

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or as to the action you should take, you are recommended immediately to seek your own independent financial advice from your stockbroker, bank manager, solicitor, accountant or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) or, if you are in a country outside the United Kingdom, another appropriately authorised independent financial adviser.

If you were a Shareholder and have sold or otherwise transferred all your Ordinary Shares, please send this document and the accompanying forms as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee. However, neither this document nor any accompanying documents should be forwarded or transmitted to or in any jurisdiction outside the United Kingdom where to do so may violate any legal or regulatory requirement. If you are an existing holder of Ordinary Shares and you have sold or transferred part only of your registered holding of Ordinary Shares, please contact the stockbroker, bank or other agent through whom the sale or transfer was effected.

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## **FAIR OAKS INCOME FUND LIMITED**

*(Incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered number 58123 and registered as a Registered Closed-ended Collective Investment Scheme with the Guernsey Financial Services Commission)*

### **Reorganisation Proposal, Share Issue Proposal, Name Change Proposal**

**and**

### **Notice of Extraordinary General Meeting**

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The Company is registered with the Guernsey Financial Services Commission as a Registered Closed-ended Collective Investment Scheme pursuant to The Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Scheme Rules 2015 issued by the Guernsey Financial Services Commission.

Notice of an Extraordinary General Meeting to be held at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR on 29 March 2017 at 2.30 p.m. is set out at the end of this document.

Shareholders are requested to complete and return the Form of Proxy attached to this document for use at the Extraordinary General Meeting. To be valid, Forms of Proxy must be completed and returned in accordance with the instructions printed thereon to Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Kent BR3 4ZF as soon as possible and, in any event, so as to arrive by no later than 2.30 p.m. on 27 March 2017. As an alternative to completing the enclosed Form of Proxy, Shareholders who hold their Ordinary Shares in uncertificated form can appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST message in accordance with the procedures set out in the CREST Manual so that it is received by the Company's transfer agent (under CREST participant ID R033) by not later than 2.30 p.m. on 27 March 2017.

The distribution of this document, together with accompanying documents, into jurisdictions other than the United Kingdom may be restricted by law. Persons into whose possession such documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdiction. Neither this document nor any copy of it may be distributed directly or indirectly to any persons with addresses in the United States, Australia, Canada, the Republic of South Africa or Japan, or to any corporation, partnership or other entity created or organised under the laws thereof, or in any other country outside the United Kingdom where such distribution may lead to a breach of any legal or regulatory requirement.

Overseas laws and regulations may prevent Overseas Shareholders in certain jurisdictions outside the United Kingdom from being offered the opportunity to: (i) have their Ordinary Shares re-designated as 2017 Shares so in order to participate in the newly created Master Fund II; or (ii) make an Election, without compliance by the Company with certain filing, reporting, registration or other requirements. It is the responsibility of each Overseas Shareholder to satisfy himself that either (a) his Ordinary Shares may be re-designated as 2017 Shares or (b) he may make an Election, and that in doing so, he has complied with all relevant overseas filing, exchange control and other requirements and paid all taxes and fees which may be payable. The opportunity for Ordinary Shares to be re-designated as 2017 Shares and the opportunity for making an Election are **not** being made in or into, or to Overseas Shareholders including for the avoidance of doubt those resident in, the United States, Canada, the Republic of South Africa, Australia or Japan or where the making of the above-mentioned opportunities would be prohibited by local law or regulation or require compliance by the Company with any filing, reporting, registration or other requirement. Instead, the Ordinary Shares held by an Overseas Shareholder will by default (and without needing to make an Election) be re-designated as 2014 Shares, i.e. their Ordinary Shares will continue to remain effectively invested solely in the existing Master Fund and will not participate in the newly created Master Fund II. Notwithstanding any other provision of this document, the Company reserves the right to permit any Overseas Shareholder to participate in the opportunity to either have their Ordinary Shares re-designated as 2017 Shares or make an Election if the Directors, in their sole discretion, are satisfied at any time prior to 27 March 2017 that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

## SUMMARY OF ACTION TO BE TAKEN

### 1 Regarding the re-designation to 2017 Shares and/or an Election for re-designation to 2014 Shares

To extend the duration of your investment by participating in the newly created Master Fund II\*

Vote in favour of the Resolutions (if passed, the Resolutions will automatically result in an extension of the duration of your investment through the re-designation of your Ordinary Shares as 2017 Shares, which will participate in the newly created Master Fund II)

To continue to be invested solely in the existing Master Fund and not wishing to extend the life of your investment\*

Vote in favour of the Resolutions  
AND  
Complete and return the Form of Election or send a CREST Election Instruction by the prescribed deadline (your Ordinary Shares will be re-designated as 2014 Shares at the Effective Date)

For a combination of the above (in respect of different holdings of your Ordinary Shares)\*

Vote in favour of the Resolutions  
AND  
Complete and return the Form of Election or send a CREST Election Instruction by the prescribed deadline, clearly indicating the exact number of your Ordinary Shares which you wish to be re-designated as 2014 Shares at the Effective Date

**\*Note:** The Ordinary Shares held by an Overseas Shareholder will by default (and without needing to make an Election) be re-designated as 2014 Shares, i.e. assets attributable to their Ordinary Shares will continue to remain effectively invested solely in the existing Master Fund and will not participate in the newly created Master Fund II. Please refer to the information under the heading "*Overseas Shareholders*" in paragraph 11 of Part 1 of this document for more information.

### 2 Regarding the Extraordinary General Meeting (which also constitutes a class meeting of Ordinary Shareholders)

For holders of Ordinary Shares entitled to vote at the Extraordinary General Meeting

Complete and return the Form of Proxy or send CREST Proxy Instructions by the prescribed deadline

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## EXPECTED TIMETABLE

Date of this document	9 March 2017
Publication of the Prospectus	same date as the date of this document
Latest time and date for receipt of Forms of Proxy	2.30 p.m. on 27 March 2017
Latest time and date for receipt of CREST Proxy Instructions	2.30 p.m. on 27 March 2017
Latest time and date for receipt of Form of Election	2.30 p.m. on 27 March 2017
Latest time and date for receipt of CREST Election Instructions	2.30 p.m. on 27 March 2017
Record Date for entitlement to make an Election	the close of business on 27 March 2017
Results of the Elections published	28 March 2017
Extraordinary General Meeting	2.30 p.m. on 29 March 2017
Results of the Extraordinary General Meeting published	29 March 2017
Results of the Issue published	3 April 2017
Effective Date	5 April 2017
Admission of the re-designated 2017 Shares and any C Shares issued under the Issue	8.00 a.m. on 5 April 2017
Trading of the re-designated 2014 Shares commences	8.00 a.m. on 5 April 2017
Despatch of replacement share certificates to the holders of 2014 Shares and 2017 Shares	in the week commencing 10 April 2017

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**Note:**

Each of the times and dates set out above is subject to change. References to a time of day are to London time. Any changes to the timetable will be notified by publication of a notice through a regulatory information service.

## DEALING CODES

The dealing codes for the 2017 Shares and 2014 Shares are as follows;

2017 Share ISIN	GG00BF00L342
2017 Share SEDOL	BF00L34
2017 Share TIDM	FAIR
2014 Share ISIN	GG00BF00L128
2014 Share SEDOL	BF00L12
2014 Share TIDM	FA14

## PART 1 – LETTER FROM THE CHAIRMAN

# Fair Oaks Income Fund Limited

(Incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered number 58123 and registered as a Registered Closed-ended Collective Investment Scheme with the Guernsey Financial Services Commission)

### Directors

Professor Claudio Albanese (Chairman)  
Jonathan Bridel  
Nigel Ward

### Registered Office:

Sarnia House  
Le Truchot  
St Peter Port  
Guernsey  
GY1 1GR

9 March 2017

Dear Shareholder

### **Reorganisation Proposal, Share Issue Proposal and Name Change Proposal**

#### **1. Introduction**

The Company is a feeder fund and pursues its investment objective and policy by investing directly in the Master Fund, which in turn invests in US and European CLOs. The commitment period of the Master Fund ended in June 2016 and, in light of the Investment Adviser's belief that there will be an ongoing opportunity to invest in US and European CLOs to generate attractive risk-adjusted returns, the Board has considered proposals to extend the Company's duration.

On 10 January 2017, the Company announced that it intended to implement proposals which will include Shareholders being offered an option (but not obligation) to extend the duration of their investment and also a further equity raise.

The Board is now writing to you to set out the details of the Reorganisation Proposal, pursuant to which Shareholders may extend the duration of their investment, and the Share Issue Proposal, pursuant to which, *inter alia*, Shareholders and new investors will be offered the opportunity to subscribe for further equity through a C Share issue. Shareholders considering participation in the Issue should refer to the Prospectus despatched with this document.

Resolutions in connection with the Proposals will be proposed at the Extraordinary General Meeting to be held on 29 March 2017 at 2.30 p.m. The Board's recommendation is that Shareholders vote in favour of the Resolutions and all Shareholders are requested to take the actions with regards to voting set out in paragraph 10 of this Part 1.

This document should be read in conjunction with the accompanying Prospectus relating to the Company.

#### **2. Reorganisation Proposal**

##### Overview

The purpose of the Reorganisation Proposal is to allow those Shareholders who wish to extend the life of their investment in the Company beyond the planned end date of the Master Fund, to be able to do so by having their Ordinary Shares re-designated as 2017 Shares, with assets attributable to such 2017 Shares being effectively invested in and having exposure to a new master fund, Master Fund II, which will have a planned end date in June 2024 and an investment objective and policy substantially similar to that of the Master Fund. The General Partner will act as the general partner of Master Fund II as well as the Master Fund. For further details on Master Fund II, please refer to Part 3 of the enclosed Prospectus.

Those Shareholders who do not wish to extend the life of their investment will need to make an Election to have their existing Ordinary Shares re-designated as 2014 Shares, which will continue to participate solely in the Master Fund. Further information regarding the Election is set out in paragraph 11 of this Part 1.

Shareholders who do not make valid Elections shall be deemed to have agreed to the re-designation of all of their Ordinary Shares as 2017 Shares with effect from the Effective Date.

Overseas Shareholders should however refer to the information under the heading “Overseas Shareholders” in paragraph 11 of this Part 1.

#### Secondary Market Placing

To the extent that Shareholders wish to consider realising their investment in the Company, rather than holding either 2014 Shares or 2017 Shares, then the Company has engaged its corporate broker, Numis Securities Limited, to seek to generate secondary market demand from Shareholders or new investors willing to hold 2017 Shares. Numis Securities Limited can only execute bargains with “Qualified Investors” as defined in section 86(7) of the Financial Services and Markets Act 2000 (as amended). There can be no assurance as to the extent or price of any demand that can be generated under this mechanism.

#### Re-designation of Ordinary Shares and ring-fencing of assets

Ordinary Shares will be re-designated as 2017 Shares and, proportionate to the Elections made and in relation to Ordinary Shares held by Excluded Shareholders, as 2014 Shares. The Company’s assets and liabilities will thereafter be segregated into two pools which will be accounted for separately and managed in accordance with the Company’s investment objective and the Revised Investment Policy which is set out below in this paragraph 2 of this Part 1.

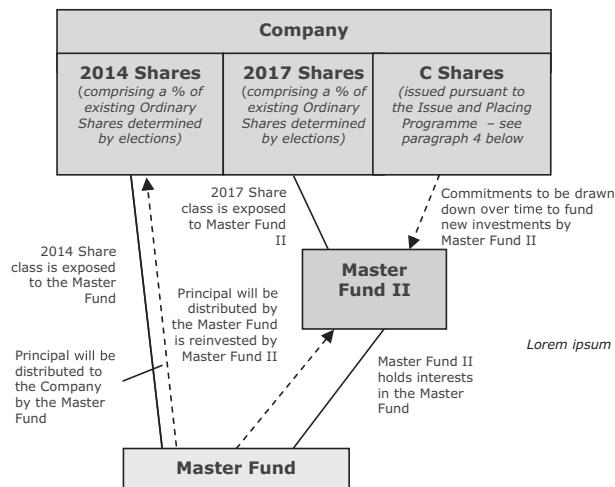
2014 Shares and 2017 Shares will in the future rank only for dividends or other distributions declared, paid or made on the respective Share class after their re-designation.

#### Contribution Agreement

The Company has entered into the Contribution Agreement with the Master Fund (acting by the General Partner), Master Fund II (acting by the General Partner) and the General Partner. Under the Contribution Agreement, upon the Effective Date, the Company will transfer to Master Fund II such portion of the Company’s limited partnership interests in the Master Fund (as at the Effective Date) which is attributable to those Ordinary Shares which are to be re-designated as 2017 Shares at the Effective Date pursuant to the Reorganisation Proposal (the “Transferred FOIF Interest”). In consideration for such transfer, the Company will receive a limited partnership interest in Master Fund II which reflects an equivalent value to the Transferred FOIF Interest which Master Fund II receives from the Company.

The Contribution Agreement is conditional upon the Admission of the re-designated 2017 Shares.

The diagram below illustrates the structure of the Company following implementation of the Reorganisation Proposal (i.e. upon the Admission of the 2017 Shares and the Contribution Agreement having taken effect) **and in addition**, also assuming that C Shares are issued under the Issue and the Placing Programme and that no commitment attributable to the C Shares is drawn down immediately upon Admission by Master Fund II:



Key to the Diagram above:

Ownership of interests in the respective master funds

Cash flow

### Distributions

The Master Fund will continue in accordance with the Partnership Agreement to distribute both its net income and all net principal realised from CLO securities.

In respect of the limited partnership interests in the Master Fund which will be held by the Company on behalf of the 2014 Shares, it is intended that the Master Fund's income distributions will be used by the Company to pay monthly dividends on the 2014 Shares. It is intended that all future repayment of principal received by the Company with respect to the Master Fund's underlying investments during the remainder of its life will be used by the Company to make *ad hoc* returns of capital by way of a compulsory partial redemption of 2014 Shares.

In respect of the limited partnership interests in the Master Fund which will be held by Master Fund II, it is intended that the Master Fund's income distributions will be used by Master Fund II to make income distributions to the Company, which in turn the Company intends to use to pay monthly dividends on the 2017 Shares. It is intended that all future repayment of principal received by Master Fund II with respect to the Master Fund's underlying investments during the remainder of its life will be used by Master Fund II during its investment period<sup>1</sup> to make new portfolio investments.

### Duration of the Company

Currently, under the Articles, on or before 31 May 2019, being around the planned end date of the Master Fund, the Company shall propose to Shareholders the Continuation Resolution. If such a Continuation Resolution was passed by Shareholders, a further Continuation Resolution would be required to be proposed every two years thereafter. If the Continuation Resolution was not passed, the Board would be required to draw up proposals for the voluntary liquidation of the Company.

As part of the Reorganisation Proposal, a resolution is sought at the EGM which would amend the Articles such that the Continuation Resolution would instead be required to be proposed on or before 12 June 2024, being the planned end date of Master Fund II, and the time intervals for proposing further Continuation Resolutions would be every two years thereafter.

### Investment Objective and Revised Investment Policy

The investment objective of the Company will remain to generate attractive, risk-adjusted returns, principally through income distributions.

The Company will continue as a feeder fund and will pursue its investment objective and policies by investing directly in the Master Funds (with those assets of the Company attributable to the 2014 Shares being invested in the Master Fund and with those assets of the Company attributable to the 2017 Shares and C Shares being invested in Master Fund II).

The investment policy of the Company is to invest (either directly and/or indirectly through the Master Fund and/or Master Fund II) in US and European CLOs or other vehicles and structures which provide exposure to portfolios consisting primarily of US and European floating-rate senior secured loans and which may include non-recourse financing. The Company implements its investment policy by:

- (i) with respect of those assets of the Company attributable to the 2014 Shares: investing in the Master Fund; and
- (ii) with respect of those assets of the Company attributable to the 2017 Shares and C Shares: investing in Master Fund II.

The Company will comply with the following investment restrictions:

- (i) Diversification: The Company will not make investments that would cause it to have exposure to a single borrower or issuer of a debt security (or guarantor thereof) ("corporate issuer") exceeding 5 per cent. of the Company's Aggregate Gross Assets at the time of investment. For the avoidance of doubt, special purpose vehicles such as issuers of CLOs will not be considered corporate issuers.
- (ii) Geographical Limitations: The Company will not make investments that cause it to have exposure of more than 10 per cent. of the Aggregate Gross Assets at the time of investment to corporate issuers headquartered and operating principally outside the European Union, United States and Canada.

<sup>1</sup> Master Fund II has an investment period to 12 June 2019, subject to two potential one-year extensions at the discretion of the General Partner.

- (iii) Derivatives: The Company will not invest in publicly traded options, futures or financial derivatives except for efficient portfolio management in connection with an Investment, proposed Investment or Investments generally.
- (iv) Non-Corporate Loans: The Company will not invest in mortgage backed securities or asset-backed securities, other asset-backed obligations backed by mortgages or other non-corporate loans; provided that the Company may invest in portfolios which may include companies with substantial real estate holdings.

The Company will at all times invest and manage its assets with the objective of spreading investment risk and in accordance with its investment policy. It will not invest in other listed closed-ended investment funds. The Company will not conduct any trading activity which is significant in the context of its group as a whole.

The Company may also invest in Qualifying Short Term Investments if at any time the Company holds any un-invested cash.

The Company will not have any borrowings except for short term borrowings for working capital and cashflow purposes. Such borrowings may not exceed 20 per cent. of NAV in aggregate, and also of the NAV of each Share class. If there is any short term borrowing, assets of the Company may be pledged as security against it.

In order to achieve an appropriate level of certainty for Shareholders, the investment objective and policy of the Master Fund and Master Fund II have been entrenched in the Partnership Agreement and the MFII Partnership Agreement, respectively, and cannot be varied without an amendment to the respective agreements, which in each case would require the consent of the limited partners thereof holding commitments in aggregate which are equal to or exceed 75 per cent. of the total commitments therein. No amendment to the MFII Partnership Agreement will be permitted which causes the Company to be in breach of the FCA's Listing Rules and the General Partner will not consent on behalf of Master Fund II to any amendments to the Master Fund's investment policy which would similarly cause a breach.

#### Conditions

The Reorganisation Proposal is conditional, *inter alia*, upon the Resolutions being passed at the Extraordinary General Meeting and on the Admission of the re-designated 2017 Shares, and will comprise:

- (i) the adoption of the New Articles that provide, *inter alia*, for the reorganisation of the Company's share capital by setting out the new share rights of the 2017 Shares, 2014 Shares and C Shares and that postpone the date on which a continuation vote is to be proposed (described in paragraph 6 below);
- (ii) the re-designation of existing Ordinary Shares into 2017 Shares or, in accordance with the results of Elections made, into 2014 Shares, and the re-designation of existing Ordinary Shares into 2014 Shares for Excluded Shareholders only, at the Effective Date (described in paragraph 11 below);
- (iii) the steps provided for in the Contribution Agreement taking effect (described above in this paragraph 2);
- (iv) the Revised Investment Policy coming into effect (described above in this paragraph 2); and
- (v) the proposed application for the Ordinary Shares which are re-designated as 2017 Shares (i.e. the 2017 Shares only) to be traded on the SFS (and described in paragraph 8 below).

### **3. Key Features of the shares following the Reorganisation Proposal taking effect**

If the Proposals are implemented, the Shares will have the following features:

#### *2017 Shares*

- The 2017 Shares are designed to enable Shareholders to extend the life of their investment in the Company. As the 2017 Shares will be substantively invested through Master Fund II, the 2017 Shares will have an expected life to the planned end date of Master Fund II, being 12 June 2024.<sup>2</sup>

<sup>2</sup> Master Fund II has an investment period to 12 June 2019, subject to two potential one-year extensions at the discretion of the General Partner.

- Initially Master Fund II's portfolio will comprise solely its interest in the Master Fund. However, the 2017 Shares are expected over time to benefit from the further diversification and scale within the Master Fund II portfolio provided by newly originated investments made at the time of the deployment of any proceeds of the Issue and the Placing Programme and also the reinvestment of principal amounts distributed by the Master Fund.
- The Investment Adviser believes that there are ongoing investment opportunities available in the CLO market and therefore that the 2017 Shares represent an attractive option for Shareholders.
- In respect of the 2017 Shares, the investment objective of the Company will be to generate attractive, risk-adjusted returns, principally through income distributions. On the basis of market conditions as at the date of this document, the Company will target a net total return on the Initial Issue Price of between 12 and 14 per cent. per annum<sup>3</sup> over the planned life of Master Fund II.

#### *2014 Shares*

- The 2014 Shares are designed to enable Shareholders to maintain the life of their investment in the Company. As the 2014 Shares will be substantively invested through the Master Fund, the 2014 Shares will have an expected life to the planned end date of the Master Fund, being June 2019.<sup>4</sup>
- The composition of the Master Fund's portfolio will be unchanged by the implementation of the Proposals. However, over time the Master Fund's portfolio will become less diversified as its investments are realised.
- In respect of the 2014 Shares, the investment objective of the Company is to generate attractive, risk-adjusted returns, principally through income distributions. On the basis of market conditions as at the date of this document, the Company will target a net total return on the Initial Issue Price of between 12 and 14 per cent. per annum<sup>5</sup> over the planned life of the Master Fund.
- Based on the results of Shareholder consultations received to date, it is expected that the 2014 Share class will represent a relatively small proportion of the Company's share capital and therefore the 2014 Shares are currently expected to benefit from lower levels of secondary market liquidity than the 2017 Shares. The 2014 Shares may also have a greater concentration of ownership than the 2017 Shares.

#### **4. Share Issue Proposal:**

On the same date as the date of this document, the Company published and circulated the Prospectus relating to the Issue of up to 200 million C Shares at US\$1 per C Share and a Placing Programme of 2017 Shares and/or C Shares up to a further aggregate issue value of US\$250 million (excluding the proceeds from the First Placing and Offer for Subscription). The Issue of C Shares is as contemplated in the Company's announcement of 10 January 2017.

**Shareholders considering participation in the Issue should refer to the Prospectus despatched with this document.**

The Share Issue Proposal is conditional upon:

- the passing of the Resolutions (other than Resolution 4);
- the Admission of the C Shares under the Issue having become effective on or before 8.00 a.m. on 5 April 2017 (or such later time and/or date but in any event not later than 8.00 a.m. on 30 April 2017);
- the placing agreement between the Company, Numis Securities Limited and the Investment Adviser becoming wholly unconditional in respect of the Issue (save as to (ii) above) and not having been terminated in accordance with its terms at any time prior to the occurrence of (ii);

<sup>3</sup> This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all. This target return should not be taken as an indication of the Company's expected or actual current or future results.

<sup>4</sup> This may be extended for up to two additional consecutive one-year periods at the discretion of the General Partner.

<sup>5</sup> This is a target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all. This target return should not be taken as an indication of the Company's expected or actual current or future results.

- (iv) the Contribution Agreement being entered into and not being terminated in accordance with its terms before the occurrence of (ii);
- (v) Numis Securities Limited confirming to the placees and/or subscribers under the Issue their allocation of C Shares;
- (vi) a placee agreeing to become a member of the Company and agreeing to subscribe for those C Shares allocated to it by Numis Securities Limited at US\$1 per C Share; and
- (vii) the minimum net Issue proceeds being raised (or such lesser amount as the Company and Numis Securities Limited may determine and notify to investors via a regulatory information service announcement and a supplementary prospectus including a working capital statement based on a revised minimum net Issue proceeds figure).

The Directors also have the discretion not to proceed with the Issue if all of the above conditions (including raising the minimum net Issue proceeds) have been met.

Any net proceeds from the C Shares issued pursuant to the Issue, as well as C Shares and/or 2017 Shares issued pursuant to the Placing Programme, will be used to invest in commitments in Master Fund II (with such commitments being drawn down by Master Fund II over time during its investment period concurrent with its completing new portfolio investments and with limited partnership interests in Master Fund II being issued to the Company as consideration for such drawdowns to be held by the Company as attributable to holders of C Shares and/or 2017 Shares, as applicable).

At the level of the Company, the assets representing the net proceeds of the Issue and any other C Share issue will be accounted for and managed as a separate pool of assets of the Company, distinct from the assets attributable to the 2017 Shares until their date of conversion into 2017 Shares and distinct from the assets attributable to the 2014 Shares. Both the 2017 Share class and C Share class pools will however participate in Master Fund II limited partnership interests and therefore be exposed to the same (single) Master Fund II portfolio.

The results of the Issue will be published on 3 April 2017. The Admission of C Shares issued under the Issue to trading on the SFS is expected to become effective and dealings for normal settlement in the C Shares is expected to commence at 8.00 a.m. on 5 April 2017. The Placing Programme will commence on 6 April 2017 and close on 8 March 2018\*, being the last day on which new C Shares/2017 Shares may be issued pursuant to the Placing Programme.

*\*or on such earlier date on which the authority to issue Shares pursuant to the Placing Programme is fully utilised.*

## 5. Name Change Proposal

It is proposed to change the name of the Company to “**Fair Oaks Income Limited**”.

Under the Law, the change of the Company’s name requires the approval of Shareholders by special resolution. Therefore, Shareholder approval by way of a special resolution is being sought at the Extraordinary General Meeting for the proposed change to the Company’s name (through the proposing of Resolution 4 at the Extraordinary General Meeting).

Existing share certificates will remain valid after the change of name and the Company does not intend to issue replacement certificates.

The change of Company name is being proposed to broaden the Company’s appeal to investors beyond those accustomed to investing in funds, but for the avoidance of doubt will not affect the Company’s categorisation as a non-EU AIF.

## 6. Proposed New Articles:

### (i) Duration of the Company:

Currently, the Articles provide that, on or before 31 May 2019, the Company shall propose to Shareholders the Continuation Resolution. If the Continuation Resolution is passed by Shareholders, a further Continuation Resolution will be proposed on the nearest Business Day falling every two years thereafter. If the Continuation Resolution is not passed, the Board shall draw up proposals for the voluntary liquidation of the Company.

As part of the Reorganisation Proposal, a resolution is sought at the Extraordinary General Meeting (this being Resolution 1 to be proposed at the Extraordinary General Meeting) which would amend the Articles so as to, in addition to other changes described in this document, change the date by

which the Continuation Resolution is to be proposed to a date which aligns with the planned end date of Master Fund II (excluding possible extension periods of Master Fund II).

*(ii) Share rights of the 2014 Shares, 2017 Shares and C Shares:*

It is proposed that the New Articles will provide for the reorganisation of the Company's share capital by setting out the share rights (including voting rights) of Ordinary Shares re-designated as 2014 Shares and the share rights of Ordinary Shares re-designated as 2017 Shares. The rights of the C Shares in the Existing Articles will also be slightly amended to reflect the reorganisation of the Ordinary Share capital. C Shares will convert only into 2017 Shares.

Your attention is drawn to Part 2 of this document, which sets out the changes proposed in the New Articles.

A copy of the New Articles (including a copy marked up to show the proposed changes as against the Existing Articles) is available for inspection, as described further in paragraph 15 of this Part 1.

**7. Proposal to seek authority to issue new C Shares and 2017 Shares and to dis-apply pre-emption rights**

In connection with the Issue and Placing Programme referred to in paragraph 4 of this Part 1, the Board seeks authority (pursuant to Resolution 3 to be proposed at the Extraordinary General Meeting) for the Company to issue for cash:

- (i) up to 200 million C Shares under the Issue;
- (ii) up to 250 million C Shares under the Placing Programme; and
- (iii) up to such number of 2017 Shares under the Placing Programme as represents 10 per cent. of the 2017 Shares then in issue following the Effective Date,

each on a non-pre-emptive basis, subject to any issues of 2017 Shares and/or C Shares under the Placing Programme being capped at an aggregate issue value of US\$250 million, and that such power shall expire on the earlier of the 2018 AGM Date or on the expiry of 15 months from the passing of the resolution except that the Company may before such expiry make offers or agreements which would or might require C Shares and/or 2017 Shares or rights to subscribe for such shares in the Company to be issued after such expiry and notwithstanding such expiry the Directors may issue C Shares and/or 2017 Shares or rights to subscribe for such shares in the Company in pursuance of such offers or agreements as if the power conferred by the resolution had not expired.

Under the Existing Articles (and under the New Articles), further issues of shares and rights to convert securities into such shares are subject to pre-emption rights. The issue of both C Shares and 2017 Shares will (in the future) be subject to the pre-emption rights. The pre-emption rights may however be excluded by extraordinary resolution.

As a result of the Issue and Placing Programme as described in paragraph 4 above, the Company is therefore seeking the authority to issue C Shares and 2017 Shares on a non-pre-emptive basis. The aggregate issue value of C Shares and 2017 Shares over which the disapplication is proposed is US\$450 million (US\$200 million under the Issue and US\$250 million under the Placing Programme).

The Issue and Placing Programme have been designed to facilitate further equity raises for the Company whilst mitigating to the extent possible any dilution of investment returns for existing Shareholders. The Board intends to use this authority (if obtained) when they consider that it is in the best interests of Shareholders to do so and to satisfy continuing demand for shares in the Company. Any C Shares and/or 2017 Shares will be issued only at prices greater than the aggregate of the relevant prevailing Net Asset Value per share and a premium to cover the commissions and expenses of the issue under the Placing Programme and should therefore not be dilutive to the Net Asset Value per existing share. In determining whether to issue any new 2017 Shares other than through the C Share mechanism, the Board will give consideration to the consistency of the issue parameters with the Company's total return targets. The proceeds of any C Share issues will only be drawn down by Master Fund II concurrent with it completing new portfolio investments, which is intended to minimise Master Fund II's cash weighting which may otherwise dilute potential returns on the 2017 Shares.

The authority conferred by Resolution 3 described in this paragraph 7, if passed, will lapse on the earlier of the 2018 AGM Date or on the expiry of 15 months from the passing of Resolution 3.

## **8. Application for C Shares and 2017 Shares to be traded on the SFS**

Application will be made for those Ordinary Shares to be re-designated as 2017 Shares to trading on the SFS (under a new ISIN and the existing TIDM of “FAIR”). Application will also be made for any C Shares issued to be admitted to trading on the SFS.

The Board intends that, subject to the 2014 Shares continuing to satisfy the relevant eligibility criteria for admission to trading on the SFS, the Ordinary Shares to be re-designated as 2014 Shares will remain traded on the SFS (under a new ISIN and TIDM of “FA14”).

The Company may in the future consider making an application for the 2017 Shares (and C Shares if there are any remaining in issue then) to be introduced to a listing on the Premium Segment of the Official List and to trading on the Premium Segment of the Main Market of the London Stock Exchange. However, there can be no assurance that the Company will be able to fulfil all the eligibility requirements for the UK Listing Authority to approve such an application, if and when made.

## **9. Extraordinary General Meeting (which also constitutes a class meeting of Ordinary Shares)**

In connection with the Proposals, the Extraordinary General Meeting has been convened for 2.30 p.m. on 29 March 2017 at which the Resolutions will be put to Shareholders to:

- Resolution 1: adopt the New Articles, as described in paragraph 6 of this Part 1;
- Resolution 2: approve the re-designation of Ordinary Shares as 2017 Shares, unless and to the extent that Elections are made for the re-designation of Ordinary Shares as 2014 Shares, or in the case of an Excluded Shareholder, the re-designation of their Ordinary Shares as 2014 Shares. The Elections are described in paragraph 11 of this Part 1;
- Resolution 3: authorise the Directors to issue new C Shares and 2017 Shares and to do so on a non-pre-emptive basis, as described in paragraph 7 of this Part 1;
- Resolution 4: change the name of the Company to “Fair Oaks Income Limited”.

Notice of the Extraordinary General Meeting is set out at the end of this document, at which the Resolutions will be proposed. The full text of the Resolutions is set out in the notice of Extraordinary General Meeting at the end of this document.

Resolutions 1 and 2 will result in the varying of the rights of the Ordinary Shares. Under the Existing Articles, the rights of a class of shares in the Company may only be varied with the sanction of a special resolution passed at a separate meeting of the holders of such class of shares (or with the consent in writing from such holders of at least 75 per cent. in value of the issued shares of that class). Currently, the Company only has one class of shares in issue, that being the Ordinary Shares. Therefore, the Extraordinary General Meeting will also constitute a class meeting of the holders of Ordinary Shares at the same time.

Resolution 1 will be proposed as a special resolution.

Resolution 2 will be proposed as a special resolution.

Resolution 3 will be proposed as an extraordinary resolution.

Resolution 4 will be proposed as a special resolution.

A special resolution requires a majority of at least 75 per cent. of the votes cast by members entitled to vote and present in person or by proxy to be cast in favour in order for it to be passed.

An extraordinary resolution requires a majority of at least 75 per cent. of the votes cast by members entitled to vote and present in person or by proxy to be cast in favour in order for it to be passed.

**Resolutions 2, 3 and 4 are conditional upon the passing of Resolution 1. If Resolution 1 is not passed, Resolutions 2, 3 and 4 will not be proposed.**

All Shareholders are entitled to attend and vote at the Extraordinary General Meeting. In accordance with the Existing Articles, all Shareholders that are present in person or by proxy and are entitled to vote at the Extraordinary General Meeting shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each Ordinary Share held.

Quorum:

Normally, the quorum requirement for an extraordinary general meeting is two or more Shareholders present in person or by proxy. However, since there is currently only one class of shares in issue (that being the Ordinary Shares) and that the Extraordinary General Meeting will therefore also constitute a class meeting of the holders of Ordinary Shares at the same time, the quorum requirement for the Extraordinary General Meeting will instead be **two or more Shareholders representing one-third of the capital paid on the issued Ordinary Shares present in person or by proxy**, this being the higher quorum requirement for a class meeting of holders of a separate class of shares. In accordance with the Existing Articles, if within half an hour after the time appointed for the Extraordinary General Meeting a quorum is not present, the Extraordinary General Meeting shall stand adjourned to the same day in the next week (or if that day is a public holiday in Guernsey, to the next working day thereafter) at the same time and place and no notice of such adjournment need be given. At any such adjourned meeting, those members who are present in person or by proxy shall be a quorum. If no members are present at the adjourned Extraordinary General Meeting, such meeting shall be dissolved.

**10. Action to be taken: Extraordinary General Meeting**

Shareholders will find attached to this document a Form of Proxy for use at the Extraordinary General Meeting.

Shareholders are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon to the Company's Registrar, Capita Asset Services, or deliver it by hand during office hours only to the same address so as to be received as soon as possible and in any event by no later than 2.30 p.m. on 27 March 2017.

Shareholders are requested to complete and return a Form of Proxy whether or not they wish to attend the Extraordinary General Meeting. The return of a Form of Proxy will not prevent Shareholders from attending the Extraordinary General Meeting and voting in person should they so wish.

As an alternative to completing the enclosed Form of Proxy, CREST members can also appoint proxies by using the CREST electronic proxy appointment service and transmitting a CREST message in accordance with the procedures set out in the CREST Manual so that it is received by the Company's transfer agent (under CREST participant ID R033) by not later than 2.30 p.m. on 27 March 2017. The time of receipt will be taken to be the time from which the Company's transfer agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

**11. Action to be taken: Making an Election**

*(i) For those Shareholders wishing to extend the duration of their investment in the Company:*

Those Shareholders who wish to extend the duration of their investment in the Company beyond the planned end date of the Master Fund do not need to make an election. However, such Shareholders should vote in favour of the Resolutions. The Resolutions, if passed, will cause Ordinary Shares to be re-designated as 2017 Shares upon the Effective Date, unless and to the extent that an Election is received from a Shareholder to have their Ordinary Shares re-designated as 2014 Shares.

*(ii) For those Shareholders **not** wishing to extend the duration of their investment in the Company:*

Those Shareholders who do **not** wish to extend the duration of their investment to participate in Master Fund II **will need to make an express election** to have their existing Ordinary Shares re-designated as 2014 Shares upon the Effective Date. The 2014 Shares will continue to participate solely in the Master Fund.

Shareholders who do not make valid Elections shall be deemed to have agreed to the re-designation of all of their Ordinary Shares as 2017 Shares with effect from the Effective Date.

**Overseas Shareholders should however refer instead to the information under the heading "Overseas Shareholders" below in this paragraph 11.**

The following paragraphs set details on how to make an Election:

*(i) Shareholders holding Ordinary Shares in certificated form:*

A Form of Election (which has been personalised) accompanies this document for those Shareholders who hold their Ordinary Shares in certificated form. Those Shareholders who wish to

elect for 2014 Shares in respect of all or part of their shareholding should complete and return the Form of Election using the enclosed reply-paid envelope, by post or by hand (during normal business hours only) to the Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event so as to be received by not later than 2.30 p.m. on 27 March 2017.

Further Forms of Election are available on request by calling Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. to 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

Instructions on how to complete the Form of Election are set out in the guidance notes attached thereto. Elections, once made, will be irrevocable unless the consent of the Board is obtained.

*(ii) Shareholders holding Ordinary Shares in both certificated form and in CREST:*

If any Shareholders hold Ordinary Shares in both certificated and uncertificated form (that is, in CREST) and wish to elect for 2014 Shares, they should complete a Form of Election for their certificated holding and send a CREST Election Instruction for their CREST uncertificated holding.

*(iii) Shareholders holding Ordinary Shares in CREST:*

If your Ordinary Shares are held in uncertificated form (that is, in CREST) you will not receive and must not complete or return a Form of Election (if you choose to elect for 2014 Shares).

If you wish to have your Ordinary Shares re-designated as 2014 Shares, you should take (or procure to take) the action set out below to input a CREST Election Instruction (by means of a transfer to escrow) detailing the total number of Ordinary Shares that you wish to be re-designated as 2014 Shares, specifying the Receiving Agent (in its capacity as a CREST participant under the participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the CREST Election Instruction settles not later than 2.30 p.m. on 27 March 2017.

The input and settlement of a CREST Election Instruction in accordance with this paragraph (iii) shall constitute an Election to have such number of Ordinary Shares re-designated as 2014 Shares (an "**Electronic Election**").

If you are a CREST sponsored member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your Participant ID and the member account ID under which your Ordinary Shares are held. In addition, only your CREST sponsor will be able to send the CREST Election instruction to Euroclear in relation to your Ordinary Shares.

You should send (or, if you are a CREST sponsored member, procure that your CREST sponsor sends) a CREST Election Instruction to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications for transfers to escrow and which must contain, in addition to the other information that is required for the CREST Election Instruction to settle in CREST, the following details:

- the ISIN for the Ordinary Shares which is: GG00BYMJ6H15;
- the number of Ordinary Shares to be re-designated as 2014 Shares;
- your Member account ID;
- your Participant ID;
- the Participant ID of the escrow agent, the Receiving Agent, in its capacity as a CREST receiving agent. This is: RA10;
- the Member account ID of the escrow agent. This is: 29060FAI;
- the Corporate Action Number of the Election, which is allocated by Euroclear and is available by viewing the relevant corporate action detail, in CREST;
- the intended settlement date for the Election through CREST. This should be as soon as possible and in any event no later than 2.30 p.m. on 27 March 2017;
- the standard delivery instruction with Priority 80; and
- contact name and telephone number inserted in the shared note field.

After settlement of the CREST Election Instruction you will not be able to access the Ordinary Shares the subject of such CREST Election Instruction in CREST for any transaction or charging purposes, notwithstanding that they will be held by the Receiving Agent until they are cancelled and the re-designated 2014 Shares are credited to the originating CREST participant account or the Reorganisation Proposal otherwise lapses, in which case the CREST Election Instruction will be cancelled and the shares returned to the originating CREST participant account.

You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedures outlined above.

You should note that Euroclear does not make available special procedures, in CREST, for any particular corporate action. Normal system timings and limitations will therefore apply in connection with a CREST Election Instruction and its settlement. You should therefore ensure that all necessary action is taken by you (or by your CREST sponsor) to enable a CREST Election Instruction relating to your Ordinary Shares to settle prior to 2.30 p.m. on 27 March 2017. In this connection you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

An appropriate announcement will be made if any of the details contained in this sub-paragraph (iii) are altered in any material respect for any reason.

Withdrawals of Electronic Elections are not permitted once submitted.

*(iv) Despatch of new share certificates:*

Holders of share certificates in respect of Ordinary Shares will receive replacement certificates in respect of 2014 Shares and/or 2017 Shares (depending on whether and to the extent they make an Election). Replacement certificates are expected to be despatched in the week commencing 10 April 2017 to those Shareholders who currently hold their Ordinary Shares in certificated form. Existing certificates in respect of Ordinary Shares will cease to be of value for any purpose following the despatch of the replacement certificates.

*(v) Overseas Shareholders:*

Overseas laws and regulations may prevent Overseas Shareholders in certain jurisdictions outside the United Kingdom from being offered the opportunity to: (i) have their Ordinary Shares re-designated as 2017 Shares so in order to participate in the newly created Master Fund II; or (ii) make an Election, without compliance by the Company with certain filing, reporting, registration or other requirements. It is the responsibility of each Overseas Shareholder to satisfy himself that either (a) his Ordinary Shares may be re-designated as 2017 Shares or (b) he may make an Election, and that in doing so, he has complied with all relevant overseas filing, exchange control and other requirements and paid all taxes and fees which may be payable.

The opportunity for Ordinary Shares to be re-designated as 2017 Shares and the opportunity for making an Election are **not** being made in or into, or to Overseas Shareholders including for the avoidance of doubt those resident in, the United States, Canada, the Republic of South Africa, Australia or Japan or where the making of the above-mentioned opportunities would be prohibited by local law or regulation or require compliance by the Company with any filing, reporting, registration or other requirement. Instead, the Ordinary Shares held by an Overseas Shareholder will by default (and without needing to make an Election) be re-designated as 2014 Shares, i.e. their Ordinary Shares will continue to remain effectively invested solely in the existing Master Fund and will not participate in the newly created Master Fund II.

Notwithstanding any other provision of this document, the Company reserves the right to permit any Overseas Shareholder to participate in the opportunity to either have their Ordinary Shares re-designated as 2017 Shares or make an Election if the Directors, in their sole discretion, are satisfied at any time prior to 27 March 2017 that the transaction in question is exempt from, or not subject to, the legislation or regulations giving rise to the restrictions in question.

*(vi) Record Date and Dealings:*

The latest time and date for receipt of the Forms of Election or CREST Election Instructions is 2.30 p.m. on 27 March 2017. A holder of Ordinary Shares after this time will not be entitled to make an Election.

The Record Date, being the record time and date for determining which holders of Ordinary Shares are entitled to make an Election for the re-designation of their Ordinary Shares as 2014 Shares, is the close of business on 27 March 2017.

Ordinary Shares not subject to an Election and re-designated as 2017 Shares will trade under a new ISIN number (GG00BF00L342) but retain the same TIDM (FAIR).

Ordinary Shares subject to an Election and re-designated as 2014 Shares will trade under a new ISIN (GG00BF00L128) and TIDM (FA14).

The New ISINs will be enabled and available for transactions from and including the Effective Date.

**Up to and including the Record Date, Ordinary Shares will be traded under the existing ISIN and, as such, a purchaser of Ordinary Shares should confirm with the seller whether the Ordinary Shares being purchased have been subject to an Election. Absent such confirmation, the buyer would have a market claim for 2017 Shares on a one-for-one basis.**

If Ordinary Shareholders dispose of their Ordinary Shares otherwise than through the London Stock Exchange, they must make their own arrangements with the other parties concerned as regards entitlement under the Reorganisation Proposal.

## **12. Taxation**

### **(i) United Kingdom:**

A general summary of the UK tax consequences of a re-designation of the Ordinary Shares as 2014 Shares and as 2017 Shares is included in Part 3 of this document. The summary does not constitute tax advice and any Shareholder who is any doubt as to their tax position or as to the tax consequences of the re-designation of their shares should consult their own professional adviser.

### **(ii) Guernsey:**

A general summary of the Guernsey tax consequences of a re-designation of the Ordinary Shares as 2014 Shares and as 2017 Shares is included in Part 3 of this document. The summary does not constitute tax advice and any Shareholder who is any doubt as to their tax position or as to the tax consequences of the re-designation of their shares should consult their own professional adviser.

## **13. Certain considerations and risks relating to the Proposals**

The implementation of the Proposals carries with it certain considerations and risks for Shareholders as described below:

- (i) Shareholders will need to consider the tax consequences of the re-designation of their Ordinary Shares based on their particular circumstances. Please refer to paragraph 12 of Part 1 and the whole of Part 3 of this document for details relating to taxation.
- (ii) For those Shareholders wishing for their Ordinary Shares to be re-designated as 2017 Shares, please note there are risks in participating in an investment in the 2017 Shares and Master Fund II. You are advised to carefully consider the risk factors set out in the "Risk Factors" section of the Prospectus, in particular, those paragraphs relating to Master Fund II and to 2017 Shares issued pursuant to the Placing Programme.
- (iii) Holders of 2017 Shares will, from the Effective Date, continue to be exposed to the assets and liabilities of the Master Fund (indirectly through the Company's participation in Master Fund II, which will in turn hold a proportion of the interests in the Master Fund).
- (iv) For those Shareholders wishing for their Ordinary Shares to be re-designated as 2014 Shares, please note there are risks in participating in an investment in the 2014 Shares and the Master Fund. You are advised to carefully consider the risk factors set out in the "Risk Factors" section of the Prospectus, in particular, those paragraphs relating to the Company and the Company's investment in the Master Fund. Additionally, Shareholders should be aware of the following considerations and risks in respect of the 2014 Shares:
  - The 2014 Shares have an expected life to the planned end date of the Master Fund, being June 2019, but this duration may be extended for up to two additional consecutive one-year periods at the discretion of the General Partner.
  - The composition of the Master Fund's portfolio will be unchanged by the implementation of the Proposals. However, over time the Master Fund's portfolio will become less diversified as its investments are realised.

- It is expected that the 2014 Share class will represent a relatively small proportion of the Company's share capital and therefore the 2014 Shares are currently expected to benefit from lower levels of secondary market liquidity than the 2017 Shares.
- The 2014 Shares may also have a greater concentration of ownership than the 2017 Shares.

(v) All Shareholders (irrespective of whether you wish to remain solely invested in the Master Fund or to participate in Master Fund II) should carefully consider the risk factors set out in the "Risk Factors" section of the Prospectus.

**Shareholders who are in any doubt as to the contents of this document or as to the action to be taken should immediately seek their own personal financial advice from their independent professional adviser authorised under the Financial Services and Markets Act 2000.**

#### **14. Estimated Costs**

The Company will incur three categories of cost in connection with the Proposals:

- (i) Fixed costs
  - The Company will incur fixed costs in respect of the development and implementation of the Proposals and the Issue, including the preparation of this document;
  - These costs will be borne by the Ordinary Shares as a whole immediately prior to the implementation of the Reorganisation Proposal;
  - The Company estimates these costs at approximately US\$700,000, which represents 0.2 per cent. of the NAV per Ordinary Share as at the date of this document.
- (ii) Variable cost of the Proposals and the Issue
  - The Company will also incur variable costs in connection with the implementation of the Proposals and the Issue, which includes commission payable to Numis Securities Limited which will increase in line with the value of the Secondary Market Placing, the Ordinary Shares re-designated as 2017 Shares and any C Shares issued in connection with the Issue;
  - These costs will first be borne through any C Shares issued in connection with the Issue being priced at a premium to the initial NAV per C Share. To the extent that costs are not so borne, they will be borne by the 2017 Share class;
  - The Company estimates these variable costs will not exceed 0.3 per cent. of the initial NAV per 2017 Share (calculated as the NAV per Ordinary Share less the estimated of fixed costs set out above).
- (iii) Variable costs of the Placing Programme
  - The Company will also incur variable costs in connection with the implementation of the Placing Programme, which includes commission payable to Numis Securities Limited which will increase in line with the value of any 2017 Shares and/or C Shares issued in connection with the Placing Programme;
  - These costs will be borne through any 2017 Shares and/or C Shares issued in connection with the Placing Programme being priced at a premium to the then prevailing initial NAV per relevant share class.

For further details of these costs, please refer to the Prospectus.

#### **15. Documents available for inspection**

Copies of the following documents will be available for inspection on the Company's website [www.fairoaksincomefund.com](http://www.fairoaksincomefund.com) and will also be made available for inspection at the registered office of the Company at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR and at the offices of Stephenson Harwood LLP, 1 Finsbury Circus, London EC2M 7SH, both during normal business hours on any Business Day until the close of the Extraordinary General Meeting. The same documents will be available at the place of the Extraordinary General Meeting for at least 15 minutes prior to and until the conclusion of the Extraordinary General Meeting:

- (i) the Existing Articles;
- (ii) the New Articles (including a comparison document comparing against the Existing Articles);

- (iii) the audited accounts of the Company for the periods ended 31 December 2014 and 31 December 2015 and the unaudited interim reports and accounts of the Company for the 6 month periods ended 30 June 2015 and 30 June 2016; and
- (iv) the Prospectus.

#### **16. Recommendation**

The Board considers that the Proposals referred to in this document are in the best interests of the Company and its Shareholders as a whole. Accordingly the Board unanimously recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting (which also constitutes a class meeting of the holders of Ordinary Shares at the same time).

The Directors intend to vote in favour of the Resolutions in respect of their holdings of Ordinary Shares amounting to 38,787 Ordinary Shares in aggregate (representing approximately 0.0124 per cent. of the voting rights in the Company as at 7 March 2017 (being the latest practicable date prior to the publication of this document)) and do **not** intend to make an Election for the re-designation of their Ordinary Shares as 2014 Shares.

Yours faithfully

**Professor Claudio Albanese**  
(Chairman)

## PART 2 – NEW PROVISIONS IN THE PROPOSED NEW ARTICLES

The proposed share rights of the 2014 Shares, 2017 Shares and C Shares under the New Articles are set out below:

### 1. 2014 Shares:

- 1.1 *Dividends:* Holders of a class of 2014 Shares are entitled to receive, and participate in, any dividends or other distributions attributable to such class of 2014 Shares that are resolved to be distributed in respect of any accounting period or other period, provided that no calls or other sums due by them to the Company are outstanding.
- 1.2 *Rights as to capital:* On a winding up or a return of capital, the holders of 2014 Shares shall be entitled to the surplus assets of the Company attributable to the 2014 Shares that remain after payment of all the creditors of the Company. Such surplus assets shall be paid to the holders of 2014 Shares of each class *pro rata* to the net asset value of each class of 2014 Shares (as calculated under the New Articles).
- 1.3 *Voting:* Subject to any rights or restrictions attached to any 2014 Shares, at a general meeting of the Company, on a show of hands, every holder of 2014 Shares present in person or by proxy and entitled to vote shall have one vote, and on a poll every holder of 2014 Shares of a particular class present in person or by proxy shall have one vote for each 2014 Share of such class 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 class of 2014 Shares which may be subject to special conditions.
- 1.4 *Redemption:* the Company may, on at least 10 business days' notice to the relevant Shareholders, redeem all or a portion of any class of 2014 Shares as it shall determine at the relevant net asset value calculated in accordance with the New Articles. Any redemption of a class of 2014 Shares shall be paid out of the assets attributable to that class of 2014 Shares.

### 2. 2017 Shares:

- 2.1 *Dividends:* Holders of a class of 2017 Shares are entitled to receive, and participate in, any dividends or other distributions attributable to such class of 2017 Shares that are resolved to be distributed in respect of any accounting period or other period, provided that no calls or other sums due by them to the Company are outstanding.
- 2.2 *Rights as to capital:* On a winding up or a return of capital, the holders of 2017 Shares shall be entitled to the surplus assets of the Company attributable to the 2017 Shares that remain after payment of all the creditors of the Company. Such surplus assets shall be paid to the holders of 2017 Shares of each class *pro rata* to the net asset value of each class of 2017 Shares (as calculated under the New Articles).
- 2.3 *Voting:* Subject to any rights or restrictions attached to any 2017 Shares, at a general meeting of the Company, on a show of hands, every holder of 2017 Shares present in person or by proxy and entitled to vote shall have one vote, and on a poll every holder of 2017 Shares of a particular class present in person or by proxy shall have one vote for each 2017 Share of such class 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 class of 2017 Shares which may be subject to special conditions.
- 2.4 *Redemption:* the Company may, on at least 10 business days' notice to the relevant Shareholders, redeem all or a portion of any class of 2017 Shares as it shall determine at the relevant net asset value calculated in accordance with the New Articles. Any redemption of a class of 2017 Shares shall be paid out of the assets attributable to that class of 2017 Shares.

### 3. C Shares:

- 3.1 The rights and restrictions attaching to each class or tranche of the C Shares and the New 2017 Shares arising on their conversion are summarised in this paragraph 3.

3.2 The following definitions apply for the purposes of this paragraph 3 only:

- 3.2.1 **2014 Share Surplus** means the net assets of the Company attributable to each class of 2014 Shares (as determined by the Directors) at the date of winding up or other return of capital;
- 3.2.2 **“2017 Share Surplus”** means the net assets of the Company attributable to each class of 2017 Shares (as determined by the Directors) at the date of winding up or other return of capital;
- 3.2.3 **“Back Stop Date”** such date as determined by the Directors and set out in the Specified Conversion Criteria;
- 3.2.4 **“C Share Surplus”** means in relation to any class or tranche of C Shares, the net assets of the Company attributable to that class or tranche of C Shares (as determined by the Directors) at the date of winding up or other distribution or return of capital);
- 3.2.5 **“Calculation Time”** means the earliest of the:
  - (a) close of business on the last Business Day prior to the day on which Force Majeure Circumstances have arisen or the Directors resolve that they are in contemplation;
  - (b) the close of business on such date as the Directors may decide is necessary to enable the Company to comply with its obligations in respect of the Conversion of that class or tranche of C Shares;
  - (c) the close of business on the Back Stop Date for the relevant class or tranche of C Shares; and
  - (d) the close of business on such date as the Directors may determine, provided that the Directors shall, in their discretion, have resolved that the Early Investment Condition of the relevant class or tranche of C Shares has been satisfied and that the relevant class or tranche of C Shares shall be converted;
- 3.2.6 **“Conversion”** means in relation to any class or tranche of C Shares, conversion of that class or tranche of C Shares in accordance with the New Articles;
- 3.2.7 **“Conversion Ratio”** means, in relation to each class or tranche of C Shares, A divided by B calculated to four decimal places (with 0.00005 being rounded upwards) where:

$$A = \frac{(C - D)}{E}$$

and

$$B = \frac{(F - G)}{H}$$

Where:

**C** is the aggregate value of all assets and investments of the Company attributable to the relevant class or tranche of C Shares (as determined by the Directors) at the relevant Calculation Time calculated in accordance with the valuation policy adopted by the Directors from time to time;

**D** is the amount which (to the extent not otherwise deducted in the calculation of C) in the Directors' opinion fairly reflects at the relevant Calculation Time the amount of the liabilities and expenses of the Company attributable to the C Shares of the relevant class or tranche (as determined by the Directors);

**E** is the number of the C Shares of the relevant class or tranche in issue as at the relevant Calculation Time;

**F** is the aggregate value of all assets and investments attributable to the 2017 Shares (as determined by the Directors) at the relevant Calculation Time calculated in accordance with the valuation policy adopted by the Directors from time to time;

**G** is the amount which (to the extent not otherwise deducted in the calculation of F) in the Directors' opinion, fairly reflects at the relevant Calculation Time the amount of the liabilities and expenses of the Company attributable to the 2017 Shares; and

**H** is the number of 2017 Shares in issue as at the relevant Calculation Time;

Provided always that:

- (a) the Directors shall be entitled to make such adjustments to the value or amount of A or B as they believe to be appropriate having regard to, among other things, the assets of the Company immediately prior to the Issue Date or the Calculation Time or to the reasons for the issue of the C Shares of the relevant class or tranche;
- (b) in relation to any class or tranche of C Shares, the Directors may, as part of the terms of issue of such class or tranche, amend the definition of Conversion Ratio in relation to that class or tranche; and
- (c) where valuations are to be made as at the Calculation Time and the Calculation Time is not a Business Day, the Directors shall apply the provisions of this definition as if the Calculation Time were the preceding Business Day.

3.2.8 **"Conversion Time"** means a time following the Calculation Time, being the opening of business in London on such Business Day as may be selected by the Directors and falling not more than 20 Business Days after the Calculation Time;

3.2.9 **"Early Investment Condition"** any such condition specified in the Specified Conversion Criteria;

3.2.10 **"Force Majeure Circumstances"** in relation to any class or tranche of C Shares:

- (a) any political or economic circumstances or actual or anticipated changes in fiscal or other legislation which, in the opinion of the Directors, renders Conversion necessary or desirable;
- (b) the issue of any proceedings challenging, or seeking to challenge the power of the Company or its Directors to issue the C Shares of that class or tranche with the rights proposed to be attached to them or to the persons to whom they are, or the terms on which they are, proposed to be issued; or
- (c) the convening of any general meeting of the Company at which a resolution is to be proposed to wind up the Company;

3.2.11 **"Issue Date"** in relation to any class or tranche of C Shares, the date on which the admission of the C Shares first becomes effective or such other date as the Directors may determine;

3.2.12 **"New 2017 Shares"** means the new 2017 Shares arising upon the Conversion of the C Shares in accordance with the New Articles;

3.2.13 **"RIS"** a regulatory information service that is approved by the FCA as meeting the primary information provider criteria and that is on the list of regulatory information service providers maintained by the FCA; and

3.2.14 **"Specified Conversion Criteria"** in respect of any issue of any class or tranche C Shares, such criteria as determined by the Directors announced by the Company through a RIS, setting out, among other matters, the Back Stop Date and the Early Investment Condition.

3.2.15 Reference to 2017 Shareholders and C Shareholders should be construed as references to holders for the time being of 2017 Shares and C Shares respectively.

3.3 The Directors are authorised, pursuant to the New Articles, to issue C Shares of such classes or tranches as they may determine and with C Shares of each such class or tranche being convertible into New 2017 Shares.

3.4 The Directors shall, on the issue of each class or tranche of C Shares, be entitled to effect any amendments to the definition of Conversion Ratio attributable to each such class or tranche.

3.5 *Issues of C Shares:* Subject to the Law, the Directors shall be authorised to issue C Shares (in one or more classes or tranches) on such terms as they determine provided that such terms are consistent with provisions contained in this paragraph 3. The Directors shall, on the issue of each class or tranche of C Shares, determine the Calculation Time and Conversion Time together with any amendments to the definition of "Conversion Ratio" attributable to each such class or tranche. Each class or tranche of C Shares, if in issue at the same time, shall be deemed to be a separate class or tranche of shares. The Directors may, if they so decide, designate each class or tranche of C Shares in such manner as they see fit in order that each class or tranche of C Shares can be identified.

3.6 *Dividends and pari passu ranking of C Shares and New 2017 Shares:* The holders of C Share(s) of a class or tranche shall be entitled to receive, and participate in, any dividends declared only insofar as such dividend is attributed, at the sole discretion of the Directors, to the C Share Surplus of that class or tranche. If any dividend is declared after the issue of any class or tranche of C Shares and prior to the Conversion of that class or tranche, the holders of 2017 Shares shall be entitled to receive and participate in such dividend only insofar as such dividend is not attributed, at the sole discretion of the Directors, to the C Share Surplus of the relevant class or tranche of C Shares. The New 2017 Shares shall rank in full for all dividends and other distributions declared, made or paid after the Conversion Time and otherwise *pari passu* with the 2017 Shares in issue at the Conversion Time.

3.7 *Rights as to capital:* The capital and assets of the Company shall, on a winding up or on a return of capital prior, in each case, to Conversion be applied as follows:

- 3.7.1 the 2014 Share Surplus shall be divided amongst the holders of 2014 Shares of the relevant class according to the rights attaching thereto as if the 2014 Share Surplus comprised the assets of the Company available for distribution;
- 3.7.2 the 2017 Share Surplus shall be divided amongst the holders of 2017 Shares of the relevant class according to the rights attaching thereto as if the 2017 Share Surplus comprised the assets of the Company available for distribution; and
- 3.7.3 the C Share Surplus attributable to each class or tranche of C Shares shall be divided amongst the holders of such class or tranche *pro rata* according to their holdings of C Shares of that class or tranche.

3.8 *Voting and transfer:* The C Shares shall carry the right to receive notice of, and to attend or vote at, any general meeting of the Company in the same manner as the 2017 Shares (notwithstanding any difference in the respective net asset values (as calculated under the Articles) of the C Shares and 2017 Shares). The C Shares shall be transferable in the same manner as the 2017 Shares.

3.9 *Redemption:* The C Shares are issued on terms that each class or tranche of C Shares shall be redeemable by the Company in accordance with the terms set out in the New Articles. At any time prior to Conversion, the Company may, at its discretion, redeem all or any of the C Shares then in issue by agreement with any holder(s) thereof in accordance with such procedures as the Directors may determine (subject to the facilities and procedures of CREST) and in consideration of the payment of such redemption price as may be agreed between the Company and the relevant holders of C Share(s).

3.10 *Class consents and variation of rights:* Without prejudice to the generality of the New Articles, for so long as any C Shares are in issue, until Conversion of all such C Shares it shall be a special right attaching both to the existing 2017 Shares and to the C Shares as separate classes that save that with the sanction or consent of such holders given in accordance with the New Articles that:

- 3.10.1 no alteration shall be made to the New Articles of the Company; and
- 3.10.2 no resolution of the Company shall be passed to wind up the Company.

For the avoidance of doubt but subject to the rights or privileges attached to any other class of shares, the previous sanction of a special resolution of the holders of 2017 Shares and/or C Shares shall not be required in respect of:

- 3.10.3 the issue of further 2017 Shares ranking *pari passu* in all respects with the 2017 Shares, or

3.10.4 the sale of any shares held as treasury shares or the purchase of any shares by the Company (whether or not such shares are to be held as treasury shares).

3.11 *Undertakings:* Until Conversion, and without prejudice to its obligations under the Law, the Company shall in relation to each class or tranche of C Shares:

3.11.1 procure that the Company's records and bank accounts shall be operated so that the assets attributable to the relevant class or tranche of C Shares can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall procure that separate cash accounts, broker settlement accounts and investment ledger accounts shall be created and maintained in the books of the Company for the assets attributable to each class or tranche of C Shares; and

3.11.2 allocate to the class account assets attributable to each class or tranche of C Shares any expense, asset, profit, gain, income, loss or liability relating to the assets attributable to such class or tranche (or, where such expenses, asset, profit, gain, income, loss or liability is not attributable to a specific class or tranche, such proportion as the Directors determine shall be allocated to the relevant class or tranche of C Shares).

3.12 *Conversion:* In relation to each class or tranche of C Shares, the C Shares shall be converted into New 2017 Shares at the Conversion Time in accordance with the following provisions of this paragraph. The Directors shall procure that:

3.12.1 within twenty Business Days after the Calculation Time, the Company (or its delegate) shall calculate the Conversion Ratio as at the Calculation Time and the number of New 2017 Shares to which each holder of C Shares of that class or tranche shall be entitled on Conversion; and

3.12.2 the Company's auditor may, if the Directors consider it appropriate, be requested to certify that such calculations:

- have been performed in accordance with the New Articles; and
- are arithmetically accurate,

whereupon, subject to the proviso in the definition of Conversion Ratio in the New Articles, such calculations shall become final and binding on the Company and all Shareholders.

The Directors shall procure that, as soon as practicable following such certification, an announcement is made to a RIS, advising holders of C Share(s) of that class or tranche, of the Conversion Time, the Conversion Ratio and the aggregate number of New 2017 Shares to which holders of C Share(s) of that class or tranche are entitled on Conversion.

Conversion shall take place at the Conversion Time. On Conversion:

3.12.3 each issued C Share of the relevant class or tranche shall automatically convert into such number of New 2017 Shares as shall be necessary to ensure that, upon Conversion being completed, the aggregate number of C Shares which are converted into New 2017 Shares equals the aggregate number of C Shares of that class or tranche in issue at the Calculation Time multiplied by the Conversion Ratio (rounded down to the nearest whole New 2017 Share);

3.12.4 the New 2017 Shares arising upon Conversion shall be divided amongst the former holders of C Share(s) *pro rata* according to their respective former holdings of C Shares of the relevant class or tranche (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to New 2017 Shares, including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company) and for such purposes any Director is authorised as agent on behalf of the former holders of C Share(s), in the case of a share in certificated form, to execute any stock transfer form and to do any other act or thing as may be required to give effect to the same including, in the case of a share in uncertificated form, the giving of directions to or on behalf of the former holders of any C Shares who shall be bound by them; and

3.12.5 any certificates relating to the C Shares of the relevant class or tranche shall be cancelled and the Company shall issue to each such former C Shareholder new certificates in respect of the New 2017 Shares which have arisen upon Conversion unless such former holder of any C Shares elects to hold his New 2017 Shares in uncertificated form.

The delaying of the date on which the Continuation Resolution is to be proposed is set out in the New Articles as follows:

**4. Duration of the Company:**

During 2024 but on or before 12 June 2024, being around the planned end date of Master Fund II, the Company shall propose to Shareholders an ordinary resolution that the Company continues as a Registered Closed-ended Collective Investment Scheme. If this continuation resolution is passed by Shareholders, a further continuation resolution will be required to be proposed every two years thereafter. If the continuation resolution is not passed, the Board will be required to draw up proposals for the voluntary liquidation of the Company, with such liquidation proposals being submitted to the Members as a special resolution at an extraordinary general meeting to be convened by the Board for a date not more than ninety (90) days after the date of the extraordinary general meeting at which the continuation resolution was not passed.

**5. Other Changes:**

- 5.1 Following a change of Guernsey company law with effect from 22 July 2016, the Company is no longer required by law to limit the amount of shares that can be held in treasury to 10% of the total number of shares of the relevant class of shares in issue and the Company can now hold up to 100% of issued shares of a class in treasury. To maintain flexibility, the New Articles will apply this new limit.
- 5.2 Currently, all or any of the rights at the relevant time attached to any class or group of shares in the Company may only be varied with the consent in writing of the holders of not less than seventy-five per cent in value of the issued shares of the class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the relevant class. The New Articles retain this provision, but the quorum requirements for that separate class meeting are being amended so that they are aligned with the quorum requirements for general meetings. The New Articles remove the current quorum requirement for these separate class meetings (being shareholders of the class or group affected holding or representing by proxy at least one third in number of the capital paid on the issued shares of the class in question) and, by applying quorum requirements for general meetings, replace this with a quorum requirement of two shareholders present in person or by proxy. The quorum requirements for adjourned separate class meetings (being those relevant shareholders who are present) shall remain the same.
- 5.3 It should be noted that the above are summaries of the principal changes to the New Articles. Certain consequential changes arising from the above changes are also made to the New Articles.

## PART 3 – TAXATION

The following information is a general summary of the United Kingdom and Guernsey tax consequences of a re-designation of the Ordinary Shares as 2014 Shares and as 2017 Shares. The following summary is applicable to the Company and certain types of investors.

Shareholders should note that the statements below are of an anticipated general nature and are based on what is understood to be current tax law and current published tax authority practice, as of the date of this document, both of which are subject to change, possibly with retrospective effect.

The summary does not constitute legal, tax or investment advice and is not exhaustive and if any Shareholder who is any doubt as to their tax position or as to the tax consequences of the re-designation of their Ordinary Shares should consult their own professional adviser.

### **United Kingdom:**

The following paragraphs are intended only as a general and non-exhaustive guide to certain aspects of the Reorganisation Proposal and are based on current law and HM Revenue & Customs (“HMRC”) published practice as at the date of this document, both of which are subject to change (possibly with retrospective effect). They are of a general nature, do not constitute tax advice and apply only to Shareholders who are resident (and, in the case of individuals, domiciled) in the UK for UK tax purposes, who are the absolute beneficial owners of their shares in the Company and who hold their shares as an investment. They may not apply to certain classes of Shareholders including (but not limited to) dealers in securities, charities, registered pension schemes, collective investment schemes, persons who acquired their shares in the Company by reason of any office or employment or persons who acquired, hold or dispose of their shares otherwise than for *bona fide* commercial purposes or as part of arrangements to obtain a tax advantage.

Shareholders who are resident or domiciled for tax purposes in a jurisdiction other than the UK, or who are unsure about any aspect of their tax treatment, should consult their own professional tax advisers without delay.

For the purposes of this Part 3, references to “**Re-designated Shares**” are to the 2014 Shares and the 2017 Shares.

### **Status of the Company – offshore fund and bond fund rules**

The Directors consider the Company to be an “offshore fund” for the purposes of UK Offshore Fund Rules. The Company has obtained approval from HM Revenue & Customs to treat the Ordinary Shares as a “reporting fund” for these purposes.

Given the nature of its investments, the Company is also considered to be a “bond fund” for the purposes of UK taxation. In this regard, Shareholders are referred to Chapter 3 of Part 6 CTA 2009 and Section 378A ITTOIA 2005. Broadly, an offshore fund is treated as a bond fund if, at any time in an accounting period, more than 60 per cent. of the assets attributable to it are “qualifying investments”. For these purposes “qualifying investments” include securities and certain other interest-bearing or economically similar investments.

In the event that, pursuant to the Reorganisation Proposal, existing Ordinary Shares are to be re-designated as 2014 Shares and 2017 Shares the Company intends to apply to HMRC for approval of the Re-designated Shares as reporting offshore funds. It should be noted that each class of shares would be treated as a separate offshore fund for the purposes of the UK Offshore Fund Rules.

The statements below assume that each class of the Company’s shares (including the existing Ordinary Shares and the Re-designated Shares) constitutes an offshore fund approved by HMRC as a reporting fund. The statements also assume that each such class of shares would be treated as a “bond fund”. It cannot be guaranteed that this treatment will be obtained or, as the case may be, maintained. Any Shareholder who has any doubt as to the effect of any class of shares being treated (or not being treated) as such should consult an appropriate professional adviser.

Any Shareholder who is in any doubt as to the tax consequences of holding an interest in a reporting offshore fund which constitutes a bond fund, including the tax treatment of reported income, should consult their own professional advisers without delay.

## **The re-designation of Ordinary Shares**

### *UK resident individuals*

A re-designation of Ordinary Shares pursuant to the Reorganisation Proposal should be treated for the purposes of UK capital gains tax as a reorganisation of the share capital of the Company.

Accordingly, Shareholders should not be treated as having disposed of their Ordinary Shares as a result of, and no liability to UK tax on chargeable gains (or an “offshore income gain” under the UK Offshore Fund Rules) should arise as a result of, the re-designation. Instead, the Re-designated Shares should for the purposes of capital gains tax be treated as the same asset acquired at the same time and for the same consideration as the relevant Ordinary Shares.

### *Shareholders within the charge to corporation tax*

For Shareholders within the charge to corporation tax, the Ordinary Shares and, following the re-designation, the Re-designated Shares would (for each accounting period of the Shareholder during which such shares have at any time been a bond fund) be treated as if they were a creditor relationship under the “loan relationships regime”. For these purposes, the credits and debits to be brought into account would fall to be determined on the basis of fair value accounting, and the Shareholder would be taxed (or obtain relief from tax) in accordance with such accounting treatment.

## **Stamp duty and Stamp Duty Reserve Tax (“SDRT”)**

No UK stamp duty or SDRT will be payable by a Shareholder in connection with the Reorganisation Proposal.

### **Guernsey:**

#### *The Company*

There should be no Guernsey tax consequences for the Company arising from the re-designation of Ordinary Shares into either 2014 Shares or 2017 Shares.

#### *The Shareholders*

There should be no Guernsey tax consequences for Shareholders arising from the re-designation of Ordinary Shares into either 2014 Shares or 2017 Shares.

#### *FATCA – US-Guernsey Intergovernmental Agreement*

On 13 December 2013 the Chief Minister of Guernsey signed an intergovernmental agreement with the United States (“**US-Guernsey IGA**”) regarding the implementation of FATCA. Under FATCA and legislation enacted in Guernsey to implement the US-Guernsey IGA, certain disclosure requirements will be imposed in respect of certain Shareholders who are, or are entities that are controlled by one or more natural persons who are, residents or citizens of the United States, unless a relevant exemption applies. Certain due diligence obligations will also be imposed. Where applicable, information that will need to be disclosed will include certain information about Shareholders, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company, whether such investment is made by way of, or returns relate to, 2014 Shares or 2017 Shares. The Company will be required to report this information each year in the prescribed format and manner as per local guidance.

Under the terms of the US-Guernsey IGA, Guernsey resident financial institutions that comply with the due diligence and reporting requirements of Guernsey’s domestic legislation will be treated as compliant with FATCA and, as a result, should not be subject to FATCA withholding on payments they receive and should not be required to withhold under FATCA on payments they make. If the Company does not comply with these obligations, it may be subject to a FATCA deduction on certain payments to it of US source income (including interest and dividends) and (from 1 January 2019) proceeds from the sale of property that could give rise to US source interest or dividends. The US-Guernsey IGA is implemented through Guernsey’s domestic legislation in accordance with guidance that is published in draft form.

Under the US-Guernsey IGA and Guernsey’s implementation of that agreement, securities that are “regularly traded” on an established securities market, such as the SFS, are not considered financial accounts and are not subject to reporting. For these purposes, 2014 Shares and/or 2017 Shares will be considered “regularly traded” if there is a meaningful volume of trading with respect to the 2014 Shares or, as the case may be, the 2017 Shares, on an on-going basis.

Notwithstanding the foregoing, a 2014 Share or, as the case may be, a 2017 Share, will not be considered “regularly traded” and will be considered a financial account if the holder of that 2014 Share/2017 Share (other than a financial institution acting as an intermediary) is registered as the holder of that 2014 Share/2017 Share on the Company’s share register. Such Shareholders will be required to provide information to the Company to allow the Company to satisfy its obligations under FATCA, although it is expected that whilst a 2014 Share/2017 Share is held in uncertificated form through CREST, the holder of that 2014 Share/2017 Share will likely be a financial institution acting as an intermediary. Additionally, even if the 2014 Shares/2017 Shares are considered regularly traded on an established securities market, Shareholders that own their 2014 Shares/2017 Shares through financial intermediaries may be required to provide information to such financial intermediaries in order to allow the financial intermediaries to satisfy their obligations under FATCA. Notwithstanding the foregoing, the relevant rules under FATCA may change and, even if the 2014 Share/2017 Share are considered regularly traded on an established securities market, Shareholders may, in the future, be required to provide information to the Company in order to allow the Company to satisfy its obligations under FATCA.

#### *Common Reporting Standard*

On 13 February 2014, the OECD released the “Common Reporting Standard” (“**CRS**”) designed to create a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. On 29 October 2014, fifty-one jurisdictions signed the multilateral competent authority agreement (“**Multilateral Agreement**”) that activates this automatic exchange of FATCA-like information in line with the CRS. Since then further jurisdictions have signed the Multilateral Agreement and in total over 100 jurisdictions have committed to adopting the CRS. Many of these jurisdictions have now adopted the CRS with effect from either 1 January 2016 or 1 January 2017.

Early adopters who signed the Multilateral Agreement (including Guernsey) have pledged to work towards the first information exchanges taking place by September 2017. Others are expected to follow with information exchange starting in 2018.

Under the CRS and legislation enacted in Guernsey to implement the CRS with effect from 1 January 2016, certain disclosure requirements will be imposed in respect of certain Shareholders who are, or are entities that are controlled by one or more natural persons who are, residents of any of the jurisdictions that have also adopted the CRS, unless a relevant exemption applies. Certain due diligence obligations will also be imposed. Where applicable, information that would need to be disclosed will include certain information about Shareholders, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company, whether such investment is made by way of, or returns relate to, 2014 Shares or 2017 Shares. The Company will be required to report this information each year in the prescribed format and manner as per local guidance. The CRS is implemented through Guernsey’s domestic legislation in accordance with guidance that is published in draft form and which is supplemented by guidance issued by the OECD.

Under the CRS, there is currently no reporting exemption for securities that are “regularly traded” on an established securities market, although it is expected that whilst a 2014 Share/2017 Share is held in uncertificated form through CREST, the holder of that 2014 Share/2017 Share will likely be a financial institution acting as an intermediary. Shareholders that own the Shares through a financial intermediary may be required to provide information to such financial intermediary in order to allow the financial intermediary to satisfy its obligations under the CRS.

All prospective investors should consult with their own tax advisers regarding the possible implications of FATCA, the CRS and any other similar legislation and/or regulations on their investment in the Company.

If the Company fails to comply with any due diligence and/or reporting requirements under Guernsey legislation implementing the US-Guernsey IGA and/or the CRS then the Company could be subject to (in the case of the US-Guernsey IGA) US withholding tax on certain US source payments, and (in all cases) the imposition of financial penalties introduced pursuant to the relevant implementing regulations in Guernsey. Whilst the Company will seek to satisfy their obligations under the US-Guernsey IGA and the CRS and associated implementing legislation in Guernsey to avoid the imposition of any financial penalties under Guernsey law, the ability of the Company to satisfy such obligations will depend on receiving relevant information and/or documentation about each Shareholder and the direct and indirect beneficial owners of the

Shareholders (if any). There can be no assurance that the Company will be able to satisfy such obligations.

*Request for Information*

The Company reserves the right to request from any Shareholder such information as the Company deems necessary to comply with FATCA and the CRS.

## PART 4 – DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

<b>“2014 Shares”</b>	the ordinary shares of no par value each in the capital of the Company designated as “2014 shares”
<b>“2017 Shares”</b>	the ordinary shares of no par value each in the capital of the Company designated as “2017 shares”
<b>“2018 AGM Date”</b>	the date on which the Company’s annual general meeting of 2018 is held
<b>“Admission”</b>	the admission of shares to trading on the SFS
<b>“AIFMD”</b>	the Directive on Alternative Investment Fund Managers (2011/61/EU) adopted by the European Commission on 11 November 2010
<b>“Business Day”</b>	a day which is not a Saturday, Sunday or public holiday in Guernsey
<b>“C Shares”</b>	the C shares of no par value each in the capital of the Company
<b>“Capita Asset Services”</b>	a trading name of Capita Registrars Limited
<b>“certificated” or “in certificated form”</b>	not in uncertificated form
<b>“CLO”</b>	collateralised loan obligation
<b>“Company”</b>	Fair Oaks Income Fund Limited, a company incorporated in Guernsey with registered number 58123 and registered as a Registered Closed-ended Collective Investment Scheme with the Guernsey Financial Services Commission
<b>“Continuation Resolution”</b>	shall have the meaning given to it in Article 45 of the Existing Articles
<b>“Contribution Agreement”</b>	the contribution agreement dated 9 March 2017 entered into between the Company, the Master Fund (acting by its General Partner) and Master Fund II (acting by its General Partner) and the General Partner
<b>“CREST”</b>	the relevant system as defined in the CREST Regulations in respect of which Euroclear is the operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form
<b>“CREST Election Instruction”</b>	an instruction via CREST to make an Election for 2014 Shares
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
<b>“CRS”</b>	the OECD’s “Common Reporting Standard”
<b>“CTA 2009”</b>	the UK’s Corporation Tax Act 2009
<b>“Directors” or “Board”</b>	the directors of the Company, whose names appear on page 5 of Part 1 of this document
<b>“Effective Date”</b>	5 April 2017 (this being also the date on which the Admission of the re-designated 2017 Shares occurs)
<b>“Election”</b>	an election for existing Ordinary Shares to be re-designated as 2014 Shares, as contemplated under this document
<b>“European Union”</b>	the European Union first established by the treaty made at Maastricht on 7 February 1992, as constituted from time to time
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited
<b>“Excluded Shareholders”</b>	those Overseas Shareholders to whom the opportunity to (i) have their Ordinary Shares re-designated as 2017 Shares or (ii) make an Election cannot be made for legal or regulatory reasons

<b>“Existing Articles”</b>	the Company’s articles of incorporation existing as at the date of this document
<b>“Extraordinary General Meeting”</b>	the extraordinary general meeting of the Company (which also constitutes a class meeting of the holders of Ordinary Shares) convened for 2.30 p.m. on 29 March 2017, or any adjournment thereof
<b>“FATCA”</b>	the US Foreign Account Tax Compliance Act
<b>“FCA”</b>	the Financial Conduct Authority
<b>“FCA Rules”</b>	the rules or regulations issued or promulgated by the FCA from time to time and for the time being in force (as varied by any waiver or modification granted, or guidance given, by the FCA)
<b>“Form of Election”</b>	the form of election for making an express Election for re-designation of Ordinary Shares as 2014 Shares
<b>“Form of Proxy”</b>	the form of proxy attached to this document for use at the Extraordinary General Meeting (which also constitutes a class meeting of the holders of Ordinary Shares)
<b>“General Partner”</b>	Fair Oaks Income Fund (GP) Limited, acting as general partner of the Master Fund and Master Fund II
<b>“Guernsey”</b>	the Island of Guernsey
<b>“Initial Issue Price”</b>	US\$1.00
<b>“Investment Adviser”</b>	Fair Oaks Capital Limited, a company incorporated in England and Wales with registered number 08260598 whose registered office is at 67-68 Jermyn Street, London SW1Y 6NY
<b>“Investment Policy”</b>	the investment policy of the Company as at the date of this document
<b>“Issue”</b>	the First Placing and Offer for Subscription and <b>“First Placing”</b> means the conditional placing of up to 200 million C Shares to placees procured by Numis Securities Limited as contemplated in the Prospectus and <b>“Offer for Subscription”</b> means the offer for subscription of C Shares as contemplated in the Prospectus
<b>“ITTOIA 2005”</b>	the UK’s Income Tax (Trading and Other Income) Act 2005
<b>“the Law”</b>	the Companies (Guernsey) Law, 2008
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Master Fund”</b>	FOIF LP, a Guernsey limited partnership established and registered in Guernsey as a limited partnership on 7 May 2014 with registered number 2099
<b>“Master Funds”</b>	the Master Fund and Master Fund II
<b>“Master Fund II”</b>	FOMC II LP, a Guernsey limited partnership established and registered in Guernsey as a limited partnership on 24 February 2017 (registration number 2782)
<b>“MF II Partnership Agreement”</b>	the amended and restated partnership agreement dated 9 March 2017 relating to Master Fund II and made between Fair Oaks Founder II LP and the General Partner and to which the Company has become a party
<b>“Name Change Proposal”</b>	the proposal to change the name of the Company, as set out in paragraph 5 of Part 1 of this document
<b>“Net Asset Value” or “NAV”</b>	the value of the assets of the Company less its liabilities (including accrued but unpaid fees), or, where relevant, the assets attributable to a class of share less the liabilities attributable to that class of share (including accrued but unpaid fees), in each case determined (by the Directors in their absolute

	discretion) in accordance with the accounting principles adopted by the Company from time to time
<b>“New Articles”</b>	the new articles of incorporation of the Company proposed to be adopted pursuant to Resolution 1 to be proposed at the Extraordinary General Meeting
<b>“non-EU AIF”</b>	has the meaning given to it in the AIFMD
<b>“OECD”</b>	the Organisation for Economic Co-operation and Development
<b>“Official List”</b>	the Official List of the UK Listing Authority
<b>“Ordinary Shares”</b>	the ordinary shares of no par value each in the capital of the Company
<b>“Overseas Shareholders”</b>	the holders of Ordinary Shares who are resident in or ordinarily resident in or citizens of jurisdictions outside the United Kingdom
<b>“Partnership Agreement”</b>	the amended and restated partnership agreement dated 15 May 2014 relating to the Master Fund and made between Fair Oaks Founder LP and the General Partner and to which the Company has become a party
<b>“Placing Programme”</b>	the programme pursuant to which C Shares and/or 2017 Shares will be issued as described in the Prospectus
<b>“Proposals”</b>	The Reorganisation Proposal and the Share Issue Proposal
<b>“Prospectus”</b>	the prospectus published by the Company on the same date as the date of this document relating to the Issue and Placing Programme
<b>“Qualifying Short Term Investments”</b>	cash or cash equivalents, government or public securities (as defined in the FCA Rules) money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a “single A” (or equivalent) or higher credit rating as determined by any internationally recognised rating agency selected by the Board (which may or may not be registered in the European Union)
<b>“Record Date”</b>	the record time and date for determining which holders of Ordinary Shares are entitled to make an Election for the re-designation of their Ordinary Shares as 2014 Shares, being the close of business on 27 March 2017
<b>“Reorganisation Proposal”</b>	the proposal for a reorganisation of the Company’s share capital described in this document
<b>“Resolutions”</b>	the resolutions to be proposed at the Extraordinary General Meeting as set out in the notice of Extraordinary General Meeting at the end of this document
<b>“Revised Investment Policy”</b>	the revised investment policy of the Company following implementation of the Reorganisation Proposal
<b>“Secondary Market Placing”</b>	the cash placing by Numis Securities Limited of shares in the secondary market as described in the paragraph headed “Secondary Market Placing” in paragraph 2 of Part 1 of this document
<b>“SFS”</b>	the Specialist Fund Segment of the Main Market of the London Stock Exchange
<b>“Share Issue Proposal”</b>	the proposal for the Issue described in this document
<b>“Shareholders”</b>	the holders of Ordinary Shares in the Company
<b>“uncertificated” or “in uncertificated form”</b>	a Share recorded on the register of members of the Company as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST

<b>“UK Listing Authority”</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of the UK Financial Services and Markets Act 2000 (as amended)
<b>“UK Offshore Fund Rules”</b>	UK tax legislation, including related regulations, relating to the taxation of participants in “offshore funds” as defined in Part 8 of the Taxation (International and Other Provisions) Act 2010
<b>“United Kingdom” or “UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### Fair Oaks Income Fund Limited

*(Incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered number 58123 and registered as a Registered Closed-ended Collective Investment Scheme with the Guernsey Financial Services Commission)*

Notice is hereby given that an extraordinary general meeting of Fair Oaks Income Fund Limited (the “**Company**”), which also constitutes a class meeting of the holders of ordinary shares in the capital of the Company, will be held at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR on 29 March 2017 at 2.30 p.m. to consider and, if thought fit, approve Resolutions 1, 2, 3 and 4. Resolutions 1, 2 and 4 will be proposed as special resolutions. Resolution 3 will be proposed as an extraordinary resolution.

**Resolutions 2, 3 and 4 are conditional upon the passing of Resolution 1. If resolution 1 is not passed, Resolutions 2, 3 and 4 will not be proposed.**

#### RESOLUTION 1: SPECIAL RESOLUTION

THAT, conditional upon the passing of Resolution 2, the articles of incorporation in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification be and are hereby approved and adopted as the articles of incorporation of the Company in substitution for, and to the exclusion of, the existing articles of incorporation of the Company.

#### RESOLUTION 2: SPECIAL RESOLUTION

THAT on the Effective Date (as defined in the circular issued by the Company to the Shareholders dated 9 March 2017 (the “**Circular**”)) all ordinary shares of no par value each in the capital of the Company (“**Ordinary Shares**”) shall be re-designated on a one-for-one basis as “2017 ordinary shares” of no par value each in the capital of the Company (“**2017 Shares**”) pursuant to the proposals set out in the Circular, EXCEPT THAT where and to the extent that a shareholder has made a valid election for the re-designation of some or all of their Ordinary Shares as “2014 ordinary shares” of no par value each in the capital of the Company (“**2014 Shares**”) pursuant to an election contemplated under the Circular AND in the case of the Ordinary Shares held by an Excluded Shareholder (as defined in the Circular), such Ordinary Shares shall instead be re-designated on a one-for-one basis as 2014 Shares.

#### RESOLUTION 3: EXTRAORDINARY RESOLUTION

THAT the Directors of the Company be and are hereby empowered to issue the following shares in the Company or rights to subscribe for such shares in the Company for cash as if the pre-emption provisions contained under Article 6.2 did not apply to any such issues provided that this power shall be limited to the issue of the below-mentioned shares or of rights to subscribe for the below-mentioned shares:

- (i) up to a maximum number of 200 million C shares of no par value in the capital of the Company (“**C Shares**”) under the Issue (“**Issue**” as defined in the Circular);
- (ii) up to a maximum number of 250 million C Shares under the Placing Programme (“**Placing Programme**” as defined in the Circular); and
- (iii) up to such number of 2017 Shares under the Placing Programme as represents 10 per cent. of the 2017 Shares then in issue following the Effective Date, and

subject to any issues of 2017 Shares and/or C Shares under the Placing Programme being capped at an aggregate issue value of US\$250 million, and that such power shall expire on the earlier of the 2018 AGM Date (as defined in the Circular) or on the expiry of 15 months from the passing of this Resolution except that the Company may before such expiry make offers or agreements which would or might require C Shares and/or 2017 Shares or rights to subscribe for such shares in the Company to be issued after such expiry and notwithstanding such expiry the Directors may issue

C Shares and/or 2017 Shares or rights to subscribe for such shares in the Company in pursuance of such offers or agreements as if the power conferred hereby had not expired.

#### **RESOLUTION 4: SPECIAL RESOLUTION**

THAT the name of the Company be changed to “Fair Oaks Income Limited”.

**By order of the Board**

9 March 2017

Praxis Fund Services Limited  
Company Secretary

*Registered Office:*  
Sarnia House  
Le Truchot  
St Peter Port  
Guernsey GY1 1GR

#### NOTES TO THE NOTICE OF EXTRAORDINARY GENERAL MEETING:

- 1 A member is entitled to attend and vote at the Extraordinary General Meeting provided that all calls due from him/her in respect of his/her shares have been paid. A member is also entitled to appoint one or more proxies to attend, speak and vote on his/her behalf at the Extraordinary General Meeting. The proxy need not be a member of the Company. A Form of Proxy is attached to this notice of Extraordinary General Meeting. To be effective, the instrument appointing a proxy (together with any power of attorney or other authority under which it is executed or a duly certified copy of such power) must be sent to Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF, by no later than 2.30 p.m. on 27 March 2017, or not less than 48 hours before (excluding weekends and bank holidays) the time for holding any adjourned meeting, as the case may be. A corporation may execute a proxy under its common seal or by the hand of a duly authorised officer or other agent. Completion and return of the Form of Proxy will not preclude members from attending and voting in person at the Extraordinary General Meeting.
- 2 A special resolution requires a majority of at least 75 per cent. of the votes cast by members entitled to vote and present in person or by proxy to be cast in favour in order for it to be passed. An extraordinary resolution requires a majority of at least 75 per cent. of the votes cast by members entitled to vote and present in person or by proxy to be cast in favour in order for it to be passed.
- 3 Normally, the quorum requirement for an extraordinary general meeting is two or more Shareholders present in person or by proxy. However, since there is currently only one class of shares in issue (that being the Ordinary Shares) **and that the Extraordinary General Meeting will therefore constitute a class meeting of the holders of Ordinary Shares at the same time, the quorum requirement for this Extraordinary General Meeting will instead be two or more Shareholders representing one-third of the capital paid on the issued Ordinary Shares present in person or by proxy**, this being the higher quorum requirement for a class meeting of holders of a separate class of shares.
- 4 Joint registered holders of shares shall not have the right of voting individually in respect of such share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the register of members of the Company shall alone be entitled to vote.
- 5 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the register of members of the Company at the close of business on 27 March 2017 (or in the event that the Extraordinary General Meeting is adjourned, only those members registered on the register of members of the Company as at the close of business on the day which is two days prior to the adjourned meeting) shall be entitled to attend in person or by proxy and vote at the Extraordinary General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the Extraordinary General Meeting.
- 6 A copy of this notice of Extraordinary General Meeting is available on the Company's website: [www.fairoaksincomefund.com](http://www.fairoaksincomefund.com).
- 7 The total issued share capital of the Company as at the date of this notice of Extraordinary General Meeting is 310,938,570 Ordinary Shares of no par value. Pursuant to the Existing Articles, on a show of hands every member (being an individual) present in person or by proxy or (being a corporation) present by a duly authorised representative shall have one vote on a show of hands, and one vote per Ordinary Share on a poll (other than the Company itself where it holds its own shares as treasury shares). As at the date of this notice of Extraordinary General Meeting, there are no outstanding warrants and/or options to subscribe for Ordinary Shares and there are no treasury shares in issue.
- 8 The completion and return of the Form of Proxy will not preclude a member from attending the Extraordinary General Meeting and voting in person.
- 9 CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Extraordinary General Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the Company's agent (ID R033) by 2.30 p.m. on 27 March 2017. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST applications host) from which the Company's agent is able to receive the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy.

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**FORM OF PROXY**  
**Fair Oaks Income Fund Limited**

*(Incorporated in Guernsey under The Companies (Guernsey) Law, 2008, as amended, with registered number 58123 and registered as a Registered Closed-ended Collective Investment Scheme with the Guernsey Financial Services Commission)*

Sarnia House  
Le Truchot  
St Peter Port  
Guernsey GY1 1GR  
Tel: +44 (0) 1481 737600  
Fax: +44 (0) 1481 749829

**EXTRAORDINARY GENERAL MEETING**  
**on 29 March 2017 at 2.30 p.m.**

I/We (full name) .....  
being a member of Fair Oaks Income Fund Limited (the "**Company**"), do hereby appoint the Chairman of the extraordinary general meeting (which also constitutes a class meeting of the holders of Ordinary Shares) (the "**Extraordinary General Meeting**"), or

.....  
.....  
(name and address of proxy in block capitals)

as my/our proxy to attend, and on a poll, vote for me/us and on my/our behalf at the Extraordinary General Meeting of the Company to be held at Sarnia House, Le Truchot, St Peter Port, Guernsey GY1 1GR on 29 March 2017 at 2.30 p.m. or any adjournment thereof.

The proxy is to vote in respect of all of my Ordinary Shares / the number of Ordinary Shares specified below (\*delete as appropriate)

..... Ordinary Shares



Please tick here if this proxy appointment is one of multiple appointments being made

as follows:

	FOR	AGAINST	VOTE WITHHELD
<b>Resolution 1: special resolution</b> THAT, conditional upon the passing of Resolution 2, the articles of incorporation in the form produced to the meeting and initialled by the Chairman of the meeting for the purposes of identification be and are hereby approved and adopted as the articles of incorporation of the Company in substitution for, and to the exclusion of, the existing articles of incorporation of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 2: special resolution</b> THAT on the Effective Date (as defined in the circular issued by the Company to the Shareholders dated 9 March 2017 (the “ <b>Circular</b> ”)) all ordinary shares of no par value each in the capital of the Company (“ <b>Ordinary Shares</b> ”) shall be re-designated on a one-for-one basis as “2017 ordinary shares” of no par value each in the capital of the Company (“ <b>2017 Shares</b> ”) pursuant to the proposals set out in the Circular, EXCEPT THAT where and to the extent that a shareholder has made a valid election for the re-designation of some or all of their Ordinary Shares as “2014 ordinary shares” of no par value each in the capital of the Company (“ <b>2014 Shares</b> ”) pursuant to an election contemplated under the Circular AND in the case of the Ordinary Shares held by an Excluded Shareholder (as defined in the Circular), such Ordinary Shares shall instead be re-designated on a one-for-one basis as 2014 Shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 3: extraordinary resolution</b> THAT the Directors of the Company be and are hereby empowered to issue the following shares in the Company or rights to subscribe for such shares in the Company for cash as if the pre-emption provisions contained under Article 6.2 did not apply to any such issues provided that this power shall be limited to the issue of the below-mentioned shares or of rights to subscribe for the below-mentioned shares: (i) up to a maximum number of 200 million C shares of no par value in the capital of the Company (“ <b>C Shares</b> ”) under the Issue; (ii) up to a maximum number of 250 million C Shares under the Placing Programme; and (iii) up to such number of 2017 Shares under the Placing Programme as represents 10 per cent. of the 2017 Shares then in issue following the Effective Date, and subject to any issues of 2017 Shares and/or C Shares under the Placing Programme being capped at an aggregate issue value of US\$250 million, and that such power shall expire on the earlier of the 2018 AGM Date (as defined in the Circular) or on the expiry of 15 months from the passing of this Resolution except that the Company may before such expiry make offers or agreements which would or might require C Shares and/or 2017 Shares or rights to subscribe for such shares in the Company to be issued after such expiry and notwithstanding such expiry the Directors may issue C Shares and/or 2017 Shares or rights to subscribe for such shares in the Company in pursuance of such offers or agreements as if the power conferred hereby had not expired.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>Resolution 4: special resolution</b> THAT the name of the Company be changed to “Fair Oaks Income Limited”.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please complete either “**For**”, “**Against**” or “**Vote withheld**” for each resolution by marking “X” in the relevant box. If no indication is given, your proxy will have discretion to vote for or against or to abstain (including on any other matter which may properly come before the Extraordinary General Meeting) as he/she thinks fit.

**If by an individual:**

Signed by: .....

Dated: ..... 2017

**If for and on behalf of a corporation:**

Signed by: .....

Print name: .....

For and on behalf of:

.....

Position: .....

Dated: ..... 2017



**NOTES TO THE FORM OF PROXY:**

1. Only holders of Ordinary Shares, or their duly appointed representatives, are entitled to attend, speak and vote at the Extraordinary General Meeting provided that all calls due from him/her in respect of his/her shares have been paid. A member so entitled may appoint one or more proxies to attend, speak and vote instead of him/her, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him/her. The proxy may be an individual or a body corporate who need not be a member of the Company. A shareholder entitled to more than one vote need not, if he/she votes, use all his/her votes or cast all the votes he/she uses in the same way.
2. You may appoint one or more proxies of your choice. If you require any proxy, other than the Chairman of the Extraordinary General Meeting, delete the words "the Chairman of the Extraordinary General Meeting, or", add the name of the proxy you wish to appoint and initial the alteration. The proxy need not be a member of the Company and is entitled to speak and vote on any other business which may properly come before the Extraordinary General Meeting. If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which he or she is authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement.
3. To appoint more than one proxy (an) additional Form(s) of Proxy may be obtained by contacting Capita Asset Services on 0871 664 0300 (calls cost 10 pence per minute plus network extras, lines are open 8:30 a.m. to 5:30 p.m. Monday to Friday) or on +44 208 639 3399 (if calling from outside the UK), or you may copy this form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which he or she is authorised to act as your proxy. Please also indicate by marking the box provided if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and dated and should be returned together in the same envelope.
4. The "Vote Withheld" option on the Form of Proxy is provided to enable you to abstain on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
5. This Form of Proxy must be signed and dated by the shareholder or his/her attorney duly authorised in writing. A corporation must seal the Form of Proxy or have it signed by an officer or attorney or any other person authorised to sign on its behalf.
6. Joint registered holders of shares shall not have the right of voting individually in respect of such share but shall elect one of their number to represent them and to vote whether in person or by proxy in their name. In default of such election the person whose name stands first on the register of members of the Company shall alone be entitled to vote.
7. If this Form of Proxy is returned without any indication as to how the person appointed proxy shall vote, he/she will exercise his/her discretion as to how he/she votes or whether he/she abstains from voting (including on any other matter which may properly come before the Extraordinary General Meeting).
8. To be valid, this Form of Proxy must be completed and deposited, together with the power of attorney or any other authority (if any) under which it is signed, or a notarially certified copy of that power or authority, at the office of Capita Asset Services, PXS1, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4ZF as soon as possible and, in any event, not later than 2.30 p.m. on 27 March 2017 or, if applicable, not less than 48 hours before the time fixed for holding any adjournment of the Extraordinary General Meeting (excluding weekends and public holidays). Completion and return of a Form of Proxy will not preclude a member from attending, speaking and voting in person at the Extraordinary General Meeting.
9. The termination of the authority of a person to act as proxy must be notified to the Company in writing.
10. To allow effective constitution of the meeting, if it is apparent to the Chairman that no shareholders will be present in person or by proxy, other than by proxy in the Chairman's favour, then the Chairman may appoint a substitute to act as proxy in his stead for any shareholder, provided that such substitute proxy shall vote on the same basis as the Chairman.
11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available from <https://www.euroclear.com/site/public/EUI>). The appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (Capita Asset Services; ID R033) by 2.30 p.m. on 27 March 2017. No such message received through the CREST network after this time will be accepted. See the notes to the notice of Extraordinary General Meeting for further information on proxy appointment through CREST.

