

Income Property Bonds – update 8 January 2009

Background:

These products were structured as follows. Investors' funds purchased a corporate bond issued by Hometrak S.A. ("Hometrak"), a Luxembourg special purpose vehicle. The proceeds of the bonds had been invested by Hometrak in promissory notes issued by a US property development company, Miles Properties Inc. ("Miles Properties"). Miles Properties then invested in the following two apartment complexes in the United States:

- Regency Pointe (prior to acquisition by Miles Properties Inc on 21 August 2006, called Cambridge Commons) in Forrestville, Maryland.
- Royal Summit (prior to acquisition by Miles Properties Inc on 15 September 2006, called Madison Pointe) in Orlando, Florida.

We have confirmed that Miles Properties, through its affiliates MPI Cambridge LLC and MPI Madison Pointe LLC, is the registered owner of both specified apartment complexes, but that it acquired the complexes with a mixture of investors' funds and mortgage finance secured on the developments.

Latest Position

We understand that both complexes are now effectively in negative equity due to the downturn in the US property market. Furthermore, we have been advised that the banks which have security over the properties have appointed receivers.

- In respect of the Regency Pointe property, Wachovia Bank appointed Realty Management Services as receivers on 9 May 2009.
- In respect of the Royal Summit property, Regions Bank appointed Carl Marks as receivers on 8 June 2009.

As at this point in time Miles Properties do not have any intention of reacquiring possession of the properties. Their view is that it is highly probable that investors in these properties will not receive any return on, or return of, equity.

Should the administrators receive any further information, we will update the website.

Dan Schwarzmann and Mark Batten of PricewaterhouseCoopers LLP were appointed Joint Administrators of Keydata Investment Services Limited on Monday 8 June 2009, to manage its affairs, business and property as agents without personal liability. Dan Schwarzmann and Mark Batten are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.