

Keydata Investment Services Limited (in administration) ("KIS")

Income Property Bonds – update 27 August 2009

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 two apartment complexes in the United States – Cambridge Commons in Forrestville, Maryland and Madison Pointe in Orlando, Florida. We understand Miles Properties to be a privately-owned specialist property investment company.

We have received confirmation from the Hometrak custodian that they hold three promissory notes issued by Miles Properties (each paying a 10% coupon) for a total principal amount of \$7.2m, as well as a current account holding £455,500 in cash. We have also received confirmation from the custodian that these notes are in default with regard to interest payments, the last payment having been received in July 2008. Payments to investors continued to be made however, using KIS's own funds to finance any shortfalls. As a result, those investors affected remained unaware of the underlying position.

We have confirmed that Miles Properties, through its subsidiaries 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. We understand that both complexes are now effectively in negative equity due to the downturn in the US property market. Furthermore, we have determined that Miles Properties has been unable to complete refurbishment plans for the sites and the banks which financed Cambridge Commons have issued foreclosure notices against MPI Cambridge LLC. The banks which financed Madison Pointe may also be considering issuing foreclosure notices.

As a result of these findings, no interest will be paid out to holders of Income Property Bonds until further notice. The administrators are continuing discussions with Hometrak so as to establish whether any principal or interest will be recoverable for investors in the Income Property Bonds.