pursuant to the terms of which Spearpoint has agreed that for so long as Spearpoint remains interested in 30 per cent. or more of the issued share capital of the Company (i) Spearpoint shall not exercise its voting powers so as to derogate the independence of the Board; (ii) that any director which may be connected to Spearpoint shall not vote on any matter involving any action or potential conflict between Spearpoint and the Company; and (iii) shall ensure that any transaction entered into between Spearpoint or any related party and the Company is concluded at arm's length and on normal commercial terms.
- 7.21 Save as itemised above or in Part 11 or in paragraph 8 of this Part 12 below, as at the date of this document there are no other contracts (not being contracts entered into in the ordinary course of business) entered into by the Company since its incorporation which are or may be material, or which contain any provision under which the Company has any obligation or entitlement which is material to it as at the date hereof.

8. The Limited Partnership Agreement

8.1 Duration

The term of Management Incentive L.P. shall begin on the date upon which the partnership is registered in accordance with the Limited Partnerships (Guernsey) Law, 1995 (as amended) at the register established by the Greffier and shall continue for 100 years unless sooner terminated or extended in accordance with the provisions of this Limited Partnership Agreement.

8.2 Commitment and drawdown

The Company will contribute, (i) the net proceeds of the Placing, and (ii) the net pounds sterling proceeds received by the Company from any further equity fund raisings undertaken following Admission ("Equity Funds").

8.3 Admission of new partners

No further limited partners will be admitted to Management Incentive L.P. without a variation to the Limited Partnership Agreement, which would require the consent of the Company and SLP.

8.4 Advance SLP incentive allocation

Commencing on 31 December 2011, SLP shall be entitled to receive an amount equal to 25 per cent. of the excess of the Net Asset Value as at 31 December in each year over the High Water Mark (the "Advance Incentive Allocation").

If at any time a Potential Adjustment Event shall occur, the General Partner shall be entitled to make such adjustments as it shall in its sole discretion deem appropriate for the purposes of the calculation of the Advance SLP Incentive Allocation with the objective of securing that the rights of SLP to receive the Advance SLP Incentive Allocation, of an amount equal to that which SLP would have received had the Potential Adjustment Event not taken place, shall remain unchanged. "Potential Adjustment Event" means, (i) an issue of Ordinary Shares (including Ordinary Shares arising on the exercise of any Warrants), (ii) a redemption or repurchase of Ordinary Shares by the Company, (iii) a Consolidation or sub-division of Ordinary Shares, (iv) a redemption of share capital or premium, (v) a capital dividend, and (vi) any other reconstruction, amalgamation or adjustment relating to the share capital of the Company (or any shares, stock or securities derived therefrom or convertible thereinto).

If profits in any relevant accounting period shall be less than the Advance SLP Incentive Allocation due and payable for such period, any deficiency shall be paid to SLP as an interest-free loan. Such payment shall not extinguish the amount of the Advance SLP Incentive Allocation outstanding which shall be carried forward to subsequent accounting periods. If any part of the Advance SLP Incentive Allocation then unpaid can subsequently be satisfied by an allocation of profits to SLP, such allocation shall be applied in the discharge of an equivalent amount of such loan. In no circumstances shall such loan be recoverable from SLP other than by an allocation of profits.

The General Partner shall be entitled to require the Company to make a loan contributions to the partnership for the purposes of making an interest-free loan to SLP.

SLP's entitlement to receive the Advance Incentive Allocation shall cease immediately following the earlier of the Termination Event Date or the Change of Control Date.

On the occurrence of the Termination Event Date or Change of Control Date (as the case may be) the Company has agreed to purchase SLP's interest in Management Incentive L.P. for the Terminal Sum.

"Terminal Sum" means, (a) in relation to the Termination Event Date, an amount (if any) equal to 25 per cent. of the excess of the Net Asset Value on such date over the High Water Mark, or (b) in relation to the Change of Control Date, an amount (if any) equal to 25 per cent. of the higher of, (i) the Net Asset Value as at the Change of Control Date, and (ii) the offer consideration (being the final cash offer price multiplied by the number of Ordinary Shares in issue on the Change of Control Date) over the High Water Mark.

A “Relevant Calculation Date” shall be any of, (i) the 31 December in each year, or (ii) the Squarestone Termination Date, or (iii) the Change of Control Date.

The “High Water Mark” shall be the higher of: (i) the Placing Shares and the Reinvestment Shares multiplied by the Placing Price as increased by an annually compounding hurdle rate of 15 per cent. calculated from the date of Admission to the Relevant Calculation Date; or (ii) the Net Asset Value on the last date in relation to which an Advance Incentive Allocation payment was made as increased by an annually compounding hurdle rate of 15 per cent. calculated from such date to the Relevant Calculation Date.

“Termination Event Date” means the earlier to occur of: (i) the Squarestone Termination Date; and (ii) the date an election to dissolve Management Incentive L.P. is passed pursuant to the Limited Partnership Agreement;

“Squarestone Termination Date” means the later of: (i) the effective date on which all of James Morse, Robert Sloss and Tim Barlow have ceased to be engaged as directors of the Company; and (ii) the effective date of termination of the Administration and Support Services Agreement.

“Change of Control” shall occur if an offer (the “Offer”) is made to all (or as nearly as practicable all) Shareholders other than the offeror(s) and/or any associates of the offeror(s), to acquire all or a majority of the issued ordinary share capital of the Company or if any person proposes a scheme of arrangement or analogous proceeding with regard to such acquisition and (such Offer or scheme of arrangement or analogous proceeding having become or been declared unconditional in all respects or having become effective) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become unconditionally vested in the offeror(s) and/or any associate of the offeror(s).

“Change of Control Date” means the date on which a Change of Control becomes effective.

“Offer Consideration” means, in relation to an Offer, the final cash offer price multiplied by the number of Ordinary Shares in issue on the Change of Control Date.

8.5 *Variations to the Limited Partnership Agreement*

Save as described below, the Limited Partnership Agreement may only be amended (whether in whole or in part) by the written consent of the General Partner, the Company and SLP. The Limited Partnership Agreement may be amended by the General Partner without the consent of the Company and the SLP to, *inter alia*, make any amendment whatsoever to the Limited Partnership Agreement which the General Partner deems advisable provided that it does not adversely affect any of the rights of the Company or SLP.

9. Working Capital

The Directors are of the opinion that the Squarestone Brasil Group will have sufficient working capital for its present requirements, that is for at least for the next 12 months following the date of Admission.

10. Related Party Transactions

Save as disclosed in paragraphs 7 and 8 of this Part 12, there are no transactions which, as a single transaction or in their entirety, are or may be material to the Company and have been entered into by the Company with a related party since incorporation. Each of such transactions was concluded at arm’s length.

11. Employees

Squarestone Brasil Group will have, following completion of the SB ManCo Acquisition, 13 employees (which includes part time employees).

12. General

- 12.1 Save as disclosed in this document, there are no patents or other intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.
- 12.2 The costs and expenses of, and incidental to, Admission will be borne by the Company and will be approximately £1.9 million to be settled partly in cash and shares.
- 12.3 Conditionally upon Admission, Richard Wood will be paid a fee of £120,000 in recognition of his role in acting as a consultant, on a success only basis, to the process of Admission of the Company. Fifty per cent. of this fee will be paid in cash following Admission with the remaining fifty per cent. payable on Admission via the issue of 60,000 new Ordinary Shares (with Warrants attached) at the Placing Price.
- 12.4 The Company has appointed Elysium Fund Management Limited as company secretary and Guernsey administrator pursuant to a company secretarial and administration services agreement dated 6 April 2010 pursuant to the terms of which the Company will pay Elysium Fund Management Limited a take on fee of £15,000 at Admission.
- 12.5 Save as set out in paragraphs 12.3 and 12.4 and except for fees payable to the professional advisers whose names are set out on page 5 of this document, no person has received fees, securities in the Company or other benefit to a value of £10,000 (or its currency equivalent) whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- 12.6 Neither the Company, nor any member of the Squarestone Brasil Group is, nor during the 12 months prior to the date of this document, has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, significant effects on the Company's financial position or profitability.
- 12.7 As at the date of this document, there has been no significant change in the financial and trading position of the Company since its incorporation.
- 12.8 Where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and as far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.
- 12.9 Liberum, Jones Lang LaSalle Brasil and SPIM have each given and not withdrawn their written consent to the issue of this document with the references to their respective names in the form and context in which they appear. Jones Lang LaSalle Brasil is a member of the Regional Counsel of Engineering, Architecture and Agronomy of São Paulo.
- 12.10 The Company's auditors are BDO Limited of PO Box 180, Place Dufre, Rue due Pre, St. Peter Port, Guernsey GY1 3LL. BDO Limited was appointed as auditors on 7 March 2010 and is a member of the Guernsey Society of Chartered and Certified Accountants.
- 12.11 All related parties and applicable employees (as these terms are defined in the AIM Rules for Companies) have agreed pursuant to Rule 7 of the AIM Rules for Companies not to dispose of any interests in any of the Ordinary Shares for a period of 12 months from Admission.

13. Unaudited Balance Sheet

The following table comprises an unaudited opening balance sheet of the Company as at 6 April 2010

	<i>As at 6 April 2010</i>	
	<i>Number</i>	<i>£</i>
Assets		
Subscription	1	1
Liabilities and Shareholder Equity		
	<i>Authorised</i>	<i>Unlimited</i>
<i>Allotted and called up:</i>		
Share premium		
Ordinary Shares of no par value	1	1

14. Availability of Documents

Copies of this document will also be available free of charge during normal business hours, on any weekday (excluding Saturdays and public holidays) at the offices of Liberum, 10th Floor, CityPoint, One Ropemaker Street, London EC2Y 9HT, United Kingdom and on the Company's website (www.squarestonebrasil.com.br) from the date of this document, until the date which is one month from the date of Admission.

DEFINITIONS

The following definitions apply throughout this document (unless the context otherwise requires):-

“Administration and Support Services Agreement”	the administration and support services agreement entered into between the Company and SPIM dated 6 April 2010, further details of which are set out in paragraph 7.5 of Part 12 of this document;
“Admission”	admission of the Ordinary Shares and the Warrants to trading on AIM;
“Advisers’ Shares”	the 1,032,960 and 60,000 Ordinary Shares to be issued to Liberum and Richard Wood respectively on Admission pursuant to the Placing Agreement and the side letter summarised at paragraph 12.3 of Part 12 of this document respectively;
“AIM”	AIM, a market operated by the London Stock Exchange;
“AIM Rules”	the rules governing the operation of AIM comprising the AIM Rules for Companies and the AIM Rules for Nominated Advisers;
“AIM Rules for Companies”	the rules and guidance for companies whose shares are admitted to trading on AIM entitled ‘AIM Rules for Companies’ published by the London Stock Exchange, as amended from time to time;
“AIM Rules for Nominated Advisers”	the rules and guidance for nominated advisers entitled ‘AIM Rules for Nominated Advisers’ published by the London Stock Exchange, as amended from time to time;
“Articles”	the Company’s articles of incorporation;
“BCB”	Banco Central do Brasil, the Central Bank of Brazil;
“Board” or “Directors”	the Executive Directors and the Non-executive Directors, being the directors of the Company at the date of this document;
“Bonsucesso S.A.”	SB Bonsucesso Administradora de Shoppings S.A., the owner of Bonsucesso Mall;
“Bonsucesso Mall”	the Bonsucesso shopping mall, located in São Paulo;
“Brazil”	the Federative Republic of Brazil;
“BRIC”	together, Brazil, Russia, India and China;
“Business Day”	a day (excluding Saturdays, Sundays and public holidays) on which banks are open for business in the City of London, Guernsey and Brazil;
“Carried Interest Reinvestment Agreement”	the agreement dated 6 April 2010 entered into between SLP (1) and the Company (2) relating to the reinvestment in Ordinary Shares of management incentive payments received by SLP from Management Incentive L.P., further details of which are set out in paragraph 7.14 of Part 12 of this document;
“Combined Code”	the Combined Code on Corporate Governance issued by the Financial Reporting Council;
“Companies Law”	The Companies (Guernsey) Law, 2008, as amended;

“Company” or “Squarestone Brasil”	Squarestone Brasil Limited;
“Conditional Acquisitions”	the Golden Square Acquisition and the SB ManCo Acquisition;
“Consideration Shares”	the 11,240,000 Ordinary Shares to be issued to the SB2 Investors at Admission pursuant to the terms of the Golden Square Acquisition Agreements;
“CREST”	the United Kingdom paperless share settlement system and system for the holding of shares in uncertificated form in respect of which Euroclear UK & Ireland Limited is the operator;
“CREST Guernsey Requirements”	CREST Rule 8 and such other rules and requirements of Euroclear as may be applicable to issuers as from time to time specified in the CREST Manual;
“CREST Manual”	the compendium of documents entitled “CREST Manual” issued by Euroclear UK & Ireland Limited from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, the CREST Rules (including CREST Rule 8), the CCSS Operations Manual and the CREST Glossary of Terms;
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755);
“CVM”	Comissão de Valores Mobiliários, the Brazilian Securities Commission;
“Disclosure and Transparency Rules”	the Disclosure and Transparency Rules made by the FSA pursuant to Part VI of FSMA;
“EBITDA”	earnings before interest, tax, depreciation and amortisation;
“Enlarged Share Capital”	the entire issued Ordinary Share capital of the Company following: (i) Admission; and (ii) completion of the Conditional Acquisitions and consisting of the Placing Shares, the Consideration Shares and the Reinvestment Shares;
“Executive Directors”	James Morse, Robert Sloss and Tim Barlow;
“FDI”	foreign direct investment;
“FSA”	the UK Financial Services Authority;
“FSMA”	the Financial Services and Markets Act 2000 (as amended);
“GDP”	gross domestic product;
“General Partner”	Squarestone Brasil (GP) Limited;
“GLA”	gross lettable area;
“Golden Square S.A.”	SB Brast Participações S.A., the owner of Golden Square Mall;
“Golden Square Acquisition”	together the acquisition of the entire issued share capital of the Luxembourg Holding Companies by Management Incentive L.P. pursuant to the terms of the Golden Square Acquisition Agreements and the acquisition of an approximately 2.3 per cent. holding in Golden Square S.A. by SB2 FIP pursuant to the terms of the Verzasca Golden Square Sale Agreement;

“Golden Square Acquisition Agreements”	the acquisition agreements dated 6 April 2010 between the Management Incentive L.P. (1) and each of the SB2 Investors (2), further details of which are set out in paragraphs 7.10 and 7.11 of Part 12 of this document;
“Golden Square Mall”	the Golden Square shopping mall, located in São Paulo;
“Guernsey”	the Bailiwick of Guernsey;
“IBGE”	the Instituto Brasileiro de Geografia e Estatística;
“IFRS”	International Financial Reporting Standards;
“IGP-M”	the Market General Prices Index;
“IPCA”	the Amplified Consumer Prices Index – the index used by the BCB to monitor inflation targets;
“IRR”	internal rate of return;
“Liberum”	Liberum Capital Limited;
“Liberum Option”	the option agreement dated 6 April 2010 between the Company (1) and Liberum (2) further details of which are set out in paragraph 7.3 of Part 12 of this document;
“Limited Partnership Agreement”	the amended and restated limited partnership agreement dated 6 April 2010 which constitutes the Management Incentive L.P. entered into between the Company, the General Partner and SLP, further details of which are set out in paragraph 8 of Part 12 of this document;
“Listing Rules”	the Listing Rules made by the FSA pursuant to Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc;
“Luxembourg Holding Companies”	Marato s.a.r.l., Cotia s.a.r.l. and Jandira s.a.r.l.;
“Management Incentive L.P.”	Management Incentive L.P., a Guernsey registered limited partnership constituted and established pursuant to the terms of the Limited Partnership Agreement;
“Management Team”	together, the Executive Directors, current and future directors and senior employees of the Company and the current and future directors and senior employees of SB ManCo;
“Net Asset Value”	the net asset value of the Company as determined pursuant to the valuation policies adopted by the Board from time to time;
“NLA”	net lettable area;
“Non-executive Directors”	Tim Walker, Edwin Davies and Quentin Spicer;
“NOI”	net operating income;
“NRI”	net rental income;
“Official List”	the Official List of the United Kingdom Listing Authority;
“Ordinary Shares”	ordinary shares of no par value of the Company;

“Options”	the share options granted by the Company to Neil Varnham and Michael Poynor, further details of which are set out in paragraph 7.4 of Part 12 of this document;
“PIS/Cofins tax”	PIS (<i>‘Programa de Integração Social’</i> – employees’ profit participation programme) and COFINS (<i>‘Contribuição para Financiamento da Seguridade Social’</i> – Contribution for the financing of social security) are social contribution taxes levied on the gross income derived by Brazil resident legal entities. PIS and COFINS are collected by the Brazilian Revenue Service (<i>‘Receita Federal do Brazil’</i>), using the individual state tax administration agencies;
“Prospective Pipeline”	the pipeline of potential shopping mall investment projects originated by SB ManCo, further details of which are set out in paragraph 2 of Part 2 of this document;
“Placees”	the placees procured by Liberum pursuant to the Placing Agreement;
“Placing”	the placing by Liberum of the Placing Shares pursuant to the Placing Agreement;
“Placing Agreement”	the placing agreement dated 6 April 2010 entered into between the Company (1), the Directors (2) and Liberum (3), further details of which are set out in paragraph 7.2 of Part 12 of this document;
“Placing Price”	£1.00 per Placing Share, the price at which each Placing Share is to be sold or issued pursuant to the Placing;
“Placing Shares”	the 28,260,960 Ordinary Shares which are the subject of the Placing (which includes the Advisers’ Shares);
“Prospectus Rules”	the Prospectus Rules made by the FSA pursuant to Part VI of FSMA;
“Registrar Agreement”	the agreement entered into between the Company and the Registrar dated 5 March 2010;
“Registrar”	Capita Registrars (Guernsey) Limited;
“Regulation S”	Regulation S promulgated under the US Securities Act;
“Regulatory Information Service” or “RIS”	any channel recognised as a channel for the dissemination of information as defined in the glossary of terms in the AIM Rules for Companies;
“Reinvestment Shares”	the Verzasca Reinvestment Shares and the SB ManCo Vendors Reinvestment Shares in aggregate totalling 1,175,000 Ordinary Shares;
“Relationship Agreement”	the agreement entered into between the Company and Spearpoint, further details of which are set out in paragraph 7.20 of Part 12 of this document;
“RICS”	the Royal Institute of Chartered Surveyors;
“ROE”	return on equity;
“ROIC”	return on invested capital;

“SB1 FIP”	SCARSDALE – Fundo de Investimento em Participações;
“SB1 Investors”	the indirect holders of the beneficial interests in SB1 FIP;
“SB2 FIP”	Squarestone Brasil II (SB2) – Fundo de Investimento em Participações;
“SB2 Investors”	the holders of the issued share capital of the Luxembourg Holding Companies;
“SB ManCo”	Squarestone Brasil Administração e Participação S.A.;
“SB ManCo Acquisition”	the acquisition of the entire issued share capital (less one share to be retained and held on bare trust by SPIM) of SB ManCo by SB2 FIP pursuant to the SB ManCo Acquisition Agreement;
“SB ManCo Acquisition Agreement”	the acquisition agreement dated 6 April 2010 between Blaen Coed Participações e Serviços Ltda (1), SPIM (2) and SB2 FIP (3) further details of which are set out in paragraph 7.6 of Part 12 of this document;
“SB ManCo Vendors Reinvestment Shares”	the 875,000 Ordinary Shares to be issued to the SB ManCo vendors pursuant to the terms of the SB ManCo Vendors Subscription Agreement;
“SB ManCo Vendors Subscription Agreements”	the subscription agreements dated 6 April 2010 between each of SPIM and Blaen Coed (Guernsey) Limited and the Company, relating to the subscription by the vendors of, in aggregate, 875,000 Ordinary Shares (with Warrants attached on a two for three basis) at the Placing Price, further details of which are set out in paragraph 7.15 of Part 12 of this document;
“Securities Act”	the US Securities Act of 1933, as amended;
“SELIC rate”	the BCB’s overnight lending rate;
“Shareholder”	a holder of Ordinary Shares;
“SLP”	SLP L.P. a Guernsey limited partnership registered on 2 March 2010 under registration number 1276 which is the special limited partner in Management Incentive L.P.;
“Spearpoint”	Spearpoint Ltd;
“subsidiary”, “subsidiary undertaking”, “associated undertaking” and “undertaking”	shall be construed in accordance with the Act (but for this purpose ignoring paragraph 20(1)(b) of Schedule 4A of the Act);
“SPIM”	Squarestone Property Investment Management Limited;
“sq m”	square metres;
“Squarestone Brasil Group”	the Company and each of its subsidiaries and subsidiary undertakings at Admission (following completion of the SB ManCo Acquisition and the Golden Square Acquisition);
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority” or “UKLA”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA;

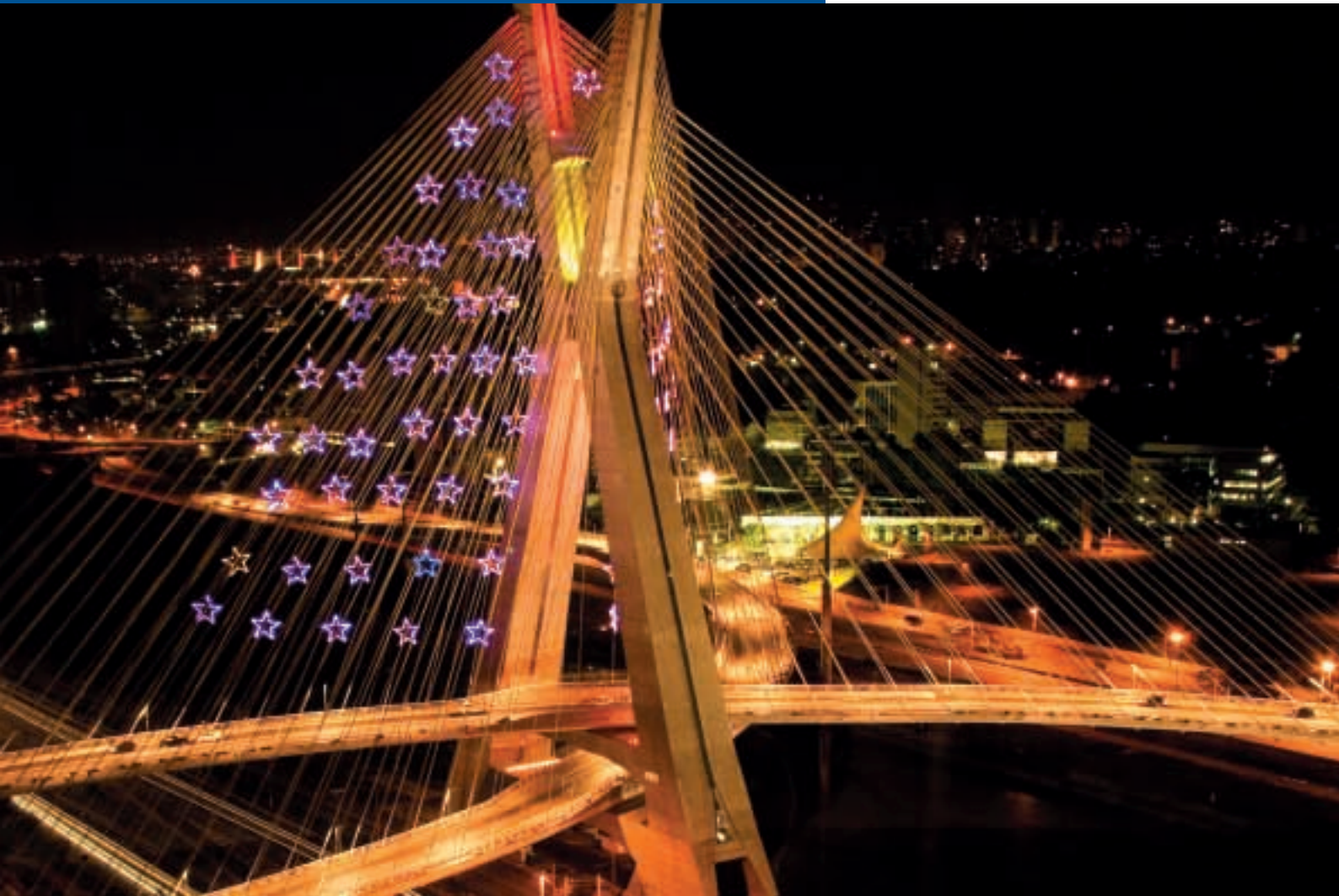
“UK Takeover Code”	The City Code on Takeovers and Mergers;
“United States of America”, “US” or “United States”	the United States of America, its possessions and territories, all areas subject to its jurisdiction or any subdivision thereof, any State of the United States and the District of Columbia;
“Valuation Report”	the valuation report prepared by the Valuers in relation to Golden Square Mall which is reproduced in Part 7 of this document;
“Valuers”	Jones Lang LaSalle Brasil or such other valuers as appointed by the Company from time to time;
“VAT”	value added tax;
“Verzasca”	Verzasca Participações Ltda (a company wholly-owned by Cláudio Politi);
“Verzasca Golden Square Sale Agreement”	the acquisition agreement dated 6 April 2010 between SPIM (1), Verzasca (2), SB ManCo (3) and SB2 FIP (4) relating to the acquisition of Verzasca’s holding of shares in Golden Square S.A., further details of which are set out in paragraph 7.8 of Part 12 of this document;
“Verzasca Consideration Proceeds”	the consideration payable to Verzasca under the Verzasca Golden Square Sale Agreement;
“Verzasca Reinvestment Shares”	the 300,000 Ordinary Shares to be issued to Verzasca pursuant to the terms of the Verzasca Subscription Agreement;
“Verzasca Subscription Agreement”	the subscription agreement dated 6 April 2010 between Verzasca (1) and the Company (2) relating to the subscription by Verzasca of 300,000 Ordinary Shares (with Warrants attached on a two for three basis) at the Placing Price, further details of which are set out in paragraph 7.9 of Part 12 of this document.
“Warrantholders”	holders of Warrants;
“Warrant Instrument”	the warrant instrument of the Company dated 6 April 2010 and which constitutes the Warrants, details of which are set out in Part 11 of this document; and
“Warrants”	warrants to subscribe for Ordinary Shares to be issued by the Company on the terms and conditions set out in the Warrant Instrument.
Exchange rate	R\$2.70 = £1

Unless otherwise indicated, all references in this document to “pounds sterling”, “sterling”, “£”, “pence” or “p” are to the lawful currency of the United Kingdom, all references to “US\$” or “US dollars” are to the lawful currency of the United States and all references to “Brazilian Real”, “Reais” or “R\$” are to the lawful currency of Brazil.



SQUARESTONE

Brasil Limited



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