Copy No.

15,000,000 Ordinary Shares, no par value per share

GLENNSTARS LIMITED

Glennstars Limited is a closed-end investment company incorporated under the laws of Jersey to make investments primarily in United States agency and other highly rated single-family adjustable-rate and fixed-rate mortgage-backed securities and other mortgage-related assets. United States agency securities are obligations issued or guaranteed by the United States government, United States governmental agencies or other United States government-sponsored enterprises. We will seek attractive long-term investment returns by investing our equity capital and borrowed funds in such mortgage-backed securities and mortgage-related assets. Returns, if any, on the investments we make will be earned principally on the spread between the yield on our interest-earning assets and the interest cost of the funds we will borrow. We have not engaged in any business activities prior to this global offering. We are externally managed by our investment manager, Glennstars Advisers Limited, and we are externally administered by our administrator, Dominion Fund Administrators Limited. Each of our investment manager and our administrator is a company incorporated under the laws of Jersey.

We are offering up to 15,000,000 ordinary shares in this global offering. The ordinary shares offered hereby are being offered by Friedman, Billings, Ramsey & Co., Inc. (partially through Friedman, Billings, Ramsey International, Ltd.) and Fox-Pitt, Kelton Ltd, as initial purchasers, subject to certain conditions, to non-U.S. persons outside the United States and qualified institutional buyers in reliance on exemptions from the registration requirements of the United States Securities Act of 1933, as amended (the "Securities Act"). We and the initial purchasers reserve the right to withdraw or modify this offer and to reject orders for ordinary shares in whole or in part.

We are not an investment company within the meaning of the United States Investment Company Act of 1940, as amended (the "Investment Company Act"), pursuant to the exclusion from the definition of investment company provided by Section 3(c)(5)(C) of the Investment Company Act. The ordinary shares offered under this offering memorandum have not been and will not be registered under the Securities Act or any other applicable law of the United States. The ordinary shares sold in this global offering may not be offered or sold except in transactions that are exempt from, or not subject to, the registration requirements of the Securities Act or any other applicable law of the United States. See "Plan of Distribution." The ordinary shares sold in this global offering are subject to certain restrictions on resale and transfer. See "Notice to Investors—Transfer Restrictions; Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights."

No public market currently exists for our ordinary shares. We will apply for admission to listing and trading of our ordinary shares on Euronext Amsterdam by NYSE Euronext ("Euronext Amsterdam"), the regulated market of Euronext Amsterdam N.V. ("Euronext"), under the symbol GSTAR. We expect that the admission and listing will become effective on and that dealings in our ordinary shares will commence on an "as-is-and-when-issued basis" on or about June 27, 2008 (the "Listing Date"), which is subject to acceleration or extension, and that we will deliver our ordinary shares sold in this global offering by the initial purchasers (in the case of Friedman, Billings, Ramsey & Co., Inc., partially through Friedman, Billings, Ramsey International, Ltd.) through the book-entry facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. ("Euroclear Nederland") on or about July 2, 2008 (the "Settlement Date"), which is subject to acceleration or extension, against payment therefor in immediately available funds.

If the closing of the global offering does not occur on the Settlement Date or at all, the global offering will be withdrawn, all subscriptions for our ordinary shares will be disregarded, all allotments made will be deemed not to have been made, all subscription payments made will be returned without interest or other compensation and all transactions in our ordinary shares on Euronext Amsterdam conducted between the Listing Date and the Settlement Date will be subject to annulment by Euronext. All dealings in our ordinary shares prior to the Settlement Date are at the sole risk of the parties concerned. Euronext does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the offering and/or the related annulment of any transactions on Euronext Amsterdam as from the Listing Date to the Settlement Date.

Investing in our ordinary shares involves risks. Before buying any shares, you should read the discussion of certain risks of investing in our ordinary shares in "Risk Factors" beginning on page 9 of this offering memorandum.

GLOBAL OFFERING PRICE: €10.00 PER SHARE

We have agreed to indemnify the initial purchasers of our ordinary shares against certain liabilities, including liability under the Securities Act. See "Plan of Distribution."

The subscription period for prospective investors is expected to begin on June 11, 2008 and end on June 26, 2008 at 17:30 hours Amsterdam time, subject to acceleration or extension, and in any event will last for at least six business days (the "Subscription Period"). Any acceleration or extension of the Subscription Period will be announced in an advertisement in at least one national newspaper distributed daily in The Netherlands and in the Daily Official List of Euronext (*Officiële Prijscourant*) (the "Daily Official List") and in a press release in the event of an accelerated Subscription Period at least three hours before the proposed expiration of the accelerated Subscription Period or, in the event of an extended Subscription Period, at least three hours before the expiration of the original Subscription Period. Any extension of the Subscription Period will be for a minimum of one full business day.

The number of our ordinary shares offered in this global offering may be increased by us prior to the end of the Subscription Period. Any such increase will be announced by us in a press release and in an advertisement in at least one national newspaper distributed daily in The Netherlands and in the Daily Official List.

The initial purchasers' obligations in respect of this global offering will be subject to the satisfaction by us of certain conditions set forth in the purchase agreement between us and the initial purchasers. We will deliver a pricing statement setting forth the actual number of ordinary shares issued in this global offering, the aggregate number of ordinary shares allocated by the initial purchasers (in the case of Friedman, Billings, Ramsey & Co., Inc., partially through Friedman, Billings, Ramsey International, Ltd.) and certain other terms and conditions to The Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the "AFM") on or about the Listing Date, subject to acceleration or extension of such date, which will be made available in printed form at our registered office and at the office of the paying agent in The Netherlands, and cause to announce the availability of such pricing statement by means of a press release and an advertisement to be published in at least one national newspaper distributed daily in The Netherlands and in the Daily Official List.

We have granted the initial purchasers an option to purchase at the global offering price less the initial purchasers' discount an additional number of ordinary shares equal to up to 15% of the number of ordinary shares we issue in this global offering, to be exercised, if at all, within 30 days from the Listing Date to cover over-allotments, if any.

This offering memorandum constitutes a prospectus relating to Glennstars Limited in the form of a single document within the meaning of Article 3 of the Directive 2003/71/EC of the European Parliament and of the Council (the "Prospectus Directive") and has been prepared in accordance with Article 5:9 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) (the "FSA") and the rules promulgated thereunder. It was approved by and filed with the AFM on June 11, 2008.

Following this global offering, the initial purchasers may effect sales of our ordinary shares from time to time in one or more negotiated transactions or otherwise at varying prices to be determined at the time of the sale.

Glennstars Limited has been established as a listed fund under a fast-track authorization process in Jersey. Investments in our ordinary shares are suitable only for professional or experienced investors or investors who have received appropriate professional advice regarding any such investment. Regulatory requirements under the laws of Jersey which may be deemed necessary for the protection of retail or inexperienced investors do not apply to Glennstars Limited. By investing in Glennstars Limited, you will be deemed to be acknowledging that you are a professional or experienced investor, or have received appropriate professional advice, and accept the reduced requirements accordingly. You are wholly responsible for ensuring that all aspects of Glennstars Limited are acceptable to you. Investment in Glennstars Limited may involve special risks that could lead to a loss of all or a substantial portion of such investment. Unless you fully understand and accept the nature of Glennstars Limited and the potential risks inherent in Glennstars Limited, you should not invest in Glennstars Limited.

Global Manager and Bookrunner

FRIEDMAN BILLINGS RAMSEY

Co-Lead Manager

FOX-PITT, KELTON LTD

Co-Listing Agents

ABN AMRO BANK N.V.

FRIEDMAN, BILLINGS, RAMSEY INTERNATIONAL, LTD.

The date of this offering memorandum is June 11, 2008.

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SUMMARY

This is a summary of information contained elsewhere in this offering memorandum. This summary does not contain all of the information that you should consider before investing in our ordinary shares. You should read the entire offering memorandum, including the "Risk Factors," before deciding to invest in our ordinary shares. In this offering memorandum, references to "our company," "we," "us" and "our" are to Glennstars Limited, references to "our investment manager" are to Glennstars Advisers Limited, and references to "our administrator" are to Dominion Fund Administrators Limited. No civil liability is to attach to our company solely on the basis of the summary unless it is misleading, inaccurate or inconsistent when read together with the other parts of this offering memorandum. If a claim relating to the information contained in this offering memorandum is brought before a court in a Member State of the European Economic Area, the claimant might, under the national legislation of such Member State, have to bear the costs of translating the offering memorandum before the legal proceedings are initiated.

Unless expressly indicated otherwise, the information in this offering memorandum assumes no exercise by the initial purchasers of their option to purchase from us up to an additional 2,250,000 ordinary shares to cover over-allotments, if any, and that the 15,000,000 ordinary shares to be sold in this global offering are sold at a global offering price of €10.00 per share, the global offering price shown on the cover of this offering memorandum.

Our Company

We are a closed-end investment company incorporated under the laws of Jersey to make investments primarily in U.S. agency and other highly rated, single-family adjustable-rate and fixed-rate mortgage-backed securities, or MBS, and other mortgage-related assets. U.S. agency securities are obligations issued or guaranteed by the U.S. government, U.S. governmental agencies, such as the Government National Mortgage Association, or Ginnie Mae, or U.S. government-sponsored enterprises, such as the Federal National Mortgage Association, or Fannie Mae, and the Federal Home Loan Mortgage Corporation, or Freddie Mac. We refer collectively to these U.S. governmental agencies and U.S. government-sponsored enterprises as U.S. agencies. We believe that investments in these U.S. agency securities have limited credit risk. The obligations of Ginnie Mae are backed by the full faith and credit of the U.S. government, and MBS issued or guaranteed by Fannie Mae and Freddie Mac, while not backed by the full faith and credit of the U.S. government, are currently considered to have an implied AAA rating.

We will seek attractive, long-term investment returns by investing our equity capital and borrowed funds in such MBS and mortgage-related assets. Returns, if any, on the investments we make will be earned principally on the spread between the yield on our interest-earning assets and the interest cost of the funds we will borrow. We have not engaged in any business activities prior to this global offering. We are externally managed by our investment manager, Glennstars Advisers Limited, and we are externally administered by our administrator, Dominion Fund Administrators Limited. Each of our investment manager and our administrator is a company incorporated under the laws of Jersey.

Our Business Strategy

Investment Strategy

Our strategy is to invest primarily in U.S. agency and other highly rated single-family adjustable-rate and fixed-rate MBS and other mortgage-related assets. We will seek to acquire assets that will produce attractive returns after considering the amount of the investment's anticipated returns, our ability to pledge the investment as collateral to secure borrowings and the costs associated with financing, managing and reserving for these

investments. We do not currently intend to originate mortgage loans, provide financing to the owners or acquirers of real estate or to acquire real estate. We may, however, purchase mortgage loans in the secondary market.

Financing Strategy

We intend to finance the acquisition of MBS and other mortgage-related assets with short-term borrowings and, to a lesser extent, equity capital. We intend to employ short-term borrowings to attempt to increase potential returns to our shareholders. Pursuant to our Capital and Leverage Policy, we will seek to strike a balance between the under-utilization of leverage, which reduces potential returns to shareholders, and the over-utilization of leverage, which could reduce our ability to meet our obligations during adverse market conditions.

Competitive Advantages

We believe our competitive advantages include:

- The collective experience of our investment manager's management team in the mortgage securities industry. In their respective roles as senior executives of Anworth Mortgage Asset Corporation, a Maryland corporation, or Anworth, and Pacific Income Advisers, a Delaware corporation, or PIA, they, with the other senior executives of these entities, managed an aggregate of approximately $5.8 billion and $4.0 billion in assets, respectively, as of March 31, 2008, most of which were MBS and other mortgage-related assets.
- We expect that, because we are a Jersey company, our earnings will not be subject to any corporate income tax.
- In general, non-U.S. holders of our ordinary shares will not be subject to U.S. federal income or withholding tax on our dividend distributions or gains resulting from the disposition of our ordinary shares.
- Our target investment portfolio is expected to have an attractive credit risk profile because our portfolio will consist primarily of U.S. agency and other highly rated single-family adjustable-rate and fixed-rate MBS, which will either have an actual AAA rating or an implied AAA rating. Implied AAA rating refers to the fact that long-term debt issued by Fannie Mae and Freddie Mac has been rated Aaa by Moody's and AAA by Standard & Poor's and, therefore, MBS issued by Fannie Mae and Freddie Mac, although not explicitly rated by the rating agencies, are considered to have an implied AAA rating.
- The market for our target investments is extensive. As of March 31, 2008, the market for U.S. agency MBS was approximately $5.1 trillion, an amount almost as large as the $5.3 trillion market for U.S. Treasury securities.

Our Investment Manager

We are externally managed and advised by our investment manager, Glennstars Advisers Limited, a company incorporated under the laws of Jersey. Our investment manager's management team has significant experience and expertise in the administration of and investing in MBS and other mortgage-related assets. All of the executive officers of our investment manager are also senior executives of Anworth and PIA.

PIA was established in 1986 and currently manages fixed income assets for various institutional clients such as pension funds of corporations, labor unions, state governments, municipal governments and charitable foundations. The members of our investment manager's management team that are senior executives of PIA managed, together with other senior executives of PIA, approximately $4.0 billion in assets as of March 31, 2008.

Anworth was established in 1997 and has a strategy, portfolio composition, liability structure and closed-end nature that we expect to be similar to that of our company. Anworth qualifies as a real estate

investment trust, or a REIT, for U.S. federal income tax purposes and its shares of common stock are listed for trading on the New York Stock Exchange under the symbol "ANH." The members of our investment manager's management team that are senior executives of Anworth managed, together with the other senior executives of Anworth, approximately $5.8 billion in assets as of March 31, 2008, almost all of which were agency MBS and other mortgage-related assets.

Our investment manager intends to employ an investment strategy, leverage policy and financing strategy similar to that employed in the management of Anworth, although we will not be subject to certain investment restrictions that apply to Anworth because it is a REIT.

Management Team of our Investment Manager

The executive officers of our investment manager are Lloyd McAdams, Joseph E. McAdams and Heather U. Baines. All of the executive officers of our investment manager are also senior executives of Anworth and PIA. Our investment manager is also managed by Charles Siegel and Bistra Pashamova. In particular, the management team of our investment manager has the following experience:

- Mr. Lloyd McAdams also serves as Chairman of the Board and Chief Executive Officer of Anworth and as Chairman of the Board and Chief Investment Officer of PIA.
- Mr. Joseph McAdams also serves as Chief Investment Officer and as a member of the board of directors of Anworth and as Senior Vice President of PIA, where he serves as a Fixed Income Portfolio Manager with a specialty in mortgage securities.
- Ms. Baines also serves as Executive Vice President of Anworth and as President and Chief Executive Officer of PIA.
- Mr. Siegel also serves as Senior Vice President-Finance of Anworth.
- Ms. Pashamova also serves as a Vice President of Anworth and as a Portfolio Manager of PIA, specializing in mortgage-backed and asset-backed securities.

Investment Management Agreement

We have entered into an investment management agreement with our investment manager, pursuant to which our investment manager will be responsible for administering our business activities and day-to-day operations, subject to the supervision and oversight of our board of directors.

The investment management agreement will have an initial term expiring on December 31, 2011, and will automatically be renewed for one-year terms thereafter unless terminated by us for cause or by us or our investment manager upon at least 180 days notice prior to the end of the initial term or any automatic renewal term.

Management Fee. Pursuant to the investment management agreement, a management fee will be payable by us monthly in arrears to our investment manager in an amount equal to the sum of (i) 1/12 of 1.75% of our Equity up to $100 million, plus (ii) 1/12 of 1.25% of our Equity in excess of $100 million. Equity equals our shareholders' equity, computed in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"), adjusted to exclude the effect of any unrealized gains or losses included in either retained earnings or other comprehensive income (loss), and adjusted to include all series of preferred shares.

Share Appreciation Right. Following the completion of this global offering, we may in our discretion grant our investment manager or its employees a share appreciation right under our share appreciation rights plan, which we will adopt prior to the completion of this global offering, but we are not required to make any such grant. See "Our Investment Manager and The Investment Management Agreement—Share Appreciation Rights Plan" for a description of our share appreciation rights plan.

Summary Risk Factors

You should carefully consider the matters discussed under the heading "Risk Factors" beginning on page 9 before investing in our ordinary shares. These risks include:

- we have no operating history, and we and our manager may not be able to successfully operate our business or generate sufficient revenue or profit to make or sustain dividend payments to shareholders;
- we are dependent on our investment manager, our investment manager's personnel and certain key personnel of PIA and Anworth for our future success, and may not find suitable replacements if our investment manager is unable to perform under or terminates the investment management agreement or such personnel terminate their relationship with us;
- we may not realize income or gains from, and we may lose money on, our investments;
- increases in interest rates and other adverse market conditions have negatively affected, and could continue to negatively affect, the value of mortgage securities and the availability and cost of debt, and could result in reduced earnings or losses and reduced cash available for distribution to our shareholders;
- we will leverage our portfolio investments, which may adversely affect our return on our investments and may reduce cash available for distribution;
- rates of prepayment of our investments could negatively affect the value of our investments, which could reduce our earnings or cause losses and negatively affect the cash available for distribution to our shareholders;
- the mortgage loans underlying the MBS and the other mortgage-related assets in which we will invest are subject to delinquency, foreclosure and loss, which could result in reduced earnings or losses and negatively affect the cash available for distribution to our shareholders;
- our investments in adjustable-rate, hybrid and fixed-rate MBS will be subject to interest rate, market value, liquidity, prepayment and credit risks and the occurrence of one or more events resulting from any one of these risks may materially and adversely affect our investments;
- the lack of liquidity in our investments may adversely affect our business;
- recent dislocations in the financial markets may adversely affect our ability to obtain credit on attractive terms or at all, and may prevent us from refinancing any assets held through repurchase agreements that we are able to obtain and have adversely affected the attractiveness of the securities in which we intend to invest. If these conditions persist or worsen, we may experience increases in our borrowing costs, reductions in our ability to finance our assets through repurchase agreements and reductions in the value of the securities in our portfolio;
- our hedging transactions may not be successful in mitigating risks associated with interest rates;
- current dislocations in the subprime mortgage sector, and the current weakness in the broader mortgage market, have adversely affected some of our prospective lenders. If these conditions persist or worsen, we may experience increases in our borrowing costs, reductions in our ability to finance our assets through repurchase agreements and reductions in the value of the securities in our portfolio;
- we expect to be treated as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes. PFICs are subject to special tax rules that may result in significant adverse tax consequences for U.S. Holders unless certain elections are made;
- U.S. Holders making a qualified electing fund election or mark-to-market election may be subject to U.S. federal income tax even if we make no current distributions to such holders;

- because we are a Jersey company, U.S. Holders are not eligible for preferential dividend rates with respect to our distributions;
- if we become subject to U.S. federal income tax, our financial and operating results and our ability to make distributions to our shareholders could be adversely affected; and
- we may be subject to adverse legislative or regulatory tax changes.

Certain Relationships

Before investing in our ordinary shares, you should be aware of the following potential conflicts of interest:

- none of the members of the management team of our investment manager or our board of directors is required to commit his or her full time to our affairs, which may result in conflicts of interest if one or more of such members allocate management time among various business activities;
- the members of the management team of our investment manager are also senior executives of PIA and Anworth, which could result in investment decisions or allocations of MBS and other mortgage-related assets to affiliates of our investment manager, including PIA and Anworth, that are not in our best interests;
- our investment manager may perform services for other companies, including companies with businesses similar to ours;
- our investment manager will be paid a management fee pursuant to the investment management agreement and will be eligible, in our discretion, to be granted a share appreciation right under our share appreciation rights plan, resulting in a direct benefit to its owners, Lloyd McAdams, Heather U. Baines and Joseph E. McAdams; and
- our investment manager will enter into an administrative services agreement with PIA upon the closing of this global offering, pursuant to which PIA will render specified administrative services to our investment manager.

Lock-Up Arrangements

Our investment manager, our investment manager's stockholders and officers, and our directors have agreed with Friedman, Billings, Ramsey & Co., Inc., as the representative of the initial purchasers, not to offer, pledge, sell or otherwise dispose of or transfer any of our ordinary shares, subject to certain exceptions, until 180 days after the closing of this global offering without the prior written consent of Friedman, Billings, Ramsey & Co., Inc. We also have agreed to such restrictions for the same period.

SUMMARY OF THE GLOBAL OFFERING

Ordinary shares offered by us	15,000,000 shares
Ordinary shares to be outstanding after completion of this global offering	15,000,000 shares[1]
Euronext Amsterdam symbol	GSTAR
ISIN	JE00B39MS696
Expected Listing Date	June 27, 2008, the date on which trading in our ordinary shares is expected to commence on Euronext Amsterdam on an "as-if-and-when-issued" basis, subject to acceleration or extension of the timetable for the global offering.
Use of proceeds	We estimate that the net proceeds we will receive from this global offering will be approximately €141.028 million (or approximately €162.403 million if the initial purchasers fully exercise their over-allotment option), after deducting €7.5 million in the aggregate for the initial purchasers' discount (or approximately €8.625 million if the initial purchasers fully exercise their over-allotment option) and estimated organization and offering expenses of approximately €1.472 million payable by us. We intend to use the net proceeds we receive from this global offering to establish our investment portfolio initially consisting exclusively of U.S. agency securities.
Listing and Trading	We will apply for admission to listing and trading of our ordinary shares on Euronext Amsterdam under the symbol GSTAR. We expect that the admission and listing will become effective, and that dealings in our ordinary shares will commence, on the Listing Date on an "as-if-and-when-issued" basis. Prior to the global offering there has been no public market for our ordinary shares. If the closing of the global offering does not occur on the Settlement Date or at all, the global offering will be withdrawn, all subscriptions for the ordinary shares will be disregarded, all allotments made will be deemed not to have been made, all subscription payments made will be returned without interest or other compensation and all transactions in our ordinary shares on Euronext Amsterdam conducted between the Listing Date and the Settlement Date will be subject to annulment by Euronext. All dealings in our ordinary shares prior to the Settlement

[1] Includes the assumed 15,000,000 ordinary shares offered by us in this global offering. No ordinary shares are issued and outstanding prior to the completion of this global offering. Does not include 750,000 ordinary shares available for issuance under the Glennstars Limited 2008 Share Appreciation Rights Plan, and assumes that the initial purchasers have not exercised their over-allotment option. Assuming that the initial purchasers fully exercise their over-allotment option, 17,250,000 ordinary shares would be outstanding after completion of this global offering and 862,500 ordinary shares would be available for issuance under the Glennstars Limited 2008 Share Appreciation Rights Plan. In addition, we will have two founder shares and no preferred shares outstanding after the completion of this global offering.

	Date are at the sole risk of the parties concerned. Euronext does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the global offering and/or the related annulment of any transactions on Euronext Amsterdam as from the Listing Date to the Settlement Date.
Expected Settlement Date	July 2, 2008, which is the third business day following the date on which trading is expected to commence on Euronext Amsterdam, subject to acceleration or extension of the timetable for the global offering.

SUMMARY FINANCIAL DATA

The following table summarizes the relevant financial data for our business and should be read with our financial information included elsewhere in this offering memorandum. We have only presented balance sheet data because we are a newly formed entity and, to date, have not engaged in any operations or generated revenues.

Balance Sheet Data	As of May 23, 2008
Total Assets	$ 30
Total Liabilities	—
Net Assets	$ 30

Our total assets as of May 23, 2008 are derived from the subscription on behalf of our administrator for two founder shares for €10.00 per share in connection with the formation of our company. As of March 11, 2008, which is the date that we received the €20 in relation to the two founders shares, the rate of exchange of euros into U.S. dollars was €1.00 for $1.56, based on the noon buying rate as reported by the Federal Reserve Bank of New York on March 11, 2008.

RISK FACTORS

Investment in our ordinary shares involves significant risks. Before making an investment decision, you should carefully consider the following risk factors in addition to the other information contained in this offering memorandum. If any of the risks discussed in this offering memorandum occur, our business, financial condition, liquidity and results of operations could be materially and adversely affected, which could cause the price of our ordinary shares to decline significantly, and you could lose all or part of your investment. The risk factors set forth below are not the only risks that we may face or that could affect us. Additional risks and uncertainties not presently known to us, or not identified below, could also materially and adversely affect our business, financial condition, liquidity and results of operations. Some statements in this offering memorandum, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled "Special Note Regarding Forward-Looking Statements."

Risks Related to Our Business

We have no operating history.

We are a newly established, closed-end investment company incorporated under the laws of Jersey. Although the management team of our investment manager has experience managing entities with investment strategies similar to ours, we do not have an operating history, nor does our investment manager. As a result, it is difficult to value our business and future prospects. If we do not implement our investment or financing strategies as described herein or successfully, our business could be harmed or fail entirely and our net income, and the amount and frequency of any dividends that may be paid on our ordinary shares, could be adversely affected. We are unable to present our results of operations in this offering memorandum because we do not have an operating history. We cannot assure you that we will be able to generate sufficient revenue from operations to pay our operating expenses or make or sustain dividend payments to shareholders.

Our failure to procure funding or renew funding on favorable terms, or at all, would adversely affect our results and may, in turn, negatively affect the market price of our ordinary shares.

We do not have any financing arrangements in place as of the date of this offering memorandum. Due to the current dislocations in the subprime mortgage sector, the current weakness in the broader mortgage market, and the recent turmoil in the financial markets as it relates to major financial institutions, our ability to obtain financing arrangements on acceptable terms, or at all, could be adversely affected. For example, while we expect to obtain a majority of our borrowings under repurchase agreements, as a result of recent volatility in the credit markets, some lenders are no longer providing repurchase financing and some other lenders are providing such financing only to the extent significantly over-collateralized with certain highly-rated debt securities, such as U.S. Treasury bonds. If we are able to procure financing, we will depend on a limited number of lenders to provide the primary credit facilities for our purchases of MBS and other mortgage-related assets. One or more of our prospective lenders may be unwilling or unable to provide us with funding on favorable terms, or at all, which could adversely affect our ability to operate our business in the manner described in this offering memorandum, to achieve profitability or to pay dividends to shareholders.

In addition, we will be required to renew or replace our maturing short-term borrowings on a continuous basis to achieve our investment and leverage objectives. Prospective lenders may be unwilling or unable to renew or replace our maturing borrowings on favorable terms, or at all. If we cannot renew or replace maturing borrowings, we may have to sell our MBS and/or mortgage-related assets under adverse market conditions and may incur permanent capital losses as a result.

Our leveraging strategy may increase the risks of operations.

We expect to generally borrow between six and ten times the amount of our equity allocated to then-existing mortgage-related assets, although our borrowings may at times be above or below this range. We intend to incur

this leverage by borrowing against a substantial portion of the market value of the securities in which we invest. In the following ways, the use of leverage increases our risk of loss and may reduce our net income by increasing our exposure to other risks, including a decline in the market value of our securities or a default of a mortgage-related asset:

- the use of leverage may increase our risk of loss resulting from various factors including rising interest rates, increased interest rate volatility, downturns in the economy and reductions in the availability of financing or deterioration in the value of any of our MBS or other mortgage-related assets;
- we expect that a majority of our borrowings will be secured by the assets in which we invest, generally under repurchase agreements. As a result of volatility in the credit markets, many repurchase lenders are requiring that borrowings under repurchase agreements be over-collateralized, meaning that the value of the securities posted as collateral must exceed the amount of borrowings by a specified percentage, which, at the current time, is higher than it has been historically. If our repurchase lenders have similar requirements, we will be required to provide a larger amount of the securities in which we invest as security for our borrowings. Furthermore, some lenders have ceased to provide lending under repurchase agreements, which means that there are fewer potential lenders available to us. In addition, a decline in the market value of our MBS or other mortgage-related assets used to secure these debt obligations could limit our ability to borrow or result in lenders requiring us to pledge additional collateral to secure our borrowings. In that situation, we could be required to sell our MBS and/or other mortgage-related assets under adverse market conditions in order to obtain the additional collateral required by the lender. If these sales are made at prices lower than the carrying value of such MBS or other mortgage-related assets, we will experience losses. The liquidation of a major portion of our portfolio at disadvantageous prices with consequent losses could render us insolvent; and
- a default of a MBS or other mortgage-related asset that constitutes collateral for a loan could also result in an involuntary liquidation of the MBS or other mortgage-related asset. This would result in a loss to us of the difference between the value of the MBS or other mortgage-related asset upon liquidation and the amount borrowed against the MBS or other mortgage-related asset.

We may incur increased borrowing costs related to repurchase agreements, which would adversely affect our profitability.

It is anticipated that all or substantially all of our borrowings will be collateralized borrowings in the form of repurchase agreements with variable interest rates. If the interest rates on these agreements increase at a time when the interest rates on the assets in our investment portfolio do not change, increase to a lesser extent or decline, our profitability would be adversely affected.

Our borrowing costs under repurchase agreements will generally correspond to short-term interest rates such as LIBOR or a short-term U.S. Treasury index, plus or minus a margin. The margins on these borrowings over or under short-term interest rates may vary depending upon:

- the movement of interest rates;
- the availability of financing in the market; and
- the value and liquidity of our MBS and other mortgage-related assets.

Any number of these factors alone or in combination may cause difficulties for us, including a possible liquidation of a major portion of our portfolio at disadvantageous prices with consequent losses, which may render us insolvent.

Our use of repurchase agreements to borrow funds may give our lenders greater rights in the event that either we or a lender files for bankruptcy.

Our borrowings under repurchase agreements may qualify for special treatment under the bankruptcy code, giving our lenders the ability to avoid the automatic stay provisions of the bankruptcy code and to take possession of and liquidate our collateral under the repurchase agreements without delay in the event that we file for bankruptcy. Furthermore, the special treatment of repurchase agreements under the bankruptcy code may make it difficult for us to recover our pledged assets under a repurchase agreement in the event that a lender party to such agreement files for bankruptcy. Thus, the use of repurchase agreements exposes our pledged assets to risk in the event of a bankruptcy filing by either a lender or us.

The adjustable-rate, hybrid and fixed-rate mortgage backed securities we plan to primarily invest in will be subject to interest rate, market value, liquidity, prepayment and credit risks and any one of these risks may materially and adversely affect our investments.

The adjustable-rate, hybrid and fixed-rate mortgage backed securities in which we will primarily invest will be subject to interest rate, market value, liquidity, prepayment and credit risks.

- *Interest Rate Risk*. With respect to adjustable-rate mortgage-backed assets, interest rate risk is the risk that because our borrowings will not be subject to periodic and lifetime interest rate caps that limit the amount the securities' interest rate can change during any given period, in a period of increasing interest rates, interest rates on our borrowings could increase without limitation, while the interest rates on our fixed-rate mortgage-related assets could be limited. This problem would be magnified to the extent we acquire mortgage-backed securities that are not fully indexed. Further, some adjustable-rate mortgage-backed securities may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would negatively impact our liquidity, net income and our ability to make distributions to shareholders.
- *Market Value Risk*. Substantially all of our mortgage-backed securities and equity securities will be classified as available-for-sale assets. As such, they will be reflected at fair value (i.e., market value) with the periodic adjustment to fair value reflected as part of accumulated other comprehensive income that is included in the equity section of our balance sheet. The market value of our assets can fluctuate due to changes in interest rates and other factors. Market value risk is the risk that that one or more markets will decline in value, including the possibility that such markets will deteriorate sharply and unpredictably, which decline will likely impair the market value of the related securities.
- *Liquidity Risk*. Our primary liquidity risk arises from financing long-maturity mortgage-backed securities with short-term debt. The interest rates on our borrowings will generally adjust more frequently than the interest rates on our adjustable-rate mortgage-backed securities. Accordingly, in a period of rising interest rates, our borrowing costs will usually increase faster than our interest earnings from mortgage-backed securities. As a result, we could experience a decrease in net income or a net loss during these periods. Recently, certain companies that invested in agency securities and which maintained significantly higher leverage than we plan to maintain disclosed that they have been subject to margin calls by their lenders. In some instances, these companies did not have sufficient liquidity to satisfy the margin calls and were forced to sell their securities at a loss in order to satisfy the margin calls. In other instances, these companies were unable to meet the margin calls and the lenders foreclosed on the agency securities that served as collateral for the companies' borrowings. Although we intend to maintain significantly lower leverage than these companies, our company could in the future become subject to margin calls, which could create liquidity issues with respect to the financing of our agency securities.
- *Prepayment Risk*. Prepayments are the full or partial repayment of principal prior to the original term to maturity of a mortgage loan and typically occur due to refinancing of mortgage loans. Prepayment rates on mortgage-related securities vary from time to time and may cause changes in the amount of our net

interest income. Prepayments of adjustable-rate mortgage loans usually can be expected to increase when mortgage interest rates fall below the then-current interest rates on such loans and decrease when mortgage interest rates exceed the then-current interest rate on such loans, although such effects are not entirely predictable. Prepayment rates may also be affected by the conditions in the housing and financial markets, general economic conditions and the relative interest rates on fixed-rate and adjustable-rate mortgage loans underlying mortgage-backed securities. The purchase prices of mortgage-backed securities are generally based upon assumptions regarding the expected amounts and rates of prepayments. Where slow prepayment assumptions are made, we may pay a premium for mortgage-backed securities. To the extent such assumptions differ from the actual amounts of prepayments, we could experience reduced earnings or losses. The total prepayment of any mortgage-backed securities purchased at a premium by us would result in the immediate write-off of any remaining capitalized premium amount and a reduction of our net interest income by such amount. Finally, in the event that we are unable to acquire new mortgage-backed securities with terms equal to or more favorable than the terms of the prepaid mortgage-backed securities that the new mortgage-backed securities replace, our financial condition, cash flows and results of operations could be harmed.

- *Credit Risk*. The holder of mortgage-backed securities assumes a risk that the borrowers may default on their obligations to make full and timely payments of principal and interest. While the majority of our assets will either have an actual AAA rating or an implied AAA rating, any lower credit quality investments could cause us to incur losses of income from, and/or losses in market value relating to, these assets if there are defaults of principal and/or interest on, or if the rating agencies downgrade the credit rating of, these assets.

An increase in interest rates may harm our book value, which could harm the value of our ordinary shares.

Increases in the general level of interest rates can cause the fair market value of our assets to decline. The hybrid adjustable-rate MBS (during the fixed-rate component of the mortgages underlying such MBS) and fixed-rate MBS that we may acquire will generally be more negatively affected by such increases than the adjustable-rate MBS that we may acquire. In accordance with U.S. GAAP, we will be required to reduce the carrying value of any MBS which are held for sale by the amount of any decrease in the fair value of our MBS compared to their respective amortized costs. If unrealized losses in fair value occur, we will have to either reduce current earnings or reduce shareholders' equity without immediately affecting current earnings, depending on how we classify such MBS under U.S. GAAP. In either case, our net book value will decrease to the extent of any realized or unrealized losses in fair value.

A flat or inverted yield curve may negatively affect our operations and profitability due to its potential impact on investment yields and the supply of adjustable-rate mortgage, or ARM, products.

A flat yield curve occurs when there is little difference between short-term and long-term interest rates. An inverted yield curve occurs when short-term interest rates are higher than long-term interest rates. A flat or inverted yield curve will likely reduce our profitability because we will generally borrow on a short-term basis and our investments will generally earn a return based on relatively longer-term interest rates. A flat or inverted yield curve may also be an adverse environment for ARM product volume, as there may be little incentive for borrowers to choose an ARM product over a longer-term fixed-rate loan. If the supply of ARM product decreases, yields may decline due to market forces.

Possible market developments could cause our lenders to require us to pledge additional assets as collateral. If our assets are insufficient to meet the collateral requirements, then we may be compelled to liquidate particular assets at an inopportune time.

Possible market developments, including a sharp rise in interest rates, a change in prepayment rates or increasing market concern about the value or liquidity of one or more types of mortgage-related assets in which our portfolio is concentrated, may reduce the market value of our portfolio, which may cause our lenders to

require additional collateral. This requirement for additional collateral may compel us to liquidate our assets at a disadvantageous time, thus adversely affecting our operating results and net profitability.

Because assets we acquire may experience periods of illiquidity, we may lose profits or be prevented from earning capital gains if we cannot sell mortgage-related assets at an opportune time.

We will bear the risk of being unable to dispose of our mortgage-related assets at advantageous times or in a timely manner because mortgage-related assets often experience periods of illiquidity. The lack of liquidity may result from the absence of a willing buyer or an established market for these assets, as well as legal or contractual restrictions on resale. As a result, the illiquidity of mortgage-related assets may cause us to lose profits and impair our ability to earn capital gains.

Our hedging strategies may not be successful in mitigating risks associated with interest rates.

We may engage in hedging activities to attempt to manage risks associated with interest rates. As such, we may use various derivative financial instruments to provide a level of protection against interest rate risks, but no hedging strategy can protect us completely. When interest rates change, we expect to record a gain or loss on derivatives, which would be offset by an inverse change in the value of loans or residual interests. Additionally, from time to time, we may enter into hedging transactions involving our investments in MBS and other mortgage-related assets with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps and floors, options to purchase these items, and futures and forward contracts. We intend to primarily use interest rate swap agreements to manage the interest rate risk of our portfolio of MBS; however, our actual hedging decisions will be determined in light of the facts and circumstances existing at the time and may differ from our currently anticipated hedging strategy. Our use of derivatives may not offset the risks related to changes in interest rates. It is likely that there will be periods in the future during which we will incur losses after accounting for our derivative financial instruments. The derivative financial instruments we may select may not have the effect of reducing our interest rate risk. In addition, the nature and timing of hedging transactions may influence the effectiveness of these strategies. Poorly designed strategies or improperly executed transactions could actually increase our risk and losses. In addition, hedging strategies involve transaction and other costs. Our hedging strategy and the derivatives that we use may not adequately offset the risk of interest rate volatility and our hedging transactions could result in losses.

Our use of derivatives may expose us to counterparty risks.

We may enter into interest rate swap and cap agreements to hedge risks associated with movements in interest rates. If a swap counterparty cannot perform under the terms of an interest rate swap, we would not receive payments due under that agreement, we may lose any unrealized gain associated with the interest rate swap, and the hedged liability would cease to be hedged by the interest rate swap. We may also be at risk for any collateral we have pledged to secure our obligations under the interest rate swap if the counterparty becomes insolvent or files for bankruptcy. Similarly, if a cap counterparty fails to perform under the terms of the cap agreement, in addition to not receiving payments due under that agreement that would off-set our interest expense, we would also incur a loss for all remaining unamortized premium paid for that agreement.

Competition may prevent us from acquiring MBS and other mortgage-related assets at favorable yields, which would negatively impact our profitability.

Our net income will largely depend on our ability to acquire MBS and other mortgage-related assets at favorable spreads over our borrowing costs. As of the date of this offering memorandum, we have not identified any specific MBS or other mortgage-related assets to acquire with the net proceeds of this global offering. In acquiring MBS and other mortgage-related assets, we will compete with REITs, investment banking firms, savings and loan associations, banks, insurance companies, mutual funds, other lenders and other entities that purchase MBS and other mortgage-related assets, many of which have greater financial resources than we have. As a result, we may not be able to acquire sufficient MBS or other mortgage-related assets at favorable spreads over our borrowing costs. If that occurs, our profitability will be harmed.

Our board of directors may change our asset acquisition policy and such changes could harm our business, results of operation and share price.

Our board of directors can modify or waive our current asset acquisition policy in whole or in part without prior notice and without shareholder approval. We cannot predict the effect that any changes to this policy may have on our business, operating results and share price, and the effects may be adverse.

An increase in interest rates may cause a decrease in the volume of newly issued, or investor demand for, MBS and other mortgage-related assets, which could adversely affect our ability to acquire MBS and other mortgage-related assets that satisfy our investment objectives and to generate income and pay dividends.

Rising interest rates generally reduce the demand for consumer credit, including mortgage loans, due to the higher cost of borrowing. A reduction in the volume of mortgage loans originated may affect the volume of MBS and other mortgage-related assets available to us, which could affect our ability to acquire MBS and other mortgage-related assets that satisfy our investment objectives. Rising interest rates may also cause MBS and other mortgage-related assets that were issued prior to an interest rate increase to provide yields that exceed prevailing market interest rates. If rising interest rates cause us to be unable to acquire a sufficient volume of MBS or mortgage-related assets or MBS or mortgage-related assets with a yield that exceeds the borrowing cost we will incur to purchase MBS or mortgage-related assets, our ability to satisfy our investment objectives and to generate income and pay dividends in the amount expected, or at all, may be materially and adversely affected.

Changes to the nature, extent or regulation of the business activities of Fannie Mae or Freddie Mac or declines in the U.S. real estate or credit markets might adversely affect their credit ratings and the market prices of their securities, including MBS to be acquired by us.

Fannie Mae and Freddie Mac are shareholder-owned publicly traded corporations created by charters of the U.S. Congress. They are commonly referred to as "Government-sponsored enterprises," although their obligations are not guaranteed by the U.S. government. Fannie Mae and Freddie Mac purchase mortgage loans from mortgage originators and either hold those mortgages in their portfolios or pool them into MBS, which they guarantee for full and timely payment of principal and interest, regardless of whether the mortgagors actually make the payments. Fannie Mae's and Freddie Mac's obligations in respect of their respective guarantees rank equally with their respective senior unsecured debt securities, which are currently rated Aaa by Moody's and AAA by Standard & Poor's and Fitch.

There can be no assurance that the current regulatory structure of Fannie Mae and Freddie Mac will be maintained. Furthermore, the recent conditions in the U.S. subprime mortgage market have exposed Fannie Mae and Freddie Mac to substantial losses, and they could face more losses if the U.S. real estate and credit markets continue to decline. A change in their current regulatory structure or further declines in the U.S. real estate or credit markets could require or cause Fannie Mae or Freddie Mac to change the nature and extent of their business activities (including the type or amount of MBS they issue), could adversely affect their activities, financial condition and overall risk profile, and could adversely affect their credit ratings and the market prices of the MBS created and guaranteed by them, and, as a result, our shareholders' equity.

New laws may be passed affecting the relationship between Fannie Mae and Freddie Mac, on the one hand, and the U.S. government, on the other, which could adversely affect the availability and price of MBS created and guaranteed by Fannie Mae and Freddie Mac.

Legislation has been or may be proposed to change the relationship between Fannie Mae and Freddie Mac, on the one hand, and the U.S. government, on the other hand, and that may require Fannie Mae and Freddie Mac to reduce the amount of mortgages they own or limit the amount of MBS they create and guarantee. Any type of legislation enacted into law affecting these U.S. government-sponsored enterprises may create market uncertainty and have the effect of reducing the actual or perceived credit quality of MBS created and guaranteed by Fannie Mae and Freddie Mac. As a result, such legislation could increase the risk of loss on investments in MBS created

and guaranteed by Fannie Mae and Freddie Mac. Any legislation that requires Fannie Mae or Freddie Mac to reduce the amount of mortgages they own or to limit the amount of MBS they create and guarantee could have a material and adverse effect on the availability, pricing and market value of MBS created and guaranteed by Fannie Mae and Freddie Mac and, as a result, on our shareholders' equity and our liquidity.

We are subject to the risk that Fannie Mae and Freddie Mac may not be able to fully satisfy their guarantee obligations, which may adversely affect the value of our investment portfolio and our ability to sell or finance these securities.

The interest and principal payments we expect to receive on the MBS in which we invest will be guaranteed by Fannie Mae, Freddie Mac or Ginnie Mae. Unlike the Ginnie Mae certificates in which we invest, the principal and interest on securities issued by Fannie Mae and Freddie Mac are not guaranteed by the U.S. government. All the agency securities in which we invest depend on a steady stream of payments on the mortgages underlying the securities.

For 2007, both Fannie Mae and Freddie Mac reported substantial losses. Fannie Mae has publicly stated that it expects losses on guarantees of MBS to continue and expects significant increases in credit-related expenses and credit losses through 2008. Freddie Mac has publicly stated that it expects total credit losses to increase in 2008. If Fannie Mae and Freddie Mac continue to suffer significant losses, their ability to honor their respective MBS guarantees may be adversely affected. Further, any actual or perceived financial challenges at either Fannie Mae or Freddie Mac could cause the rating agencies to downgrade secured and unsecured securities issued by Fannie Mae and Freddie Mac. In May 2008, Moody's Investors Service, or Moody's, downgraded Freddie Mac's bank financial strength rating, which measures the likelihood it will require financial assistance from third parties, from A- to B+, and Fannie Mae's bank financial strength rating to B from B+. Any failure to honor guarantees on MBS by Fannie Mae or Freddie Mac or any downgrade of securities issued by Fannie Mae or Freddie Mac by the rating agencies could cause a significant decline in the cash flow from, and the value of, any MBS we may own, and we may then be unable to sell or finance agency securities on favorable terms or at all.

Continued adverse developments in the residential mortgage market may adversely affect the value of the agency securities in which we intend to invest and our ability to finance or sell any agency securities that we acquire.

Recently, the U.S. residential mortgage market has experienced a variety of difficulties and changed economic conditions that have materially adversely affected the performance and market value of the types of securities in which we intend to invest. Securities backed by residential mortgage loans originated in 2006 and 2007 have had higher and earlier than expected rates of delinquencies, and housing prices are falling in many parts of the U.S. Many residential mortgage-backed securities have been downgraded by rating agencies during the past few months, and rating agencies may further downgrade these securities in the future. Lenders have imposed additional and more stringent equity requirements necessary to finance these assets, and frequent impairments based on mark to market valuations have generated substantial collateral calls in the industry. As a result of these difficulties and changed economic conditions, many companies operating in the mortgage sector have failed and others are facing serious operating and financial challenges. While the Federal Reserve has sought to ameliorate the current market conditions, its efforts may be ineffective. As a result of these factors, among others, the market for residential mortgage-backed securities may be adversely affected for a significant period of time.

We intend to invest the proceeds of this offering principally in agency securities. Fannie Mae, Freddie Mac or Ginnie Mae guarantee the payments of principal and interest on the agency securities we intend to purchase even if the borrowers of the underlying mortgage loans default on their payments. However, rising delinquencies and market perception can still negatively affect the value of our agency securities or create market uncertainty about their true value. While the market disruptions have been most pronounced in the non-agency MBS market,

recently the impact has extended to agency MBS and the value of these assets has become unstable and these assets have become relatively illiquid compared to prior periods. Lenders that participate in the agency MBS market could exit and any remaining market participants could fail to maintain any portfolio on a leveraged basis. Agency MBS guaranteed by Fannie Mae and Freddie Mac are not supported by the full faith and credit of the United States. In the event the market disruptions accelerate, Fannie Mae and Freddie Mac could default on their guarantee obligations, which would materially and adversely affect the value of any agency MBS or other agency securities in which we may invest.

We will rely on our agency securities as collateral for our financings. Any decline in their value, or perceived market uncertainty about their value, would make it more difficult for us to obtain financing on favorable terms or at all, or to maintain our compliance with the terms of any financing arrangements if and when we have any in place. At the same time, market uncertainty about residential mortgage loans in general could continue to depress the market for agency securities, which means that it may be more difficult for us to sell agency securities on favorable terms or at all. Further, a decline in the value of agency securities could subject us to margin calls, which we may have insufficient liquidity to support, resulting in forced sales of our assets at inopportune times. If market conditions result in a decline in available purchasers of agency securities or the value of our agency securities, our financial position and results of operations could be adversely affected.

Adverse developments in the global capital market, including recent defaults, credit losses and liquidity concerns, could make it difficult for us to borrow money from financial institutions to acquire MBS on a leveraged basis, which could adversely affect our profitability.

We will rely on the availability of financing to acquire MBS on a leveraged basis. Institutions from which we obtain financing may have owned or financed MBS and other assets which have declined in value and may have suffered losses as a result of the recent downturn in the residential mortgage market. If these conditions persist, these institutions may be forced to exit the repurchase market, become insolvent or further tighten their lending standards or increase the amount of equity capital or haircut required to obtain financing. Such events could make it more difficult for us to obtain financing on favorable terms or at all. Our profitability may be adversely affected if we are unable to obtain cost-effective financing for our investments.

If we breach our covenants under our repurchase agreements, we could be forced to sell assets.

We intend to be party to various repurchase agreements which we expect will contain financial covenants that could, among other things, require us to maintain certain financial ratios. Should we breach the financial covenants contained in any repurchase agreement, we may be required immediately to repay such borrowings in whole or in part, together with any attendant costs. If we do not have sufficient cash resources or other credit facilities available to make such repayments, we may be forced to sell some or all of the assets comprising our investment portfolio. To the extent that our borrowings are secured against all or a portion of our assets, a lender may be able to sell those assets. Moreover, any failure to repay such borrowings or, in certain circumstances, other breaches of covenants under our repurchase agreements could result in our being required to suspend payment of dividends.

We may not be able to use money that we raise to acquire investments at favorable prices.

We intend to seek to raise additional capital from time to time if our board of directors determines that it is in our best interests and the best interests of our shareholders, including through public offerings of our ordinary shares. The net proceeds of any offering could represent a significant increase in our equity. Depending on the amount of leverage that we use, the full investment of the net proceeds of any offering might result in a substantial increase in our total assets. There can be no assurance that we will be able to invest all of such additional funds in MBS or other mortgage-related assets at favorable prices or at all. We may not be able to acquire enough MBS or other mortgage-related assets to become fully invested within a reasonable period of time after an offering, or we may have to pay more for MBS and other mortgage-related assets than we currently anticipate. In either case, the return that we earn on shareholders' equity may be reduced.

We have not established a minimum dividend payment level for the shareholders and there can be no assurance that we will be able to pay dividends in the future.

Subject to the requirements of the Jersey Companies Law, we expect to distribute at least 90 percent of our net income by way of dividends, which we expect will be paid, if at all, on a quarterly basis in February, May, August and November. Our ability to pay dividends may be adversely affected by the risks described in this offering memorandum. However, we are not obligated by Jersey law to make any dividend payments. All distributions to the shareholders will be made at the discretion of our board of directors and will depend on our earnings, financial condition and such other factors as our board of directors may deem relevant from time to time. This is not a forecast (whether a profit forecast, dividend forecast or otherwise). There can be no assurances of our ability to pay dividends in the future.

We expect our first dividend payment, if any, to be made in August 2008 and we expect the amount of such dividend, if any, to be lower, in U.S. dollar terms, than subsequent dividends because such dividend will be based on less than a full quarter and because it may take us a certain amount of time to acquire our portfolio of investments and enter into agreements with lenders.

If we raise additional capital, our earnings per share and dividends per share may decline since we may not be able to invest all of the new capital during the quarter in which additional shares are sold and possibly the entire following calendar quarter, if at all.

If the basis on which dividends may be paid by us is changed as a result of a new or amended law in Jersey, our ability to pay dividends could be adversely affected. Also, changes to accounting standards may alter the basis upon which our profits are calculated. This in turn may reduce our ability to declare dividends.

All or substantially all of our assets, our accounts and any dividend payments will be denominated in U.S. dollars, which may affect the value of the investment of our investors whose functional currency is not the U.S. dollar.

All or substantially all of our assets will be denominated in U.S. dollars. We will account for our assets, determine the value of our ordinary shares and pay dividends, if any, in U.S. dollars. Any such dividends may in the alternative, upon the request of any shareholder, be paid to such shareholder in euros. For investors who elect to receive dividend payments, if any, in euros or whose functional currency is not the U.S. dollar, fluctuations in the value of the U.S. dollar may affect the value of or the return on their investment. We do not intend to hedge any foreign currency exchange risk in respect of any such euro-denominated dividends and the foreign currency exchange risk will be borne solely by any shareholder electing to receive dividends in euros.

Our net assets may not grow sufficiently to cover the costs of establishing and operating our business, and our shareholders may not recover amounts initially invested.

Amounts owing under our borrowings and repurchase agreements will rank ahead of shareholders' entitlements and, accordingly, if our net assets do not grow sufficiently to cover the costs of establishing and operating our business, shareholders may not recover the amount initially invested.

Uncertainty of enforcement of judgments in Jersey.

Uncertainty exists as to whether courts in Jersey will enforce judgments obtained in certain other jurisdictions, including the United States, against us or our directors or officers under the securities laws of those jurisdictions or entertain actions in Jersey against us or our directors or officers under the securities laws of other jurisdictions.

Risks Related to Our Investments

Interest rate mismatches between our adjustable-rate MBS and our borrowings used to fund our asset purchases may reduce our income during periods of changing interest rates.

We will fund most of our acquisitions of adjustable-rate MBS with borrowings that have interest rates based on indices and repricing terms similar to, but of shorter maturities than, the interest rate indices and repricing terms of the MBS in which we invest. Accordingly, if short-term interest rates increase, this may adversely affect our profitability.

It is anticipated that most of the MBS that we will acquire will be adjustable-rate securities. This means that their interest rates may vary over time based upon changes in a short-term interest rate index. Therefore, in most cases, the interest rate indices and repricing terms of the MBS that we will acquire and their funding sources will not be identical, thereby creating an interest rate mismatch between assets and liabilities. While the historical spread between relevant short-term interest rate indices has been relatively stable, there have been periods when the spread between these indices was volatile. During periods of changing interest rates, these mismatches could reduce our net income, dividend yield and the market price of our ordinary shares.

The interest rates on our borrowings may generally adjust more frequently than the interest rates on our adjustable-rate MBS. Accordingly, in a period of rising interest rates, we could experience a decrease in net income or a net loss because the interest rates on our borrowings adjust faster than the interest rates on our adjustable-rate MBS.

Increased levels of prepayments from MBS may decrease our net interest income.

Pools of mortgage loans underlie the MBS that we will acquire. We will generally receive payments from principal payments that are made on these underlying mortgage loans. When borrowers prepay their mortgage loans faster than expected, this results in prepayments that are faster than expected on the MBS. Faster than expected prepayments could adversely affect our profitability, including in the following ways:

- We may purchase MBS that have a higher interest rate than the market interest rate at the time. In exchange for this higher interest rate, we may pay a premium over the par value to acquire the security. In accordance with U.S. GAAP, we may amortize this premium over the estimated term of the mortgage-backed security. If the mortgage-backed security is prepaid in whole or in part prior to its maturity date, however, we may be required to expense the premium that was prepaid at the time of the prepayment.
- We anticipate that a substantial portion of our adjustable-rate MBS may bear interest rates that are lower than their fully indexed rates, which are equivalent to the applicable index rate plus a margin. If an adjustable-rate MBS is prepaid prior to or soon after the time of adjustment to a fully-indexed rate, we will have held that MBS while it was least profitable and lost the opportunity to receive interest at the fully indexed rate over the remainder of its expected life.
- If we are unable to acquire new MBS similar to the prepaid MBS, our financial condition, results of operation and cash flow would suffer.

Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayment rates also may be affected by conditions in the housing and financial markets, general economic conditions and the relative interest rates on fixed-rate and adjustable-rate mortgage loans.

While we will seek to minimize prepayment risk to the extent practicable, in selecting investments we must balance prepayment risk against other risks and the potential returns of each investment. No strategy can completely insulate us from prepayment risk.

We may experience reduced net interest income from holding fixed-rate investments during periods of rising interest rates.

We will generally fund our acquisition of fixed-rate MBS with short-term borrowings. During periods of rising interest rates, the costs associated with borrowings used to fund acquisition of fixed-rate assets may be subject to increases while the income we earn from these assets may remain substantially fixed. This reduces or could eliminate the net interest spread between the fixed-rate MBS that we may purchase and our borrowings used to purchase them, which could lower our net interest income or cause us to suffer a loss.

Interest rate caps on our adjustable-rate MBS may reduce our income or cause us to suffer a loss during periods of rising interest rates.

Adjustable-rate MBS can be subject to periodic and lifetime interest rate caps. Periodic interest rate caps limit the amount an interest rate can increase during any given period. Lifetime interest rate caps limit the amount an interest rate can increase through maturity of an MBS. Our borrowings will not be subject to similar restrictions. Accordingly, in a period of rapidly increasing interest rates, the interest rates paid on our borrowings could increase without limitation while interest rate caps would limit the interest rates on our adjustable-rate MBS. This problem is magnified for our adjustable-rate MBS that are not fully indexed. Further, some adjustable-rate MBS may be subject to periodic payment caps that result in a portion of the interest being deferred and added to the principal outstanding. As a result, we could receive less cash income on adjustable-rate MBS than we need to pay interest on our related borrowings. These factors could lower our net interest income or cause us to suffer a loss during periods of rising interest rates.

We may invest in leveraged mortgage derivative securities that generally experience greater volatility in market prices, thus exposing us to greater risk with respect to their rate of return.

We may acquire leveraged mortgage derivative securities that may expose us to a high level of interest rate risk. The characteristics of leveraged mortgage derivative securities result in greater volatility in their market prices. Thus, acquisition of leveraged mortgage derivative securities would expose us to the risk of greater price volatility in our portfolio and that could adversely affect our net income and overall profitability.

If the credit quality of our investments declines or if there are defaults on the investments we make, our profitability may decline and we may suffer losses.

Although we expect the majority of our investments will have AAA or implied AAA ratings, our asset acquisition policy also provides us with the ability to acquire a material amount of lower credit quality MBS and other mortgage-related assets. If we acquire MBS or other mortgage-related assets of lower credit quality, our profitability may decline and we may incur losses if there are defaults on the mortgage loans backing those MBS or if the rating agencies downgrade the credit quality of those MBS or other mortgage-related assets.

The mortgage loans underlying the MBS and other mortgage-related assets in which we will invest, and any mortgage loans we acquire, are subject to delinquency, foreclosure and loss, which could result in losses to us.

Residential mortgage loans are secured by single-family residential property and are subject to risks of loss, delinquency and foreclosure. The ability of a borrower to repay a loan secured by a residential property is dependent upon the income or assets of the borrower. A number of factors, including a decline in the U.S. housing market, a general economic downturn, acts of God, terrorism, social unrest and civil disturbances, may impair borrowers' abilities to repay their loans.

Residential MBS evidence interests in or are secured by pools of residential mortgage loans. Many of our other mortgage-related assets similarly will be secured by residential mortgage loans. Accordingly, the MBS and other mortgage-related assets in which we invest will be subject to all of the risks of the underlying mortgage loans. In the event of defaults with respect to the mortgage loans that underlie our MBS and other mortgage-

related investments and the exhaustion of any underlying or additional credit support, we may not realize our anticipated return on these investments and we may incur a loss on these investments.

To the extent we purchase residential mortgage loans in the secondary market, such investments will be subject to the borrowers' ability to repay their loans.

Risks Related to Our Management and our Relationship with Our Investment Manager, Anworth and PIA

The members of the management team of our investment manager devote a portion of their time to other companies in capacities that could create conflicts of interest that may adversely affect our investment opportunities; this lack of a full-time commitment could also adversely affect our operating results.

The members of the management team of our investment manager are also senior executives of PIA and Anworth, where they devote a portion of their time. These individuals are under no contractual obligations mandating minimum amounts of time to be devoted to our company. As senior executives of PIA and Anworth, the members of the management team of our investment manager are entitled to certain incentive compensation based on the performance of such entities. In addition, Lloyd McAdams, Joseph E. McAdams and Heather U. Baines are the sole shareholders of our investment manager, and a trust controlled by Lloyd McAdams is the principal shareholder of PIA.

The members of the management team of our investment manager will be involved in investing our assets, Anworth's assets, and assets for institutional clients and individual investors through PIA. These multiple responsibilities and ownerships may create conflicts of interest if they are presented with opportunities that could benefit us, Anworth and the clients of PIA. They may allocate investments among our portfolio, Anworth's portfolio and the clients of PIA by determining the entity or account for which the investment is most suitable. In making this determination, they may consider investment objectives, restrictions and time horizon, availability of cash, the amount of existing holdings and other factors that they determine to be appropriate. However, they will have no obligation to make any specific investment opportunities available to us and the above-mentioned conflicts of interest may result in decisions or allocations of securities that are not in our best interests.

We are dependent on our investment manager and may not find a suitable replacement if our investment manager is unable to perform under or terminates the investment management agreement, in which case we may not be able to operate our business.

We have no employees. We have no separate facilities and are almost completely reliant on our investment manager, which has significant discretion as to the implementation and execution of our business strategies and risk management practices. We are subject to the risk that our investment manager will be unable to perform adequately under, or may terminate, the investment management agreement and that no suitable replacement investment manager will be found.

Because our investment management agreement was negotiated between related parties and due to our relationship with our investment manager, it may not be as favorable to us if it had been negotiated with a third party.

We are subject to potential conflicts arising out of our relationship with our investment manager and its affiliates. We are entirely dependent on our investment manager for our day-to-day management and we have no officers. Lloyd McAdams, Joseph E. McAdams, Heather U. Baines, Charles Siegel and Bistra Pashamova also serve as officers or directors of our investment manager's affiliates. As a result, our investment management agreement with our investment manager was negotiated between related parties and its terms, including fees payable, may not be as favorable to us as if it had been negotiated with an unaffiliated third party.

We will depend on the key personnel of our investment manager and the loss of any of our investment manager's key personnel could materially and adversely affect our results of operations or financial condition.

We will depend on the diligence, experience and skill of our investment manager's management team for the selection, structuring and monitoring of our mortgage-related assets and associated borrowings. Our dependence on our investment manager's key personnel is heightened by the fact that our investment manager itself has a relatively small number of personnel, and the loss of any key person could harm our entire business, financial condition, cash flow and results of operations. In particular, the loss of the services of Lloyd McAdams or Joseph E. McAdams could seriously harm our business.

Our board of directors has approved very broad investment guidelines for our investment manager and does not approve each investment decision made by our investment manager.

Our investment manager is authorized to follow very broad investment guidelines. Our board of directors will periodically review our investment guidelines and our investment portfolio. However, our board of directors will not review all of our proposed investments. In addition, in conducting periodic reviews, the board of directors may rely primarily on information provided to it by our investment manager. Furthermore, transactions entered into or structured for us by our investment manager may be difficult or impossible to unwind by the time they are reviewed by the board of directors. Subject to complying with applicable laws, our investment manager has a significant amount of discretion within the broad investment guidelines to determine the types of assets that are proper investments for us.

If our investment manager ceases to be our investment manager pursuant to the investment management agreement, it could be an event of default under our financing arrangements and we could be unable to obtain future financing on commercially reasonable terms or at all.

The financial institutions that we expect will finance our investments may require that our investment manager remain our investment manager pursuant to the investment management agreement. The failure of our investment manager to continue to be our investment manager could constitute an event of default under our financing arrangements, and each of the financial institutions may have the right to terminate their financing arrangements, including their obligation to advance funds to us to finance our future investments, require repayment of financed amounts or payment of termination amounts. If our investment manager ceases to be our investment manager for any reason and we are unable to obtain financing under these or replacement financing arrangements, our growth may be limited.

We may compete with future investment vehicles for access to PIA or Anworth's investment professionals and principals.

Affiliates of PIA or Anworth may sponsor or manage other investment vehicles in the future. In the event that any such investment vehicle has an investment focus similar to our focus, we may be competing for access to the benefits that we expect our relationships with PIA or Anworth to provide to us. As a result, our business could be adversely affected.

Our investment manager may engage in other businesses or provide services to other companies.

Our investment manager is not prohibited from engaging in other businesses or from rendering services of any kind to any other person or entity, including those with investment objectives or policies similar to ours, to the extent that it believes, in its good faith judgment, that such activities would not adversely affect its performance of its obligations under the investment management agreement. We are not entitled to receive preferential treatment as compared with the treatment given by the investment manager to others. If our investment manager devotes substantial time to other activities, or performs investment management services for similar companies, it may make decisions or allocations of securities that are not in our best interests.

Our access to confidential information may restrict our ability to take action with respect to some investments, which, in turn, may negatively affect the potential return to shareholders.

We, directly or through our investment manager, may obtain confidential information about the companies in which we have invested or may invest. If we do possess confidential information about such companies, there may be restrictions on our ability to dispose of, increase the amount of, or otherwise take action with respect to an investment in those companies. Our relationship with PIA or Anworth could create a conflict of interest to the extent our investment manager becomes aware of inside information concerning potential investment targets. Our compliance procedures and practices designed to ensure that inside information is not used for making investment decisions on our behalf may not be effective. In addition, this potential conflict of interest and these compliance procedures and practices may limit the freedom of our investment manager to make potentially profitable investments, which could have an adverse effect on our operations.

Our investment manager's liability is limited under the investment management agreement, and we have agreed to indemnify our investment manager against certain liabilities.

Pursuant to the investment management agreement, our investment manager does not assume any responsibility other than to render the services called for thereunder and is not responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our investment manager and its affiliates, and the directors, officers, employees, members and shareholders of our investment manager and its affiliates, are not liable to us, our directors or our shareholders for acts performed in accordance with and pursuant to the investment management agreement, except by reason of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their duties under the investment management agreement. We have agreed, to the full extent lawful, to indemnify our investment manager and its affiliates, and the directors, officers, employees, members and shareholders of our investment manager and its affiliates, with respect to all expenses, losses, damages, liabilities, demands, charges and claims arising from acts of such indemnified party not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of duties, and performed in good faith in accordance with and pursuant to the investment management agreement.

The termination of our investment management agreement by us would be difficult and costly.

We may terminate the investment management agreement we entered into with our investment manager for cause (as defined in the agreement) at any time. We may not terminate the investment management agreement, however, without cause before December 31, 2011, the date on which its initial term expires. After December 31, 2011, the investment management agreement will be automatically renewed for a one-year term on each anniversary date thereafter unless terminated for cause or upon at least 180 days notice. If we terminate the investment management agreement without cause, we will be required to pay to our investment manager a termination fee equal to three times the average annual management fee earned by our investment manager during the 24-month period immediately preceding the most recently completed calendar quarter prior to the date of termination. In addition, any share appreciation right that we may have awarded to our investment manager under our share appreciation rights plan that is outstanding at the time we terminate the investment management agreement will continue to be exercisable. We may only elect not to renew the investment management agreement without cause with the consent of the majority of our independent directors. If we elect not to renew the investment management agreement without cause, we generally may not, without the consent of our investment manager, for the remainder of the then-current term of the agreement and two years after its expiration or termination, employ any person who was employed by our investment manager or any of its affiliates at any time during the term of the agreement. Therefore, termination of the investment management agreement would result in substantial cost to us and could impede our ability to find a suitable replacement to serve as our investment manager.

We will depend on an administrative services agreement between our investment manager and PIA for services that will be hard to replace on a cost-effective basis.

Upon the closing of this global offering, our investment manager will enter into an administrative services agreement with PIA under which PIA will render specified administrative services to our investment manager. The administrative services agreement has an initial term of one year, with automatic one-year renewals, unless PIA provides written notice of non-renewal to our investment manager not less than 90 days prior to the expiration of the initial term or the applicable renewal term. In addition, the administrative services agreement will terminate 180 days after our investment manager provides written notice to PIA, except that our investment manager may specify a later termination date in such notice and PIA and our investment manager may agree to an earlier termination date. The administrative services agreement will also terminate if either we or our investment manager elects to terminate the investment management agreement pursuant to its terms. We cannot be certain how long PIA will continue to provide our investment manager with services under the administrative services agreement and, if it does not, whether, or on what terms our investment manager could obtain these services elsewhere. If PIA ceases to provide these services to our investment manager and our investment manager cannot perform these services or obtain them elsewhere on acceptable terms, this could materially harm our business.

Tax Risks Related to Our Business and Structure

U.S. Holders will be subject to significant adverse tax consequences unless certain elections are made. All U.S. Holders are urged to consult their tax advisers about the application of the passive foreign investment company ("PFIC") rules and the advisability of making a qualified electing fund ("QEF") election or, if available, a mark-to-market election.

We expect to be treated as a PFIC for U.S. federal income tax purposes. PFICs are subject to special tax rules that may result in significant adverse tax consequences to U.S. Holders unless certain elections are made. See "Income Tax Consequences—U.S. Federal Income Tax Considerations." You are strongly urged to consult your tax adviser about the application of the PFIC rules to your specific circumstances and the availability of making a QEF or mark-to-market election.

U.S. Holders making a QEF election will be subject to U.S. federal income tax even if we make no distributions to such holders.

If a U.S. Holder makes a QEF election with respect to us, the U.S. Holder will be required to include annually in its taxable income an amount reflecting an allocable share of our income and net capital gain, regardless of whether distributions are paid currently by us to the U.S. Holder. A U.S. Holder may, however, elect to defer, until the occurrence of certain events, payment of the U.S. federal income tax attributable to a QEF election for which no current distributions are received, but such holder would be required to pay interest on the deferred tax.

U.S. Holders making a mark-to-market election, if available, will be subject to U.S. federal income tax on the year-end increase in the value of our ordinary shares even if we make no distributions to such holders.

A U.S. holder who makes a mark-to-market election with respect to its ordinary shares will be required to include annually in its taxable income as ordinary income an amount reflecting any year-end increase in the value of our ordinary shares, regardless of whether distributions are paid currently by us to the shareholder. Prospective investors should consult their tax advisers with regard to the availability of making a mark-to-market election.

U.S. Holders are not eligible for preferential dividend rates with respect to our distributions.

U.S. Holders that receive dividend income from us will not be eligible for the preferential individual U.S. federal income tax rate on "qualified dividend income" or for the dividends received deduction.

If we become subject to U.S. federal income tax, our financial and operating results and our ability to make distributions to our shareholders would be adversely affected.

We intend to operate so that we will not be treated as engaged in a trade or business in the United States. While we believe that our intended method of operations will not cause us to be considered to be engaged in a trade or business in the United States, no assurances can be given that the Internal Revenue Service will not successfully challenge that position. Were we determined to be engaged in a trade or business in the United States for U.S. federal income tax purposes, our income that is effectively connected with such U.S. trade or business would be subject to U.S. federal corporate income tax, generally at a maximum rate of 35%, and a branch profits tax of 30% on our net after-tax returns. Therefore, were we determined to be engaged in a U.S. trade or business, our financial and operating results, and ability to make distributions to our shareholders, would be adversely affected.

We may be subject to adverse legislative or regulatory tax changes.

At any time, the U.S. federal, state, local, or foreign tax laws or regulations or the administrative or judicial interpretations of those laws or regulations may be changed or amended. We cannot predict when or if any new U.S. federal, state, local, or foreign tax law, regulation, or administrative or judicial interpretation, or any amendment to any existing tax law, regulation or administrative or judicial interpretation, will be adopted, promulgated, or become effective and any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new tax law, regulation, or administrative or judicial interpretation.

Risks Related to this Global Offering and Ownership of our Ordinary Shares

Neither the ordinary shares nor their offer or sale has been, nor will they be, registered with the United States Securities and Exchange Commission (the "SEC") under the Securities Act, the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), or any state or other U.S. or non-U.S. securities laws, and we are not required to register as an investment company.

Offers and sales of our ordinary shares have not been and will not be registered with the SEC under the Securities Act. Our ordinary shares have not been, nor will they be, registered under the Exchange Act, or any state or other U.S. or non-U.S. securities laws. We are not required to, and we do not anticipate that we will, register as an investment company under the Investment Company Act.

We believe that we currently are a "foreign private issuer" within the meaning of Rule 405 of the Securities Act and Rule 3b-4 of the Exchange Act. As a foreign private issuer, we do not expect to be required to register under the Exchange Act. We will lose our status as a foreign private issuer if more than 50 percent of our voting securities are held by U.S. residents. If we were found to be in violation of registration and reporting requirements under the Exchange Act, our ability to issue additional equity securities in the future could be severely hindered.

There is no prior trading market for the ordinary shares.

Prior to this global offering, there has been no public market for our ordinary shares. An active public market for our ordinary shares may not develop or be sustained after this global offering, and the market price might fall below the global offering price. As there has been no prior market valuation of our ordinary shares, there can be no assurance that the global offering price for our ordinary shares will accurately reflect the market

price for our ordinary shares following this global offering. We expect that our ordinary shares will be eligible for trading on Euronext Amsterdam, but an active trading market for our ordinary shares may not develop or if one develops, it may not continue. Accordingly, no assurance can be given as to:

- the likelihood that an active market for the shares will develop or continue if it does develop;
- the liquidity of any such market;
- the ability of our shareholders to sell their ordinary shares; and
- the price that our shareholders may obtain for their ordinary shares.

Our ordinary shares are only an appropriate investment for potential investors who understand that, on disposal, they may receive less than the price paid for their ordinary shares and that if there are insufficient assets to repay our borrowings and other obligations in full they may receive no distribution at all on a winding-up of our company.

Euronext Amsterdam is less liquid than other major exchanges, which could affect the price of our ordinary shares.

Upon admission, the principal trading market for our ordinary shares will be Euronext Amsterdam, which is less liquid than major markets in the United States and certain other markets in Europe. As a result, holders of our ordinary shares may encounter difficulty disposing of our ordinary shares, particularly in large blocks.

The trading market for our ordinary shares may fluctuate and/or lack liquidity.

The market price of our ordinary shares and the income derived from them may be subject to wide fluctuations in response to many factors including variations in our operating results, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in our sector and other events and factors outside of our control. The market value of an ordinary share may vary considerably from its underlying shareholders' equity.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, in addition to general economic and political conditions, could adversely affect the market price for our ordinary shares. To optimize returns investors may need to hold ordinary shares on a long term basis and they may not be suitable for short term investment.

Admission of our ordinary shares to listing on Euronext Amsterdam should not be taken as implying that there will be a liquid market for our ordinary shares. The value of our ordinary shares may go down as well as up.

The purchase price per share of our ordinary shares may not accurately reflect its actual value.

The purchase price per share of our ordinary shares offered under this offering memorandum reflects the result of negotiations between us and the initial purchasers. The purchase price may not accurately reflect the value of our ordinary shares, and the global offering price may not be realized upon any subsequent disposition of the shares.

There are restrictions on the ability of United States investors to acquire, transfer or resell our ordinary shares without registration under applicable securities laws, and we are not obligated to and do not anticipate that we will file a registration statement for our ordinary shares.

The ordinary shares are being offered and sold pursuant to an exemption from registration under the Securities Act and applicable state securities laws. Therefore, United States investors may acquire, transfer or resell our ordinary shares only in a transaction registered under or exempt from the registration requirements of the Securities Act and applicable state securities laws and may be required to bear the risk of their investment for an indefinite period of time.

In certain circumstances, our board of directors has the right to require certain holders of our ordinary shares to repay us the amount of dividends paid with respect to such holders' shares, to impose a penalty determined at the board's discretion on certain holders of our ordinary shares, and to eliminate the right of certain holders of our ordinary shares to vote such shares.

Our memorandum and articles of association gives our board of directors the right to require certain holders of our ordinary shares to repay to us the amount of dividends paid with respect to such holders' shares, to impose a penalty determined at the board's discretion on certain holders of our ordinary shares, and to eliminate any or all rights and privileges attaching to such ordinary shares, including, the right of certain holders of our ordinary shares to vote such shares in the event that certain holders of our ordinary shares do not transfer their ordinary shares as directed by our board of directors. Our board of directors may only exercise these rights under the circumstances specified in our memorandum and articles of association. In general, our board of directors will be able to exercise these rights after our board of directors has notified a holder of our ordinary shares that our board of directors has determined, in its sole discretion, that such holder is within a category of persons specified in our memorandum and articles of association and such holder does not comply with our board of directors' direction that such holder transfer the ordinary shares held by such holder. Our board of directors may exercise these rights if it becomes aware that (i) ordinary shares are owned or held directly or beneficially by any person in breach of any applicable law or by virtue of which such person is not qualified to own those shares or, in the sole and conclusive determination of the directors, such ownership or holding or continued ownership or holding of those shares (whether on its own or in conjunction with any other circumstance appearing to the directors to be relevant) would in the opinion of the directors, prejudice our tax position or that of any other holder of our shares or other securities or cause us or any of them a legal, regulatory, pecuniary, fiscal or other administrative disadvantage, (ii) 40% or more of our issued and outstanding ordinary shares are held of record by U.S. residents (within the meaning of such terms used in the definition of "foreign private issuer" in Rule 405 under the Securities Act), (iii) as the result of a purported transfer of our ordinary shares to a Covered Plan or Controlling Person (as such terms are hereinafter defined), a sufficient number of our ordinary shares is owned or held directly or beneficially by one or more Covered Plans such that in the opinion of the board of directors, our assets would be considered "plan assets" within the meaning of the United States Department of Labor, or DOL Plan Asset Regulations adopted under ERISA (in the circumstances described in this clause (iii) these actions may be taken only with respect to our ordinary shares purportedly transferred to the Covered Plan or Controlling Person) or (iv) ordinary shares are held of record by a sufficiently large number of U.S. persons that it would not be unreasonable to conclude that we might become required to register our ordinary shares under the Exchange Act. A "Covered Plan" means any "benefit plan investor" (as defined in Section 3(42) of the Employee Retirement Income Security Act of 1974, as amended, or ERISA), which term includes an employee benefit plan subject to Title I of ERISA, a plan or arrangement described in Section 4975 of the Internal Revenue Code of 1986, as amended, or the Code, an entity whose underlying assets include "plan assets" by reason of a plan's investment in such entity (including but not limited to an insurance company general account), or any entity that otherwise constitutes a "benefit plan investor" for purposes of the DOL, Plan Asset Regulations. A "Controlling Person" includes any person who has discretionary authority or control with respect to our assets or who provides investment advice for a fee (direct or indirect) with respect to such assets, and any affiliate of such person. Our board of directors has discretion to determine the type and amount of any penalty to be imposed on any holder. See "Description of Our Shares and Certain Provisions of Jersey and Dutch Law and Our Memorandum and Articles of Association—Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights." As a result, if you are directed by our board of directors to transfer all or a portion of your ordinary shares pursuant to the provisions of our memorandum and articles of association, you may be required to sell such ordinary shares at a price that may be less than what you paid for such ordinary shares or without regard to any adverse income tax consequences to you, and you may be required to repay all dividends paid on your ordinary shares and be subject to a significant penalty if you fail to transfer such ordinary shares when directed to do so.

To monitor the nature of persons holding an interest in our ordinary shares, our board of directors may at any time and from time to time call upon any holder (or any one of joint holders or a person who is automatically entitled to the shares by transmission or by law) of our ordinary shares by notice in writing to provide such

information and evidence as our board of directors requires upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within a reasonable period (which period may not be less than 21 days after service of such notice) as may be specified by the directors in such notice, the directors may, in their absolute discretion, treat any ordinary shares held by such holder or joint holders as being held in such a way that entitles the board of directors to direct such holder to transfer the ordinary shares held by such holder and, if such holder fails to transfer such ordinary shares, to exercise its right to require such holder to repay us the amount of dividends paid with respect to such holder's shares, to impose a penalty determined at the board's discretion on such holder, and to eliminate any or all of the rights and privileges affecting such holders shares, including the right of such holder to vote such holder's shares, except that our board of directors may not eliminate the right to vote the ordinary shares held by any person described in clause (iii) of the preceding paragraph. In the event that our board of directors directs any U.S. resident holding an interest in our ordinary shares to transfer any of our ordinary shares held by such U.S. resident in connection with a determination by the board related to clause (ii) above and any such U.S. resident fails to transfer any of our ordinary shares, as directed by our board, our board of directors will have the right to eliminate any or all of the rights and privileges affecting such holder's shares, including the right of any or all U.S. residents holding our ordinary shares to vote the ordinary shares held of record by such U.S. residents. The directors will not be required to give any reasons for any decision, determination or declaration taken or made in accordance with the provisions in our memorandum and articles of association related to these rights. The exercise by our board of the powers conferred by such provisions may not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership or holding of our ordinary shares by any person or that the true direct or beneficial owner or holder of any of our ordinary shares was otherwise than as appeared to the directors at the relevant date provided that the said powers have been exercised in good faith. See "Description of Our Shares and Certain Provisions of Jersey and Dutch Law and Our Memorandum and Articles of Association—Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights."

We are subject to certain limitations imposed by ERISA.

If "benefit plan investors" (as determined pursuant to ERISA) own 25% or more of any class of equity of our company, our assets may constitute "plan assets" subject to ERISA. If our assets were to constitute ERISA plan assets, this could result, among other things, in (1) the application of the prudence and other fiduciary standards of ERISA, which impose liability on fiduciaries, to investments made by us, which could materially affect our operations, (2) potential liability of persons having investment discretion over the assets of the benefit plan investors investing in us should our investments not conform to ERISA's prudence and fiduciary standards under Title I of ERISA, unless certain conditions are satisfied and (3) the possibility that certain transactions that we might enter into in the ordinary course of our business and operation might constitute non-exempt "prohibited transactions" that could be subject to a significant excise tax under the Code and may require the "unwinding" of such transactions. In response to these risks, our charter limits ownership by benefit plan investors to less than 25% of all classes of our equity. However, we will not be able to control transfers of our publicly-offered securities, and it is possible that benefit plan investors (which generally include U.S. pension plans and other employee benefit plans subject to ERISA, individual retirement arrangements, and entities deemed to hold plan assets by virtue of a plan's investment in that entity) will own 25% or more of our equity securities, which would result in the potentially adverse effects on us described in this paragraph.

We have given our investment manager broad discretion to determine the specific use of the net offering proceeds of this global offering, and the use of proceeds chosen by our investment manager may not increase our revenues or market value.

We have broadly characterized our expectation about how our investment manager will use the net proceeds we will receive from this global offering under "Use of Proceeds." However, we have given our investment manager considerable discretion in the specific application of the net proceeds from this global offering, and our investment manager may apply the net proceeds in ways other than those we currently expect. Our investment manager may apply the net proceeds in ways that generate less revenues for us or that result in a lower market

value for us than other possible applications of our net proceeds that our investment manager could have chosen. You will not have the opportunity, as part of your investment decision, to assess whether the proceeds of this global offering are being used appropriately.

If in the future we offer and sell debt securities, which would be senior to our ordinary shares upon liquidation, or equity securities, which would dilute our existing shareholders and may be on parity with or senior to our ordinary shares upon liquidation or the payment of dividends, the market price of our ordinary shares may be adversely affected or may experience significant or volatile fluctuation.

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities, including commercial paper, medium-term notes, senior or subordinated notes and classes of preferred shares or ordinary shares. Upon liquidation, holders of our debt securities and preferred shares and lenders with respect to other borrowings will receive a distribution of our available assets prior to the holders of our ordinary shares. Any preferred share may have a preference on dividend payments that could limit our ability to make a dividend distribution to the holders of our ordinary shares. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, the shareholders bear the risk of our future offerings reducing the market price of our ordinary shares.

The issue of large amounts of equity could cause the price of our ordinary shares to decline.

We may issue additional ordinary shares and/or issue preferred shares. If we issue a significant number of ordinary shares or preferred shares in a short period of time, there could be a dilution of the existing ordinary shares and a decrease in the market price of ordinary shares.

Additionally, there would be a dilution of the existing ordinary shares upon the exercise of the over-allotment option. For a description of the over-allotment option, see "Plan of Distribution—Over-Allotment Option."

Our board of directors has the discretion to authorize one or more series of preferred shares and to fix the designation, powers, preferences and rights of each series of preferred shares.

Our board of directors has the discretion to authorize preferred shares in one or more series, and to establish from time to time the number of preferred shares to be included in each such series, and to fix the designation, powers, preferences and rights of such preferred shares of each such series and the qualifications, limitations, or restrictions thereof. Our board of directors is not required to obtain the approval of the holders of our ordinary shares before it establishes a series of preferred shares or issues any such shares.

The rights of the holders of our ordinary shares may be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be established and issued by our board of directors in the future. The issuance of preferred shares may have the effect of delaying, deterring or preventing a change of control of us without further action by the holders of our ordinary shares and may adversely affect the voting and other rights of the holders of our ordinary shares.

If you purchase ordinary shares in this global offering, you will experience immediate dilution.

The initial purchase price of our ordinary shares will be higher than the net tangible book value of each of our ordinary shares outstanding upon completion of this global offering as a result of, among other things, our reimbursement obligations under the investment management agreement. Accordingly, if you purchase ordinary shares in this global offering, you will experience immediate dilution of approximately €0.60 (or approximately €0.39 if the initial purchasers exercise in full their over-allotment option) in the net tangible book value of each of our ordinary shares. This means that investors that purchase ordinary shares in this global offering will pay a price per ordinary share that exceeds the per share net tangible book value of our assets.

Changes in yields may harm the market price of our ordinary shares.

Returns, if any, on the investments we make will be earned principally on the spread between the yield on our interest-earning assets and the interest cost of the funds we will borrow. This spread will not necessarily be larger in high interest rate environments than in low interest rate environments and may also be negative. In addition, during periods of high interest rates, our net income, and therefore the amount of any distributions on our ordinary shares, might be less attractive compared to alternative investments of equal or lower risk. Each of these factors could harm the market price of our ordinary shares.

If closing of the global offering does not take place on the Settlement Date or at all, subscriptions for the ordinary shares will be disregarded and transactions effected in our ordinary shares will be subject to annulment.

Application will be made to list all our ordinary shares on Euronext Amsterdam under the symbol "GSTAR". We expect that our ordinary shares will first be admitted to listing and that trading in such shares will commence prior to the closing of the global offering on the Settlement Date on an "as-if-and-when-issued" basis. The Settlement Date, on which the closing of the global offering and the delivery of the ordinary shares will take place, is expected to occur on or about July 2, 2008, the third business day following the date on which trading is expected to commence ("T+3"). The closing of the global offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the purchase agreement (see "Plan of Distribution") are not satisfied or waived or occur on or prior to such date. Such conditions include confirmation of customary representations and warranties made by us in such agreement, our performance of or compliance with certain obligations in such agreement, and conditions that we have not suffered a material adverse effect, the delivery of legal opinions and the effectiveness of our application to have our ordinary shares admitted to listing and trading on Euronext Amsterdam. Trading in our ordinary shares before the closing of the global offering will take place subject to the condition subsequent (*ontbindende voorwaarde*) that the closing of the global offering does not take place on the Settlement Date or at all. If the closing of the global offering does not occur on the Settlement Date or at all, the global offering will be withdrawn, all subscriptions for our ordinary shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and all transactions in our ordinary shares on Euronext Amsterdam conducted between the Listing Date and the Settlement Date will be subject to annulment by Euronext. All dealings in our ordinary shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext does not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the global offering or (the related) annulment of any transactions on Euronext Amsterdam as from the Listing Date to the Settlement Date.

NOTICE TO INVESTORS

This offering memorandum has been prepared by us solely for use in connection with this global offering and the admission and listing to trading of our ordinary shares on Euronext Amsterdam.

This global offering may be withdrawn by us at any time prior to the closing of this global offering, either in whole or in part, and is specifically made by us subject to the terms described in this offering memorandum.

We and our directors accept responsibility for the information contained in this offering memorandum. Our directors are Lloyd McAdams, who is the President and Chief Executive Officer of our investment manager, and George Loraine and Clive Spears, who are non-executive directors. Having taken all reasonable care to ensure that such is the case, we and our directors further declare that the information contained in this offering memorandum is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. The initial purchasers make no representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum.

This offering memorandum does not constitute an offer to sell, or a solicitation of an offer to buy, any of our ordinary shares offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

Our ordinary shares have not been recommended, approved or disapproved by the SEC or any other U.S. federal or state securities commission or regulatory authority, nor has any such commission or regulatory authority passed upon the accuracy or determined the adequacy of this offering memorandum. Any representation to the contrary is a criminal offense.

In making your investment decision, you should rely only on the information contained in this offering memorandum. Neither we nor the initial purchasers have authorized anyone to provide you with information different from or in addition to the information in this offering memorandum. You should not rely on any such other information that you receive. We are offering to sell, and seeking offers to buy, the ordinary shares only in jurisdictions where offers and sales are permitted. The information contained in this offering memorandum is accurate only as of the date of this offering memorandum, regardless of the time of delivery of this offering memorandum or any sale of ordinary shares, and we expressly disclaim any duty to update this offering memorandum after the Settlement Date.

We are not making any representation to any purchaser of our ordinary shares regarding the legality, or appropriateness of an investment in our ordinary shares under any laws or regulations. You should not consider any information contained in this offering memorandum to be legal, business or tax advice. You should consult your own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in our ordinary shares.

A copy of this offering memorandum has been delivered to the registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and has not withdrawn, consent to its circulation. It must be distinctly understood that, in giving this consent, the registrar of companies does not take any responsibility for the financial soundness of Glennstars Limited or for the correctness of any statements made, or opinions expressed, with regard to it.

We are governed by the Collective Investment Funds (Jersey) Law 1988, as amended (the "Funds Law") and the subordinate legislation made thereunder. A certificate granted under Article 8B of the Funds Law is in force in respect of us. Our investment manager and our administrator are registered to conduct "fund services business" under the Financial Services (Jersey) Law 1998. The Jersey Financial Services Commission (the "Jersey FSC") is protected by the Funds Law against liability arising from the discharge of its functions under the Funds Law.

Further information about the regulatory treatment of listed funds domiciled in Jersey may be found on the website of the Jersey FSC at www.jerseyfsc.org.

Investor Restrictions

The ordinary shares offered and sold under this offering memorandum have not been and will not be registered under the Securities Act or any other law of the United States. The ordinary shares are being offered and sold in this global offering in reliance on the exemptions from the registration requirements of the Securities Act provided by, as applicable, Regulation S and Rule 144A. The ordinary shares offered and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be restricted securities within the meaning of Rule 144 under the Securities Act and, accordingly, such ordinary shares may not be resold or transferred except in transactions exempt from the registration requirements of the Securities Act. See "—Transfer Restrictions; Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights."

The initial purchasers have agreed with us that they (and, in the case of Friedman, Billings, Ramsey & Co., Inc., Friedman, Billings, Ramsey International, Ltd.) will only offer and sell our ordinary shares in this global offering to:

- non-U.S. persons in offers and sales that occur outside of the United States within the meaning of, and in reliance on, the exemption from the registration requirements of the Securities Act provided by Regulation S; or
- "qualified institutional buyers" as defined in, and in reliance on the exemption from the registration requirements of the Securities Act provided by, Rule 144A.

Each investor that is a non-U.S. person purchasing our ordinary shares pursuant to Regulation S will be required to sign a purchaser's letter substantially in the form of Annex I hereto, and each investor that is a "qualified institutional buyer" purchasing our ordinary shares pursuant to Rule 144A will be required to sign a purchaser's letter substantially in the form of Annex II hereto. Each purchaser's letter contains customary investor representations, warranties and agreements, including agreements related to the resale and transfer of our ordinary shares.

Each investor that purchases our ordinary shares in this global offering will represent, warrant and agree in the relevant purchaser's letter, that, among other things, (1) either, as designated by such investor in its purchaser's letter, (x) no part of the assets to be used to purchase or hold our ordinary shares constitutes or will constitute the assets of any Covered Plan or (y) it is a benefit plan investor and its purchase and holding of our ordinary shares will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any applicable other federal, state, local, non-U.S. or other laws or regulations that contain one or more provisions that are similar to the provisions of Title I of ERISA or Section 4975 of the Code or, collectively, "Similar Laws" and (2) it will not transfer or assign its interest in our ordinary shares to any person (including any change in the source of funds that is a result of a transfer to an affiliate or a different account) that is, or is acting on behalf of, a Covered Plan or a Controlling Person.

In the event of a purported transfer in violation of the requirement set forth in clause (2) of the preceding paragraph by any holder of our ordinary shares, our board of directors can direct that the relevant ordinary shares be transferred to a person who is not a benefit plan investor and can impose the penalties on the relevant ordinary shares described in this offering memorandum. See "—Transfer Restrictions; Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights" below. We cannot assure you, however, that ownership or holding of any class of our stock by or on behalf of benefit plan investors will always remain below the 25% threshold or that our assets will not otherwise constitute "plan assets" under the DOL Plan Asset Regulations. See "ERISA Considerations."

Transfer Restrictions; Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights

The ordinary shares offered and sold under this offering memorandum have not been and will not be registered under the Securities Act or any other law of the United States. The ordinary shares offered and sold to qualified institutional buyers in reliance on Rule 144A under the Securities Act will be restricted securities within the meaning of Rule 144 under the Securities Act and, accordingly, such ordinary shares may not be resold or transferred except in transactions exempt from the registration requirements of the Securities Act.

Hedging transactions involving our ordinary shares may constitute a resale on transfer of our ordinary shares, and, as a result, any such transaction must be exempt from the registration requirements of the Securities Act. In addition, any person that purchases our ordinary shares sold in this global offering will agree or will be deemed to have agreed that such person will only resell or transfer our ordinary shares in accordance with the relevant purchaser's letter, as described below.

Each investor that purchases our ordinary shares in this global offering will, represent, warrant and agree in the relevant purchaser's letter required to be executed and delivered by such investor, that it will only resell or transfer our ordinary shares:

(1) (a) pursuant to offers and sales that occur outside of the United States within the meaning of Regulation S under the Securities Act; or (b) to us or any subsidiary we may have after the completion of this global offering; and

(2) to a person that is not, and is not acting on behalf of, a Covered Plan or Controlling Person.

Our memorandum and articles of association also contains the foregoing limitations regarding the resale or transfer of our ordinary shares, and provides that such limitations apply to all holders of our ordinary shares, whether such ordinary shares were acquired in this global offering or in the secondary market.

Any investor that purchases our ordinary shares in this global offering and any person that acquires our ordinary shares in the secondary market is deemed to have agreed that our board of directors can direct that any ordinary shares transferred to a person that is, or is acting on behalf of a Covered Plan or Controlling Person be transferred to a person who is not a Covered Plan or Controlling Person and can impose the penalties on the relevant ordinary shares described in this offering memorandum.

Our memorandum and articles of association provides that a person that is holding an interest in our ordinary shares who becomes aware that he is holding or owning such interest in breach of any law of any country or governmental authority or by virtue of which he is not qualified to hold such interest or that he is an investor that ceases to be a qualified investor within the terms and conditions of our memorandum and articles of association discussed below shall either (i) notify our board of directors in writing requesting that our board of directors deliver a notice directing the transfer of such ordinary shares or (ii) transfer such interest to a person duly qualified to hold such interest. In addition, our memorandum and articles of association provides our board of directors with the ability to exercise certain rights if it comes to the attention of our board of directors that: (i) our ordinary shares are held by a person in breach of any applicable law or by virtue of which such person is not qualified to own such shares or in the opinion of the board of directors such ownership would prejudice our tax position or that of any other owner or holder of our ordinary shares or cause us or any of them a legal, regulatory, pecuniary, fiscal or other administrative disadvantage, (ii) as the result of a purported transfer of our ordinary shares to a Covered Plan or Controlling Person, a sufficient number of our ordinary shares is held by one or more Covered Plans such that in the opinion of the board of directors all or some portion of our assets would be considered "plan assets" within the meaning of the DOL Plan Asset Regulations adopted under ERISA, (iii) more than 40% of our total outstanding ordinary shares are held of record by U.S. residents (within the meaning of such terms used in the definition of "foreign private issuer" in Rule 405 under the Securities Act), or (iv) our ordinary shares are held of record by a sufficiently large number of U.S. persons that it would not be unreasonable to conclude that we might become required to register our

ordinary shares under the Exchange Act. In such circumstances or in the event that any holder of our ordinary shares, following notice provided to such holder, fails to provide our board of directors such evidence as requested by our board of directors to monitor the nature of persons holding an interest in our ordinary shares, our board of directors will have the right to direct that each relevant holder (in the circumstances described in clause (ii) of this paragraph, "relevant holder" shall be only the holder of the shares purportedly transferred to the Covered Plan or Controlling Person) transfer such holder's ordinary shares and, in the event that any relevant holder does not transfer its ordinary shares as directed by our board of directors, (a) to require that each relevant holder of our ordinary shares repay us the amount of dividends paid with respect to each such holder's ordinary shares, (b) to impose a penalty determined at the discretion of our board of directors on each relevant holder of our ordinary shares, and (c) to eliminate any or all rights and privileges attaching to each such relevant holder's ordinary shares, including the right to vote the ordinary shares held by each relevant holder (and, in the case of exercising its rights in connection with the circumstance described in clause (iii) of this paragraph, the board may, in certain circumstances, also eliminate the right of any or all U.S. residents to vote any or all of the ordinary shares held of record by any such U.S. resident) except that our board of directors may not eliminate the right to vote our ordinary shares held by any person described above in clause (ii) above.

See "Description of Our Shares and Certain Provisions of Jersey and Dutch Law and Our Memorandum and Articles of Association—Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights" for a more detailed description of these rights and the circumstances in which they may be exercised.

All certificates, if any, representing our ordinary shares that are issued in physical form to investors will bear legends referring to the transfer restrictions described above and to the rights of our board of directors described above to require the repayment of dividends, to impose penalties or to eliminate the voting rights associated with our ordinary shares.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This offering memorandum contains various "forward-looking statements." Forward-looking statements relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends and similar expressions concerning matters that are not historical facts. In some cases, you can identify forward-looking statements by the use of forward-looking terminology such as "believes," "expects," "may," "will," "would," "could," "should," "seeks," "approximately," "intends," "plans," "projects," "estimates" or "anticipates" or the negative of these words and phrases or similar words or phrases. Statements regarding the following subjects may be impacted by a number of risks and uncertainties and, among others, are forward-looking by their nature:

- our business and investment strategy;
- our projected results of operations;
- our ability to complete investments;
- our ability to use the proceeds of this global offering effectively;
- our ability to obtain future financing arrangements;
- our estimates relating to, and our ability to make, future distributions;
- our ability to manage interest rate, credit and other risks;
- our understanding of our competition and our ability to compete effectively;
- market and industry trends;
- our capital and operating expenditures; and
- interest rates.

The forward-looking statements are based on our beliefs, assumptions and expectations of our future performance, taking into account all information currently available to us. These beliefs, assumptions and expectations are subject to risks and uncertainties and can change as a result of many possible events or factors, not all of which are known to us or within our control. If a change occurs, our business, financial condition, liquidity and results of operations may vary materially from those expressed in our forward-looking statements. You should carefully consider these risks before you make an investment decision with respect to our ordinary shares, along with the following factors that could cause actual results to vary from our forward-looking statements:

- the factors referenced in this offering memorandum, including those set forth under the sections captioned "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business";
- general volatility of the capital markets;
- the availability of MBS and other mortgage-related assets for purchase;
- increases in the prepayment rates and/or default rates on the MBS and other mortgage-related assets that we acquire;
- our ability to use borrowings to finance the acquisition of assets, and our ability to obtain such borrowings on commercially reasonable terms and on terms that do not impair our ability to operate our business as expected;
- changes in the yield curve;
- changes in the market value of the assets we acquire;
- risks associated with investing in MBS and other mortgage-related assets, including adverse changes in business and general economic conditions;

- changes in our business and investment strategy;
- our ability to obtain capital on commercially reasonable terms or at all, and our ability to utilize any such capital in the manner expected;
- continued service of our investment manager and key personnel of our investment manager and our ability, if necessary, to obtain suitable replacements for our investment manager and key personnel of our investment manager;
- changes in interest rates;
- our ability and our investment manager's ability to execute our strategy, to manage our growth and to expand the scale of our operations as proposed; and
- changes in applicable laws and regulations.

We cannot guarantee future results, levels of activity, performance or achievements. You should not place undue reliance on these forward-looking statements, which apply only as of the date of this offering memorandum. We do not intend to and disclaim any duty or obligation to update or revise any forward-looking statements set forth in this offering memorandum.

MARKET DATA

Market and industry data and forecasts used in this offering memorandum have been obtained from independent industry sources as well as from research reports prepared for other purposes. We have not independently verified the data obtained from these sources, and we cannot assure you of the accuracy or completeness of the data. Such information has been accurately reproduced and as far as we are aware and are able to ascertain from information published by the relevant industry or other independent source, no facts have been omitted which would render the reproduced information inaccurate or misleading. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and the uncertainties as the other forward-looking statements in this offering memorandum.

The information in this offering memorandum with respect to the market for U.S. agency MBS as of March 31, 2008 and the amount of such outstanding debt securitized and guaranteed by U.S. agencies was obtained from the Fannie Mae and Freddie Mac quarterly reports on Form 10-Q for the period ending March 31, 2008. The amount of residential mortgage debt outstanding in the U.S. as of December 31, 2007 was obtained from the Fannie Mae and Freddie Mac annual reports on Form 10-K for the year ending December 31, 2007 and at www.ofheo.gov. The information in this offering memorandum with respect to the net credit losses as a percentage of outstanding mortgage credit for Fannie Mae and Freddie Mac was obtained from their respective quarterly reports on Form 10-Q for the period ending March 31, 2008.

The information in this offering memorandum with respect to the market for U.S. Treasury securities was obtained at www.treasurydirect.gov.

WHAT YOU SHOULD KNOW ABOUT THIS OFFERING MEMORANDUM

Each prospective investor (and each employee, representative or other agent of such prospective investor) may disclose to any and all persons, without limitation of any kind, the U.S. tax treatment and U.S. tax structure of this global offering and all materials of any kind (including opinions or other tax analyses) that are provided to the prospective investor relating to such tax treatment and tax structure. Notwithstanding the foregoing, any such information relating to the U.S. tax treatment and U.S. tax structure of this global offering is required to be kept confidential to the extent necessary to comply with any applicable U.S. federal or state securities laws.

We have not, and the initial purchasers have not, authorized any other person to provide you with any information that is different than the information contained in this offering memorandum. If anyone provides you with different or inconsistent information, you should not rely on it.

This offering memorandum is not, and under no circumstances is it to be construed as, an advertisement or a public offering of the securities referred to herein in any jurisdiction other than the Netherlands, including but not limited to, the United States, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Jersey, Norway, Spain, Sweden, Switzerland and the United Kingdom.

Nothing contained in this offering memorandum is, or should be relied upon as, a promise, a guaranty or a representation as to our future performance. You may lose some or all of your investment if you invest in our ordinary shares, and the price of our shares and the amount of any dividend we may pay, if at all, on our shares will fluctuate.

If you are in any doubt about the contents of this offering memorandum you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

All inquiries relating to this offering memorandum and this global offering contemplated in this offering memorandum should be directed to:

Friedman, Billings, Ramsey & Co., Inc.
1001 Nineteenth Street North, 11th Floor
Arlington, Virginia 22209
Attention: Syndicate Department

USE OF PROCEEDS

We estimate that the net proceeds, assuming we sell 15,000,000 ordinary shares in this global offering, will be approximately €141.028 million (or approximately €162.403 million if the initial purchasers exercise in full their over-allotment option). The amount of the net proceeds has been calculated after deducting an aggregate amount of approximately €7.5 million for the initial purchasers discount (or approximately €8.625 million if the initial purchasers exercise in full their over-allotment option), and estimated organization and offering expenses of approximately €1.472 million payable by us. See "Plan of Distribution."

We are engaging in this global offering to build an investment portfolio initially consisting exclusively of U.S. agency securities. We expect that our investment manager will use all of the net proceeds from this global offering to build such a portfolio and will fully deploy the net proceeds within 90 days of the completion of this global offering. Pending this use, our investment manager intends to invest on our behalf the net proceeds from this global offering in readily marketable, short-term, interest-bearing investments, including money market accounts. These temporary investments are expected to provide a lower net return than we hope to achieve from our targeted investments under our asset acquisition policy.

Although we do not intend to use any of the net proceeds from this global offering to fund distributions to our shareholders, we cannot assure you that we will not use a portion of these net proceeds to fund such distributions. If we fund any distributions with any of the net proceeds from this global offering, those distributions may be treated for tax purposes as a return of capital to our shareholders.

We are a recently formed, closed-end investment company, and we have not engaged in any operations or generated revenues prior to this global offering. As such, we have no requirement for working capital until we begin operations. We intend to raise €150 million in gross proceeds through this global offering. Until we receive the net proceeds from this global offering, we will not commence the operation of our business. Following the consummation of this global offering, we believe that we will have sufficient working capital for our present requirements and for a period of at least 12 months following the date hereof.

Following the consummation of this global offering, we believe that we will have access to a sufficient amount of borrowed funds that will allow us to continue to operate our business in the manner described in this offering memorandum. We intend to borrow at short-term rates using repurchase agreements and to pledge our investments as collateral to secure our obligations under those agreements. We intend to generally seek to diversify our exposure by entering into repurchase agreements with multiple counterparties, which we believe are financially sound and are approved by our board of directors. Our borrowings may vary from time to time depending on market conditions and other factors deemed relevant by our manager and our board of directors. Our inability to obtain enough short-term borrowings during any particular period so that we cannot maintain financial leverage between 6 and 10 times shareholder equity would have the effect of reducing the amount of income produced for our shareholders. We do not believe that our inability to maintain this level of financial leverage would materially impact our access to sufficient working capital to continue our operations.

DIVIDEND AND FINANCIAL REPORTING POLICY

Dividends, if any, made by us to our shareholders will be calculated and paid in U.S. dollars. Any such dividends may in the alternative, upon the request of any shareholder, be paid to such shareholder in euros. We do not intend to hedge any foreign currency exchange risk in respect of any such euro-denominated dividends and the foreign currency exchange risk will be borne solely by any shareholder electing to receive dividends in euros.

Under Jersey law, we are not obligated to make any dividend payments. However, subject to the requirements of the Jersey Companies Law, we expect to distribute at least 90 percent of our net income by way of dividends, which we expect will be paid, if at all, on a quarterly basis in February, May, August and November. Distributable income will be derived principally from investments. Surpluses arising from realizations of investments may be distributed as dividends or may also be allocated to a non-distributable "capital" reserve. If realizations are allocated to such reserve, dividends may not be paid unless they are derived from income received from underlying investments. This statement is not a forecast (whether a profit forecast, dividend forecast or otherwise). Distributable income will be derived principally from the interest income on our investments plus accretion of purchase discounts, less amortization of purchase premiums, cost of funding, and general and administrative expenses, including the management fees payable under the investment management agreement. We expect our first dividend payment, if any, to be made in August 2008 and we expect the amount of such dividend, if any, to be lower, in U.S. dollar terms, than subsequent dividends because such dividend will be based on less than a full quarter and because it may take us a certain amount of time to acquire our portfolio of investments and enter into agreements with lenders.

We will prepare our financial statements in accordance with U.S. GAAP. Our financial statements will be made available to shareholders on a quarterly basis (after review by our auditors) and on an annual basis (after being audited). The financial statements for the period ending June 30, 2008 will be made available to shareholders within 90 days of the end of such period.

CAPITALIZATION

We are authorized under our memorandum and articles of association to issue up to ten founder shares with no par value, an unlimited number of ordinary shares with no par value and an unlimited number of preferred shares with no par value. As of the date of this offering memorandum, two founder shares are issued and outstanding and no ordinary shares or preferred shares have been issued. Two founder shares were subscribed for on behalf of our administrator for €10.00 per share in connection with the formation of our company.

The following table sets forth (1) our actual cash and cash equivalents and our actual capitalization as of May 23, 2008 and (2) our actual cash and cash equivalents and our actual capitalization as adjusted to reflect our sale of up to 15,000,000 ordinary shares in this global offering at a global offering price of €10.00 per share after deducting (a) an aggregate amount of €7.5 million for the initial purchasers' discount, (b) $1.0 million, or €0.64 million, which is the estimated amount of the offering expenses incurred by the initial purchasers that we have agreed to reimburse, and (c) estimated organizational and offering expenses of $1.3 million, or €0.832 million. The actual amounts in the following table have been converted from euros into U.S. dollars using a rate of exchange of €1.00 for $1.53, the noon buying rate as reported by the Federal Reserve Bank of New York on March 11, 2008, which is the date that we received the €20 in relation to the founders shares. The as adjusted amounts in the following table have been converted from euros into U.S. dollars using a rate of exchange of €1.00 for $1.56, the noon buying rate as reported by the Federal Reserve Bank of New York on June 5, 2008. The euro-equivalent amounts of our organizational and offering expenses and reimbursable offering expenses of the initial purchasers stated above have been converted from U.S. dollars into euros using a rate of exchange of $0.64 for €1.00, the noon buying rate as reported by the Federal Reserve Bank of New York on June 5, 2008. See "Our Investment Manager and The Investment Management Agreement—The Investment Management Agreement" for a discussion of the terms of our agreement with our investment manager that may require our investment manager to reimburse to us a portion of the organizational and offering costs.

For the purpose of the following table, we have assumed that (1) the initial purchasers have not exercised their over-allotment option to purchase up to an additional number of ordinary shares equal to up to 15% of the number of ordinary shares we issue in this global offering, and (2) we sold 15,000,000 ordinary shares in this global offering, the maximum number of shares that we will sell in this global offering if the initial purchasers do not exercise such over-allotment option.

	Actual	As Adjusted
Cash and cash equivalents	$ 30	$220,000,398
Indebtedness	—	—
Liabilities and Stockholder's Funds		
Share Capital;		
Ordinary shares, no par value per share	— (1)	$220,000,368(2)
Founders shares, no par value per share; unlimited shares authorized, 2 shares issued and outstanding, actual; 2 shares issued and outstanding, as adjusted	$ 30	$ 30
Total capitalization	$ 30	$220,000,398

(1) There are no ordinary shares outstanding on the date of this offering memorandum.

(2) Represents 15,000,000 ordinary shares to be issued in this global offering at €10.00 per share after deducting expenses and the initial purchasers' discount, and converted into U.S. dollars as described above. Assumes that the initial purchasers have not exercised the over-allotment option.

BUSINESS

Overview

Glennstars Limited is a closed-end investment company incorporated under the laws of Jersey. We are registered with the AFM, as an investment company established in a designated state, pursuant to Article 2:73 of the FSA. See also "Description of Our Shares and Certain Provisions of Jersey and Dutch Law and Our Memorandum and Articles of Association—Dutch Regulatory Matters." We have not engaged in any business activities prior to this global offering. We will seek attractive long-term investment returns by investing our equity capital and borrowed funds in U.S. agency and other highly rated single-family adjustable-rate and fixed-rate MBS and other mortgage related assets. Returns, if any, on the investments we make will be earned principally on the spread between the yield on our interest-earning assets and the interest cost of the funds we will borrow. We expect the majority of our assets will either have an actual AAA rating or an implied AAA rating. Implied AAA rating refers to the fact that long-term debt issued by Fannie Mae and Freddie Mac has been rated Aaa by Moody's and AAA by Standard & Poor's and, therefore, MBS issued by Fannie Mae and Freddie Mac, although not explicitly rated by the rating agencies, are considered to have an implied AAA rating. Therefore, we believe there will be limited credit risk in our portfolio. Also, the market for our target investments is extensive. As of March 31, 2008, the market for U.S. agency MBS was approximately $5.1 trillion, an amount almost as large as the market for U.S. Treasury securities.

Our Business Strategy

Investment Strategy

Our strategy is to invest primarily in U.S. agency and other highly rated single-family adjustable-rate and fixed-rate MBS and other mortgage-related assets. We will seek to acquire assets that will produce attractive returns after considering the amount of the investment's anticipated returns, our ability to pledge the investment as collateral to secure borrowings and the costs associated with financing, managing and reserving for these investments. We do not currently intend to originate mortgage loans, provide financing to the owners or acquirers of real estate or to acquire real estate. We may, however, purchase mortgage loans in the secondary market.

Financing Strategy

We intend to finance the acquisition of MBS and other mortgage-related assets with short-term borrowings and, to a lesser extent, equity capital. We intend to employ short-term borrowings to attempt to increase potential returns to our shareholders. Pursuant to our Capital and Leverage Policy, we will seek to strike a balance between the under-utilization of leverage, which reduces potential returns to shareholders, and the over-utilization of leverage, which could reduce our ability to meet our obligations during adverse market conditions.

We intend to borrow at short-term rates using repurchase agreements and to pledge our investments as collateral to secure our obligations under those agreements. Repurchase agreements are generally short-term in nature with a typical maximum term of two years. We intend to actively manage the adjustment periods and the selection of the interest rate indices of our borrowings against those on our mortgage-related assets in order to lessen our liquidity and interest rate-related risks. We intend to generally seek to diversify our exposure by entering into repurchase agreements with multiple counterparties, which we believe are financially sound and are approved by our board of directors.

Our board of directors anticipates that we will borrow between six to ten times the amount of our equity allocated to then-existing mortgage-related assets, although our borrowings may be outside these parameters from time to time, depending on market conditions and other factors deemed relevant by our investment manager and our board of directors. We will, therefore, require substantial borrowings to execute our financing and investment strategies.

Growth Strategy

Our long-term objective is to achieve profitability and to grow our earnings and our dividends per ordinary share using various strategies which may include the following:

- managing our ratio of operating expenses to shareholders' equity by seeking to increase the amount of our shareholders' equity at a rate faster than the rate of increase in our operating expenses;
- issuing additional ordinary shares when the net proceeds will materially increase the paid-in capital per share and the book value per ordinary share;
- repurchasing outstanding ordinary shares when the net cost will materially increase earnings per ordinary share and return on equity; and
- lowering our effective borrowing costs over time by obtaining direct funding with collateralized lenders rather than using financial intermediaries and possibly using commercial paper, medium-term note programs, preferred shares and other forms of capital.

Our Operating Policies

The following is a discussion of our policies with respect to investments, financing and certain other activities. Our policies with respect to these activities have been determined by our board of directors and, in general, may be amended and revised from time to time at the discretion of our board of directors without notice to or a vote of our shareholders. We cannot assure you that any of our investment objectives will be obtained.

We have established the following four primary operating policies to implement our business strategies:

- Asset Acquisition Policy;
- Capital and Leverage Policy;
- Credit Risk Management Policy; and
- Asset/Liability Management Policy.

Asset Acquisition Policy. Our asset acquisition policy will provide guidelines for acquiring investments and contemplates that we may acquire a portfolio of investments that can be grouped into specific categories. Each category and our respective investment guidelines will be as follows:

- Category I – At least 60 percent of our total assets will generally be MBS and short-term investments. Assets in this category will be rated AAA and AA or an equivalent rating by at least one internationally recognized statistical rating organization, or if not rated, will be obligations guaranteed by the U.S. government or the U.S. government-sponsored enterprises, Fannie Mae or Freddie Mac;
- Category II – At least 90 percent of our total assets will generally consist of Category II investments. Category II investments will consist of our Category I investments (which will constitute at least 60 percent of our total assets) plus MBS and other debt securities rated at least investment grade by at least one internationally recognized statistical rating organization (which can constitute up to 30% of our total assets); and
- Category III – No more than 10 percent of our total assets may be of a type not meeting any of the above criteria. Among the types of assets generally assigned to this category are mortgage-backed and other debt securities rated below investment grade and privately issued or publicly issued assets such as mortgage loans and preferred and common equity securities the income from which is generally not subject to U.S. withholding tax.

Within Category II and III and subject to the respective category ratings requirements, we may acquire various types of mortgage derivative securities, including, but not limited to, interest only, principal only, inverse floaters, subordinated credit loss bonds or other MBS that receive a disproportionate share of interest income,

principal payments or exposure to credit loss and may be denominated in currencies other than U.S. dollars. Our asset acquisition policy will not place a limit on the ratio between our shareholders' equity and the value of any one or more categories of our investments.

Notwithstanding the foregoing, in no event will more than 20% of our gross assets be (1) invested in, either directly or indirectly, or lent to any single underlying issuer (other than the U.S. Treasury, Fannie Mae, Freddie Mac and Ginnie Mae), (2) invested in other investment funds, or (3) exposed to the creditworthiness or solvency of any one issuer (other then the U.S. Treasury, Fannie Mae, Freddie Mac and Ginnie Mae).

Capital and Leverage Policy. We will employ a leverage strategy to increase our investment assets by borrowing against existing mortgage-related assets and using the proceeds to acquire additional mortgage-related assets. Our board of directors anticipates that we will borrow between six to ten times the amount of our equity allocated to then-existing mortgage-related assets, although our borrowings may be outside these parameters from time to time, depending on market conditions and other factors deemed relevant by our investment manager and our board of directors. Our board of directors believes that such amount of leverage will leave an adequate capital base to protect against interest rate environments in which our borrowing costs might exceed our interest income from mortgage-related assets. We may enter into collateralized borrowings only with institutions which our board of directors believes to be financially sound and which meet credit standards approved by our board of directors.

Depending on the different cost of borrowing funds at different maturities, we may vary the maturities of our borrowed funds to attempt to produce lower borrowing costs. Our borrowings will be short-term and we will manage actively, on an aggregate basis, both the interest rate indices and interest rate adjustment periods of our borrowings against the interest rate indices and interest rate adjustment periods on our mortgage-related assets.

Our mortgage-related assets will be financed primarily at short-term borrowing rates through repurchase agreements. We may also employ borrowings under lines of credit and other collateralized financings that we may establish with approved institutional lenders.

Credit Risk Management Policy. We will review credit risk and other risks of loss associated with each of our potential investments. In addition, we may diversify our portfolio of mortgage-related assets to avoid undue geographic, insurer, industry and certain other types of concentrations. We may reduce certain risks from sellers and servicers through representations and warranties. Our board of directors will monitor the overall portfolio risk and determine appropriate levels of provision for loss.

Compliance with our credit risk management policy will be determined at the time of purchase of mortgage assets, based upon the most recent asset valuation utilized by us. Such compliance is not affected by events subsequent to such purchase, including, without limitation, changes in characterization, value or rating of any specific mortgage assets or economic conditions or events generally affecting any mortgage-related assets of the type held by us. We are, therefore, deemed to be in compliance with our credit risk management policy even if events occur subsequent to purchase that, had they occurred prior to purchase, would have negatively affected such compliance.

Asset/Liability Management Policy.

Interest Rate Risk Management. We intend to follow an interest rate risk management program intended to protect our portfolio of mortgage-related assets and related debt against the effects of major interest rate changes. Specifically, our interest rate management program will be formulated with the intent to offset to some extent the potential adverse effects resulting from rate adjustment limitations on our mortgage-related assets and the differences between interest rate adjustment indices and interest rate adjustment periods of our adjustable-rate mortgage-related assets and related borrowings.

Our interest rate risk management program will encompass a number of procedures, including the following:

- monitoring and adjusting, if necessary, the interest rate sensitivity of our mortgage-related assets compared with the interest rate sensitivities of our borrowings;
- attempting to structure our borrowing agreements relating to adjustable-rate mortgage-related assets to have a range of different maturities and interest rate adjustment periods (although substantially all will be less than a year); and
- actively managing, on an aggregate basis, the interest rate indices and interest rate adjustment periods of our mortgage-related assets compared to the interest rate indices and adjustment periods of our borrowings.

As a result, we expect to be able to adjust the average maturity/adjustment period of our borrowings on an ongoing basis by changing the mix of maturities and interest rate adjustment periods as borrowings come due or are renewed. Through the use of these procedures, we may attempt to reduce the risk of differences between interest rate adjustment periods of our adjustable-rate mortgage-related assets and our related borrowings.

Depending on market conditions and the cost of the transactions, we may conduct certain hedging activities in connection with the management of our portfolio. In particular, we may adopt a hedging strategy intended to lessen the effects of interest rate changes and to enable us to earn net interest income in periods of generally rising, as well as declining or static, interest rates. Specifically, if we implement a hedging program, it would be formulated with the intent to offset some of the potential adverse effects of changes in interest rate levels relative to the interest rates on the mortgage-related assets held in our investment portfolio, and differences between the interest rate adjustment indices and periods of the our mortgage-related assets and our borrowings.

Prepayment Risk Management. We will also seek to lessen the effects of prepayment of mortgage loans underlying our securities occurring at a faster or slower rate than anticipated. We may accomplish this by structuring a diversified portfolio with a variety of prepayment characteristics, investing in mortgage-related assets with prepayment prohibitions and penalties, investing in certain mortgage security structures that have prepayment protections, and purchasing mortgage-related assets at a premium and at a discount. We may invest in mortgage-related assets that on a portfolio basis do not have significant purchase price premiums. Under normal market conditions, we may seek to keep the aggregate capitalized purchase premium of the portfolio to three percent or less. In addition, we may in the future purchase principal-only derivatives to a limited extent as a hedge against prepayment risks. We may monitor prepayment risk through periodic review of the impact of a variety of prepayment scenarios on our revenues, net earnings, dividends, cash flow and net balance sheet market value.

Our Investments

Our investments are used for investment purposes and not for hedging purposes wherein risk related to other investments is spread or reduced. Following is a summary of our intended investments.

Mortgage-Backed Securities

Investments in MBS may consist of the following:

- *Pass-Through Certificates* are securities representing interests in pools of mortgage loans secured by residential real property in which payments of both interest and principal on the securities are generally made monthly, in effect, “passing through” monthly payments made by the individual borrowers on the mortgage loans which underlie the securities, net of fees paid to the issuer or guarantor of the securities.
- *Collateralized Mortgage Obligations* are MBS, which may be collateralized by whole mortgage loans, but are more typically collateralized by portfolios of mortgage pass-through securities. CMOs are structured into multiple classes with each class bearing a different stated maturity and monthly

payments of principal, including prepayments, are first returned to investors with the shortest maturity class. Investors with the longer maturity classes receive principal only after the first class has been retired.

Other Types of Mortgage-Backed Securities

Investments in other types of MBS may consist of the following:

- *Mortgage Derivative Securities* provide for the holder to receive interest-only, principal-only or interest and principal in amounts that are disproportionate to those payable on the underlying mortgage loans. Payments on mortgage derivative securities are highly sensitive to the rate of prepayments on the underlying mortgage loans. We will not be permitted under our policies to hold mortgage derivative securities, together with our investments in other Category III assets, in excess of 10% of our assets.
- *Inverse Floaters* are a class of CMOs with a coupon rate that resets in the opposite direction from the market rate of interest to which it is indexed, including LIBOR or the 11th District Cost of Funds Index, or COFI. Any rise in the index rate, which can be caused by an increase in interest rates, causes a drop in the coupon rate of an inverse floater, while any drop in the index rate causes an increase in the coupon of an inverse floater.
- *Subordinated Interests* are classes of MBS that are junior to other classes of the same series of MBS in the right to receive payments from the underlying mortgage loans. The subordination may be for all payment failures on the mortgage loans securing or underlying such series of mortgage securities.
- *Mortgage Warehouse Participations* are participations in lines of credit to mortgage loan originators secured by recently originated mortgage loans that are in the process of being sold to investors. We anticipate that these investments, together with our investments in other Category III assets, will not in the aggregate exceed 10% of our total mortgage-related assets.
- *Other Mortgage Derivative Securities Developed in the Future*

Other Mortgage-Related Assets

We may acquire other investments that include equity and debt securities issued by other primarily mortgage-related finance companies, interests in mortgage-related collateralized bond obligations, other subordinated interests in pools of mortgage-related assets, commercial mortgage loans and securities, and residential mortgage loans other than high-credit quality mortgage loans. We expect that our other investments, together with our investments in other Category III assets, will be limited to less than 10% of total assets.

Illustration of Gross Income Return

The table below sets forth, for illustrative purposes only, a simplified calculation of the annual gross income return that would have been earned on a portfolio comprised of our target investments, based on market conditions as at June 4, 2008 and assuming constant asset value, interest rates and leverage of 8 times net assets.

This table is not a forecast (whether a profit forecast, dividend forecast or otherwise) and does not take into account our fees (including investment management fees) or expenses (including general, administrative and establishment costs), our tax liability in any jurisdiction or any other expected or unexpected costs, expenses or liabilities that we may incur in the course of operating our business. Our actual gross returns on shareholders' equity may be substantially less than the assumed gross returns presented in this illustration, or may even be negative.

Portfolio yield (i)	4.85%
Borrowing cost (ii)	2.90%
Net interest rate spread	1.95%
Assumed leverage (times net assets)	8x
Equity yield on portfolio (iii)	4.50%
Net interest rate spread on leveraged part of portfolio	15.60%
Gross return on shareholders' equity (iv)	20.10%

(i) The opening gross portfolio yield is based on an assumed portfolio composition of 75 percent in adjustable-rate MBS (which rates reset annually or less frequently after an initial fixed-rate period at a defined spread over a LIBOR) yielding 4.60 percent on a weighted basis, and approximately 25 percent in fixed-rate MBS yielding 5.65 percent. The figures used to calculate the opening portfolio yield are not necessarily indicative of yields we may achieve on the investments in our portfolio. The actual yields on our investments could be substantially lower, and we may lose some or all of the money we expect to invest. The figures used to calculate the opening portfolio yield are used solely for illustrative purposes.

(ii) Assumes 90 day borrowings with a rate of 2.35 percent. Assumes two-year interest rate swaps with a fixed rate of 3.30 percent on a balance equal to 40 percent of the initial borrowing amount and five-year interest rate swaps with a fixed rate of 4.05 percent on a balance equal to 20 percent of the initial borrowing amount. The actual portion of financing swapped into fixed rates will vary considerably by maturities used and the average maturity.

(iii) Equity yield on portfolio equals portfolio yield less the effect of non-earnings prepayment receivable of 1.5 percent of MBS assets.

(iv) Gross return on shareholder equity is 20.10 percent before deducting (a) management fees that may be earned by our investment manager under the investment management agreement and (b) other general and administrative costs.

We have also assumed for purposes of this illustration of gross income return that the projected terms of the assets in the hypothetical portfolio are at the time of the illustration approximately equal to the term of the financing. There is, however, no policy that requires us to match the terms of our assets and our financing in the manner illustrated here. In fact, as stated elsewhere in this offering memorandum, the terms of our financing arrangements may be shorter than the terms of our assets.

Competitive Advantages

We believe our competitive advantages include:

- The collective experience of our investment manager's management team in the mortgage securities industry. In their respective roles as senior executives of Anworth and PIA, they, with the other senior

executives of these entities, managed an aggregate of approximately $5.8 billion and $4.0 billion in assets, respectively, as of March 31, 2008, most of which were MBS and other mortgage-related assets.

- We expect that, because we are a Jersey company, our earnings will not be subject to any corporate income tax.
- In general, non-U.S. holders of our ordinary shares will not be subject to U.S. federal income or withholding tax on our dividend distributions or gains resulting from the disposition of our ordinary shares.
- Our target investment portfolio is expected to have an attractive risk profile because our portfolio will consist primarily of U.S. agency and other highly rated single-family adjustable-rate and fixed-rate MBS, which will either have an actual AAA rating or an implied AAA rating.
- The market for our target investments is extensive. As of March 31, 2008, the market for U.S. agency MBS was approximately $5.1 trillion, an amount almost as large as the $5.3 trillion market for U.S. Treasury securities.

Our Markets

Mortgage-Backed Securities Overview

MBS are created when mortgage loans and their attendant streams of interest and principal payments are pooled to serve as collateral for the issuance of securities to investors. Interests in MBS differ from other forms of traditional debt securities, which normally provide for periodic payment of interest in fixed amounts with principal payments at maturity or specified call dates. Instead, MBS typically provide irregular cash flows consisting of both interest and principal. As described in greater detail below, an investment consideration of any MBS is the structure of the payment of the cash flow streams from the underlying mortgages to the holders of the MBS. The cash flows can be simply passed from the mortgage holder to the investor or they can be structured in a number of different ways. The market values of the various structures will vary in different interest rate or prepayment environments, with the more derivative or complex structures (e.g., interest-only or principal-only securities) being more sensitive to movements in interest rates or rates of prepayment.

Beyond the basic security of the mortgages and properties that underlie MBS, a critical attribute of MBS issued by the U.S. agencies is the credit enhancement that the U.S. agencies provide. The holder of MBS issued or guaranteed by the U.S. agencies is guaranteed the timely payment of principal and interest. Ginnie Mae, whose obligations are backed by the full faith and credit of the U.S. government, is the principal U.S. governmental agency guarantor of MBS. Fannie Mae and Freddie Mac, whose obligations are not backed by the full faith and credit of the U.S. government, are the principal U.S. government-sponsored enterprise guarantors.

Pass-Through Mortgage-Backed Securities. In pass-through MBS, the monthly interest and principal payments made by individual borrowers on their residential mortgage loans "pass-through" to the MBS holders, net of any fees paid to the issuer, guarantor and loan servicer of such securities. Additional payments to the holders result from repayments of principal resulting from the sale of the underlying residential property, refinancing, or foreclosure (repossession), net of fees or costs that may be incurred. Some MBS, such as certain securities issued by the U.S. agencies, are described as modified pass-through securities. These securities entitle the holder to receive all interest and principal payments owed on the mortgage pool, net of certain fees, regardless of whether or not the mortgagors actually make mortgage payments when due.

The investment characteristics of pass-through MBS differ from those of traditional fixed income securities. The major differences include the more frequent payment of interest and principal on the MBS and the possibility that principal may be prepaid at any time. These differences can result in significantly greater price and yield volatility than is the case with traditional fixed-rate debt securities.

The occurrence of mortgage prepayments is affected by factors including the level of interest rates, general economic conditions, the location and age of the mortgage and other social and demographic conditions. Generally, prepayments on pass-through MBS increase during periods of falling mortgage interest rates and decrease during periods of rising mortgage interest rates.

CMOs and Multi-Class Pass-Through Securities. We may also invest in CMOs and multi-class pass-through securities. CMOs are debt obligations issued by special purpose entities that are secured by MBS, including (in many cases) bonds or obligations issued by governmental and U.S. government-related guarantors (including the U.S. agencies), or certain trusts and other collateral. Multi-class pass-through securities are equity interests in a trust composed of mortgage loans or MBS. Payments of principal and interest on the underlying collateral provide the funds to pay debt service on the CMO or make scheduled distributions on the multi-class pass-through security. CMOs and multi-class pass-through securities may be issued by agencies or instrumentalities of the U.S. government or by private organizations.

In a CMO, a series of bonds or certificates is issued in multiple classes. Each class of CMO, often referred to as a "tranche," is issued at a specific coupon rate (which, as discussed below, may be an adjustable-rate and subject to a cap) and has a stated maturity or final distribution date. Principal prepayments on the collateral underlying a CMO may cause it to be retired substantially earlier than the stated maturity or final distribution date. Interest is typically paid or accrues on all classes of a CMO on a monthly, quarterly, or semi-annual basis. The principal and interest on the underlying collateral may be allocated among the several classes of a series of a CMO in many ways. In a common structure, payments of principal, including any principal prepayments on the underlying collateral, are applied to the classes of the series of a CMO in the order of their respective stated maturities or final distribution dates, so that no payment of principal will be made on any class of a CMO until all other classes having an earlier stated maturity or final distribution date have been paid in full.

One or more tranches of a CMO may have coupon rates which reset periodically at a specified increment over a reference rate such as LIBOR. Floaters may be backed by fixed or adjustable-rate collateral. To date, fixed-rate mortgages have been more commonly used for this purpose. Floaters are typically issued with lifetime caps on their coupon rate. These caps, similar to the caps on adjustable-rate mortgages described in "Adjustable-Rate and Floating-Rate Mortgage-Backed Securities" below, represent a ceiling beyond which the coupon rate on a Floater may not be increased regardless of increases in the reference interest rate to which the Floater is geared.

Adjustable-Rate and Floating-Rate Mortgage-Backed Securities. We may also invest in pass-through MBS issued by the U.S. agencies backed by adjustable-rate mortgages and floaters. The interest rates on adjustable-rate MBS are reset at periodic intervals to an increment over some predetermined reference interest rate. There are two main categories of reference rates: (i) those based on U.S. Treasury securities; and (ii) those derived from a calculated measure such as a cost of funds index or a moving average of mortgage rates. Commonly utilized reference rates include the one-year U.S. Treasury rate or one-month U.S. dollar LIBOR. Some reference rates, such as the one-year U.S. Treasury rate or LIBOR, closely mirror changes in market interest rate levels. Others tend to lag changes in market rate levels and tend to be somewhat less volatile.

Adjustable-rate mortgage loans frequently have upper and lower limits on the interest rates to which a residential borrower may be subject (i) in any reset or adjustment interval and (ii) over the life of the loan. These upper and lower limits are commonly known as "caps" and "floors," respectively. Some residential adjustable-rate mortgage loans restrict periodic adjustments by limiting changes in the borrower's monthly principal and interest payments rather than limiting interest rate changes. These payment caps may result in negative amortization, i.e., an increase in the outstanding principal balance of the mortgage loan.

As described above, adjustable-rate mortgages typically have caps and floors which limit the amount by which the interest rate may be increased or decreased at periodic intervals or over the life of the loan. Floaters have similar lifetime caps. To the extent that interest rates rise faster than the allowable caps on such securities, they will behave more like securities backed by fixed-rate mortgage loans than those backed by adjustable-rate

mortgage loans. Consequently, interest rate increases in excess of caps can be expected to cause them to behave more like traditional fixed-rate debt securities and, accordingly, to decline in value to a greater extent than would be the case in the absence of such caps. As noted above, because the interest rates on adjustable-rate MBS and floaters are adjusted in response to changing interest rates, fluctuations in their prices due to changes in interest rates will be lower than in the case of traditional fixed-rate debt securities. The adjustable-rate feature will not, however, eliminate such price fluctuations, particularly during periods of extreme fluctuations in interest rates. Also, since many adjustable-rate mortgage loans only reset on an annual basis, it can be expected that the prices of adjustable-rate MBS and floaters will fluctuate to the extent that changes in prevailing interest rates are not immediately reflected in the interest rates payable on the underlying adjustable-rate mortgage loans.

Other Mortgage-Backed Securities. We may purchase privately issued (generally, publicly registered) mortgage pass-through securities, multi-class pass-through securities, and CMOs that (in any case) are rated AAA by one or more nationally recognized statistical ratings organizations.

The Mortgage-Backed Securities Market

The U.S. mortgage market serves two primary functions in the mortgage industry. First, the cash that investors pay mortgage originators for mortgage loans can be used to originate more mortgage loans. Second, the mortgage loans that are purchased in the open mortgage market are used to create MBS. Money managers, commercial banks, trust departments, insurance companies, pension funds, securities dealers, other major corporations and private investors in the United States are all participants in this market. As of December 31, 2007, there was approximately $12.0 trillion in residential mortgage debt outstanding in the United States. Of the total amount of residential mortgage debt outstanding in the United States as of December 31, 2007, approximately $5.0 trillion was securitized and guaranteed by U.S. agencies.

The U.S. Agencies

Fannie Mae and Freddie Mac are shareholder-owned publicly traded corporations created by charters of the U.S. Congress. They are commonly referred to as "Government-sponsored enterprises," although their obligations are not guaranteed by the U.S. government. They were created with the objective of making funds available for residential mortgage loans and operate exclusively in the open mortgage market.

Fannie Mae and Freddie Mac purchase mortgage loans from mortgage originators and either hold those mortgages in their portfolios or pool them into MBS, which they guarantee for full and timely payment of principal and interest, regardless of whether the mortgagors actually make the payments. We believe the value of this guarantee is important to investors because it reduces cash-flow risk and increases the marketability of the security. Fannie Mae's and Freddie Mac's obligations in respect of their respective guarantees rank equally with their respective senior unsecured debt securities, which are (as referred to below) currently rated Aaa by Moody's and AAA by Standard & Poor's and Fitch (and thus themselves are considered to have an "implied AAA rating"). Investments with such ratings are generally considered the highest credit quality.

An investor in U.S. agency MBS has several layers of credit protection, including the credit quality of the mortgage borrower as assessed through the application of mortgage underwriting guidelines, the homeowner's level of equity in the home, the property that secures the mortgage, private mortgage insurance in some cases, the rights of foreclosure in the event of a borrower default and the guarantee of payment of principal and interest by the U.S. agencies themselves.

The mortgage loans backing MBS created by Fannie Mae and Freddie Mac conform to certain eligibility criteria, including loan size, initial loan-to-value ratio and credit quality of the borrower. The maximum original principal balance, referred to as the conforming loan limit, is currently as high as $729,750 (depending on location). The initial loan-to-value ratio of a conforming loan can be no more than 80 percent, unless the borrower obtains mortgage insurance. This means that there is equity protection which grows as the principal

value of the mortgage is amortized through the homeowner's monthly mortgage payment obligations, provided that the underlying value of the property does not decline. Fannie Mae and Freddie Mac have established underwriting guidelines for mortgage loans they purchase that are designed to provide a comprehensive analysis of the characteristics of a borrower and a mortgage loan, including such factors as the borrower's credit history, the purpose of the loan, the property value and the loan amount. This helps to ensure a high standard of credit quality in a Fannie Mae or Freddie Mac MBS pool, relative to non-Agency MBS pools. Net credit losses as a percentage of the outstanding mortgage credit book of business for Fannie Mae and Freddie Mac for the period ending March 31, 2008 was 0.126 percent and 0.116 percent, respectively which increased from 0.05 percent and 0.03 percent, respectively, for the year ended December 31, 2007.

Fannie Mae and Freddie Mac also issue debt securities. The marketplace treats their senior debt securities as ranking just below U.S. Treasury securities and above AAA corporate debt. Fannie Mae's and Freddie Mac's senior unsecured debt is currently rated Aaa by Moody's and AAA by Standard & Poor's and Fitch.

Ginnie Mae is a wholly-owned U.S. government corporation within the Department of Housing and Urban Development. It was created to assist in making funds available for mortgage loans to homeowners with lower incomes and in underserved areas. Ginnie Mae does not itself issue MBS but instead it guarantees, with the full credit of the U.S. government, the timely payment of principal and interest on MBS issued by institutions which it has approved. The mortgage loans that underlie such MBS are insured by or guaranteed by certain U.S. federal agencies, including the Federal Housing Administration, the Rural Housing Service and the Department of Veterans Affairs.

U.S. Agency Securities and U.S. Treasury Securities

We may purchase debentures issued by Fannie Mae, Freddie Mac or the Federal Home Loan Bank System. These securities are obligations of such entities only and any interest or return of principal on the securities is not guaranteed by, and is not a debt or obligation of, the United States or any other agency or instrumentality of the United States. We may also purchase U.S. Treasury bills, notes, or bonds, which are backed by the full credit of the U.S. Treasury.

Competition

Our success will depend, in large part, on our ability to acquire assets at favorable spreads over our borrowing costs. In acquiring real estate related assets, we will compete with mortgage REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms, other lenders, governmental bodies and other entities. In addition, there are numerous mortgage REITs with similar asset acquisition objectives, and others may be organized in the future. The effect of the existence of additional REITs may be to increase competition for the available supply of mortgage assets suitable for purchase.

Competition for attractive non-real estate related assets is intense. Corporate bonds and loans, asset backed securities and private equity securities enjoy strong demand from investment funds, banks, investment banks, private equity sponsors and other types of investors. Many transactions between buyers and sellers are organized into formal auction processes, resulting in multiple bidders seeking to acquire the same asset.

Our investment manager has access to PIA's and Anworth's investment professionals and their industry expertise, which we believe provides it with a competitive advantage and helps it assess investment risks and determine appropriate pricing and structuring for certain potential investments. In addition, we believe that the relationships of the senior managers of our investment manager and of the principals of PIA and Anworth enable our investment manager to learn about, and compete more effectively for investment and financing opportunities.

Investment Company Act Exemption

The Investment Company Act requires that a person that is an investment company within the meaning of the act register as an investment company with the SEC and comply with applicable periodic disclosure requirements of, and conduct its business in accordance with, the Investment Company Act and the rules promulgated thereunder, unless such person either qualifies for an exemption from such registration requirements or satisfies applicable conditions to be excluded from the scope of the act. We will not register as an investment company under the Investment Company Act because we will qualify for an exclusion from the definition of investment company that is provided by Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C) provides, in general, that persons that are primarily engaged in the business of purchasing or otherwise acquiring mortgage loans and other liens on and interests in real estate are not an investment company within the meaning of the Investment Company Act. We at all times intend to conduct our business in the manner required by the act and the SEC to qualify for this exclusion, including satisfying conditions applicable to the composition of our investment portfolio. Following the completion of this global offering, if we cease to qualify for the exclusion provided by Section 3(c)(5)(C), we would be unable to continue to conduct our business as described in this offering memorandum and could be required to cease operating our business altogether.

Legal Proceedings

There are not and have not been any governmental, legal or arbitration proceedings, nor are we aware of such proceedings threatening or pending, which may have or have had in the 12 months before the date of this offering memorandum, significant effects on our financial position or profitability.

Offices

Our registered office is located at 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands. Our telephone number is +44 (0)1534 835600. Our website address is www.Glennstars.com. Information on our website is not incorporated into or otherwise a part of this offering memorandum.

Employees

We do not have any employees. We are managed by our investment manager pursuant to the investment management agreement between our investment manager and us. Our investment manager will enter into an administrative services agreement with PIA. Pursuant to the administrative services agreement, PIA will render specified administrative services to our investment manager and provide our investment manager with access to PIA's employees and infrastructure necessary for our investment manager to perform its obligations and responsibilities under the investment management agreement.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited balance sheet and related notes included elsewhere in this offering memorandum. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated or described in these forward-looking statements as a result of various factors including those set forth under "Risk Factors" herein.

Overview

We are a newly-formed, closed-end investment company incorporated under the laws of Jersey to make investments primarily in U.S. agency and other highly-rated, single-family adjustable-rate and fixed-rate MBS and other mortgage-related assets. We will seek attractive, long-term investment returns by investing our equity capital and borrowed funds in such MBS and other mortgage-related assets. Returns, if any, on the investments we make will be earned principally on the spread between the yield on our interest-earning assets and the interest cost of the funds we will borrow. We have not engaged in any business activities prior to this global offering, and we are externally managed and advised by our investment manager. As a newly formed, closed-end investment company we have few assets and no liabilities. There has been no significant change in our financial condition from the date of our formation to the date of this offering memorandum.

Critical Accounting Policies

We are obligated to ensure that our accounting policies and methodologies are in accordance with U.S. GAAP. We have reviewed and evaluated the accounting policies that will be critical to us, and believe that the policies discussed below are appropriate in connection with our anticipated business activities at this time.

The preparation of financial statements in accordance with U.S. GAAP requires us to make estimates and assumptions in certain circumstances that affect amounts that will be reported in our financial statements. When preparing our financial statements, we will make our best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ materially from these estimates.

We believe that our most significant accounting policies are as follows:

Revenue Recognition

The most significant source of our revenue will be derived from our investments in mortgage-related assets. We will record income using the effective yield method which, through amortization of premiums and accretion of discounts at an effective yield, recognizes periodic income over the estimated life of the investment on a constant yield basis, as adjusted for actual prepayment activity. We believe that our revenue recognition policy will be appropriate to reflect the substance of the transactions in which we will engage.

Interest income on our investments in MBS and other mortgage-related assets will accrue based on the actual coupon rate and the outstanding principal amounts of the underlying mortgage loans. Premiums and discounts will be amortized or accreted into interest income over the expected lives of the securities using the effective interest yield method, adjusted for the effects of actual prepayments and estimated prepayments based on the Statement of Financial Accounting Standards, or SFAS, No. 91, "Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases," an amendment of FASB Statements No. 13, 60, and 65 and a rescission of FASB Statement No. 17. Our policy for estimating prepayment speeds for calculating the effective yield will evaluate historical performance, street consensus

prepayment speeds and current market conditions. If our estimate of prepayments is incorrect, as compared to the aforementioned references, we may be required to make an adjustment to the amortization or accretion of premiums and discounts that would have an impact on future income.

Valuation and Classification of Investment Securities

We will carry our investment securities on the balance sheet at fair value. The fair values of MBS held by us generally will be based on market prices provided by certain dealers who make markets in such securities. The fair values of other marketable securities will be obtained from the last reported sale of such securities on its principal exchange or, if no representative sale is reported, the mean between the closing bid and ask prices. If, in the opinion of management, a security price reported to us is not reliable or is unavailable, management will estimate the fair value based on characteristics of the security and available market information. The fair values of our investment securities reflect estimates by us and may not necessarily be indicative of the amounts we could realize in a current market exchange. We will review various factors (i.e., expected cash flows, changes in interest rates, credit protection, etc.) in determining whether and to what extent an other-than-temporary impairment exists in the values of our investment securities. To the extent that unrealized losses on our investment securities are attributable to changes in interest rates and not credit quality, and we have the ability and intent to hold these investment securities until a recovery of fair value up to (or beyond) their cost, which may be maturity, we do not consider these investment securities to be other-than-temporarily impaired. Unrealized losses on our investment securities classified as available-for-sale, which are determined by management to be other than-temporary in nature, are reclassified from "Accumulated other comprehensive income" to current-period income.

Accounting for Derivatives and Hedging Activities

In accordance with FASB No. 133, "Accounting for Derivative Instruments and Hedging Activities," or FASB 133, as amended by FASB No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," or FASB 138, a derivative that is designated as a hedge is recognized as an asset/liability and measured at estimated fair value. In order for the interest rate swap agreements that we expect to utilize to qualify for hedge accounting, upon entering into the swap agreement, we must anticipate that the hedge will be highly "effective," as defined by FASB 133.

On the date we enter into a derivative contract, we will designate the derivative as a hedge of the variability of cash flows that are to be received or paid in connection with a recognized asset or liability (a "cash flow" hedge). Changes in the fair value of a derivative that are highly effective and that are designated and qualify as a cash flow hedge, to the extent that the hedge is effective, will be recorded in "Other comprehensive income" and reclassified to income when the forecasted transaction affects income (e.g., when periodic settlement interest payments are due on repurchase agreements). The swap agreements will be carried on our balance sheet at their fair values based on values obtained from major financial institutions. Hedge ineffectiveness, if any, will be recorded in current-period income.

We will formally assess, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions have been highly effective in offsetting changes in the cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods. If it is determined that a derivative is not (or has ceased to be) highly effective as a hedge, we will discontinue hedge accounting for that derivative.

If we discontinue hedge accounting for a derivative, the gain or loss on the derivative will remain in "Accumulated other comprehensive income" and will be reclassified into income when the forecasted transaction affects income. In all situations in which hedge accounting is discontinued and the derivative remains outstanding, we will carry the derivative at its fair value on our balance sheet, recognizing changes in the fair value in current-period income.

For purposes of the cash flow statement, cash flows from derivative instruments are classified with the cash flows from the hedged item.

Liquidity and Capital Resources

We expect that our primary sources of funds will consist of borrowed funds under repurchase agreements, payments of principal and interest on our MBS portfolio and other mortgage-related assets and the net proceeds we will receive from this global offering and from future offerings of our ordinary shares or other securities we may issue. As of the date of this offering memorandum, we do not have and have not guaranteed any indebtedness for borrowed money. We expect that our liquid assets will generally consist of unpledged MBS, cash and cash equivalents.

We expect that all of our repurchase agreements will be fixed-rate term repurchase agreements with original maturities ranging from one month to 10 months. As the repurchase agreements mature, we will seek to enter into new repurchase agreements to take their place. Because we will borrow money based on the fair value of our MBS and because increases in short-term interest rates can negatively impact the valuation of MBS, our borrowing ability could be reduced and lenders may initiate margin calls in the event short-term interest rates increase or the value of our MBS declines for other reasons. We anticipate that we will have adequate cash flow, liquid assets and unpledged collateral with which to meet our margin requirements.

The Federal Reserve has expressed an interest in providing the necessary liquidity to ensure the proper functioning of the U.S. banking system and the U.S. capital markets. On March 11, 2008, the U.S. Federal Reserve announced an expansion of its securities lending program to create a new Term Securities Lending Facility, or TSLF. Under the TSLF, the Federal Reserve will lend up to $200 billion of Treasury securities to primary dealers (which include major investment banking firms) secured for a term of 28 days (rather than overnight, as in the existing program) by a pledge of other securities, including federal agency debt, agency MBS, and non-agency AAA/Aaa-rated private-label residential MBS. The Federal Reserve announced that TSLF is intended to promote liquidity in the financing markets for Treasury securities and other collateral and thus to foster the functioning of financial markets more generally. More stable liquidity conditions will assist us in our efforts to produce stable and attractive earnings.

Our board of directors anticipates that we will borrow between six to ten times the amount of our equity allocated to then-existing mortgage-related assets, although our borrowings may be outside these parameters from time to time, depending on market conditions and other factors deemed relevant by our investment manager and our board of directors. We will, therefore, require substantial borrowings to execute our financing and investment strategies.

Off-Balance Sheet Arrangements and Contractual Obligations

Off-Balance Sheet Arrangements. Prior to the completion of this global offering, we have not had any off-balance sheet arrangements. Following the completion of this global offering, we do not expect to have any off-balance sheet arrangements that would be reasonably likely to have an effect our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that would be material to our shareholders.

Contractual Obligations. As of the date of this offering memorandum, we are not party to or bound by (i) any agreement pursuant to which we have incurred or may incur long-term debt, (ii) any capital lease or operating lease pursuant to which we have or may have a payment obligation, or (iii) any agreement to purchase goods or services pursuant to which we have or may have a payment obligation, other than the agreements discussed in this offering memorandum to which we are or will be a party. We have not paid any additional amounts under these agreements as of the date of this offering memorandum.

Following the completion of this offering, we intend to borrow at short-term rates using repurchase agreements and to pledge our investments as collateral to secure our obligations under those agreements. Repurchase agreements are generally short-term in nature with a typical maximum term of two years. We intend to actively manage the adjustment periods and the selection of the interest rate indices of our borrowings against those on our mortgage-related assets in order to lessen our liquidity and interest rate-related risks. We intend to generally seek to diversify our exposure by entering into repurchase agreements with multiple counterparties, which we believe are financially sound and are approved by our board of directors. We are not able to estimate the amount of our future payment obligations under these repurchase agreements. The aggregate amount of our payment obligations under these repurchase agreements in any future period will depend on the aggregate amount of our outstanding borrowings and the rate at which interest accrues on such borrowings under these repurchase agreements during such future period.

Income Taxes

We have been granted exempt company status in Jersey under Article 123(A) of the Income Tax (Jersey) Law 1961, as amended, or the Jersey Tax Law. This has the effect of exempting profits from Jersey income tax and also means that no withholding tax is applied to the payment of dividends made to non-residents of Jersey. Exemptions must be applied for annually and will be granted, subject to the payment of an annual fee which is currently fixed at £600, provided, that we continue to qualify under the applicable legislation for exemption. See "Income Tax Consequences."

Our structure enables us to achieve some of the same tax objectives as a U.S. REIT, but without being subject to certain burdensome restrictions applicable to a REIT under U.S. tax law. We will pay dividends to our shareholders that will be free of withholding tax obligations. We will operate much like a U.S. REIT that invests primarily in loans secured by real property. However, because we will not rely on the U.S. REIT rules to avoid tax at the corporate level, we will not be required to comply with U.S. REIT qualification rules that impose restrictions on a REIT's income, assets, distributions, ownership and record keeping. Although achieving our desired tax results will require us to structure our operations and investment activities so as not to be treated as being engaged in a U.S. trade or business, we believe that this will be less burdensome than complying with the REIT requirements.

Disclosure About Market Risks and Our Risk Management Strategies

We will seek to manage the interest rate, market value, liquidity, prepayment, and counterparty or credit risks inherent in all financial institutions in a prudent manner designed to ensure our longevity while, at the same time, seeking to provide an opportunity for shareholders to realize attractive total rates of return through ownership of our ordinary shares. While we will not seek to avoid risk completely, we will seek, to the best of our ability, to assume risk that can be quantified from historical experience, to actively manage that risk, to earn sufficient compensation to justify taking those risks and to maintain capital levels consistent with the risks we undertake.

Interest Rate Risk. We will primarily invest in adjustable-rate, hybrid and fixed-rate MBS. Hybrid mortgage loans are adjustable-rate mortgages that have a fixed interest rate for an initial period of time (typically three years or greater) and then convert to an adjustable-rate for the remaining loan term. Our debt obligations will generally be repurchase agreements of limited duration that are periodically refinanced at current market rates.

Adjustable-rate MBS are typically subject to periodic and lifetime interest rate caps that limit the amount an adjustable-rate MBS' interest rate can change during any given period. Adjustable-rate MBS are also typically subject to a minimum interest rate payable. Our borrowings will not be subject to similar restrictions. Hence, in a period of increasing interest rates, interest rates on our borrowings could increase without limitation, while the interest rates on our mortgage-related assets could be limited. This problem would be magnified to the extent we

acquire MBS that are not fully indexed. Further, some adjustable-rate MBS may be subject to periodic payment caps that result in some portion of the interest being deferred and added to the principal outstanding. These factors could lower our net interest income or cause a net loss during periods of rising interest rates, which would negatively impact our liquidity, net income and our ability to make distributions to shareholders.

We intend to fund the purchase of a substantial portion of our adjustable-rate mortgage-backed debt securities with borrowings that have interest rates based on indices and repricing terms similar to, but of somewhat shorter maturities than, the interest rate indices and repricing terms of our mortgage assets. Thus, we anticipate that in most cases the interest rate indices and repricing terms of our mortgage assets and our funding sources will not be identical, thereby creating an interest rate mismatch between assets and liabilities. During periods of changing interest rates, such interest rate mismatches could negatively impact our net interest income, dividend yield and the market price of our ordinary shares.

Most of our adjustable-rate assets will be based on the one-year constant maturity U.S. Treasury rate and our debt obligations will generally be based on LIBOR. These indices generally move in the same direction, but there can be no assurance that this will continue to occur.

Our adjustable-rate MBS and borrowings will reset at various different dates for the specific asset or obligation. In general, the repricing of our debt obligations will occur more quickly than on our assets. Therefore, on average, our cost of funds may rise or fall more quickly than does our earnings rate on the assets. Further, our net income may vary somewhat as the spread between one-month interest rates and six- and twelve-month interest rates varies.

Market Value Risk. Substantially all of our MBS and equity securities will be classified as available-for-sale assets. As such, they will be reflected at fair value (i.e., market value) with the periodic adjustment to fair value reflected as part of accumulated other comprehensive income that is included in the equity section of our balance sheet. The market value of our assets can fluctuate due to changes in interest rates and other factors.

Liquidity Risk. Our primary liquidity risk arises from financing long-maturity MBS with short-term debt. The interest rates on our borrowings will generally adjust more frequently than the interest rates on our adjustable-rate MBS. Accordingly, in a period of rising interest rates, our borrowing costs will usually increase faster than our interest earnings from MBS. As a result, we could experience a decrease in net income or a net loss during these periods. Recently, certain companies that invested in agency securities and which maintained significantly higher leverage than we plan to maintain disclosed that they have been subject to margin calls by their lenders. In some instances, these companies did not have sufficient liquidity to satisfy the margin calls and were forced to sell their securities at a loss in order to satisfy the margin calls. In other instances, these companies were unable to meet the margin calls and the lenders foreclosed on the agency securities that served as collateral for the companies' borrowings. Although we intend to maintain significantly lower leverage than the companies, our company could in the future become subject to margin calls, which could create liquidity issues with respect to the financing of our agency securities.

Prepayment Risk. Prepayments are the full or partial repayment of principal prior to the original term to maturity of a mortgage loan and typically occur due to refinancing of mortgage loans. Prepayment rates on MBS vary from time to time and may cause changes in the amount of our net interest income. Prepayments of adjustable-rate mortgage loans usually can be expected to increase when mortgage interest rates fall below the then-current interest rates on such loans and decrease when mortgage interest rates exceed the then-current interest rate on such loans, although such effects are not entirely predictable. Prepayment rates may also be affected by the conditions in the housing and financial markets, general economic conditions and the relative interest rates on fixed-rate and adjustable-rate mortgage loans underlying MBS. The purchase prices of MBS are generally based upon assumptions regarding the expected amounts and rates of prepayments. Where slow prepayment assumptions are made, we may pay a premium for MBS. To the extent such assumptions differ from

the actual amounts of prepayments, we could experience reduced earnings or losses. The total prepayment of any MBS purchased at a premium by us would result in the immediate write-off of any remaining capitalized premium amount and a reduction of our net interest income by such amount. Finally, in the event that we are unable to acquire new MBS to replace the prepaid MBS, our financial condition, cash flows and results of operations could be harmed.

We may often purchase MBS that have a higher interest rate than the market interest rate at the time. In exchange for this higher interest rate, we would have to pay a premium over par value to acquire these securities. In accordance with U.S. GAAP we will amortize this premium over the term of the MBS. As we receive repayments of mortgage principal, we will amortize the premium balances as a reduction to our income. If the mortgage loans underlying a MBS were prepaid at a faster rate than the directors anticipate, we would amortize the premium at a faster rate. This would reduce our income.

Counterparty Risk. We will be exposed to counterparty risk that may result in credit losses in the event a counterparty to one or more of our interest rate swap agreements does not perform its obligations under any such swap agreement. If a swap counterparty cannot perform under the terms of an interest rate swap agreement, in which case we would not receive payments due to us from such counterparty under that agreement, we may lose any unrealized gain associated with the interest rate swap, and the hedged liability would cease to be hedged by the interest rate swap. Any collateral we have pledged to secure our obligations under the interest rate swap will be at risk if the counterparty becomes insolvent or files for bankruptcy. Similarly, if a cap counterparty fails to perform under the terms of a cap agreement, in addition to not receiving payments due under that agreement that would offset our interest expense, we would also incur a loss for all remaining unamortized premium paid for that agreement.

OUR INVESTMENT MANAGER AND THE INVESTMENT MANAGEMENT AGREEMENT

General

We are managed and advised by our investment manager, Glennstars Advisers Limited. Our investment manager is a company incorporated under the laws of Jersey on February 25, 2008 and has an authorized share capital of £100,000 and a paid-up issued share capital of £25,000. Our investment manager is registered under the Financial Services (Jersey) Law 1998 to conduct fund services business. The registered office of our investment manager is located at 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands. The telephone number of our investment manager is +44 (0)1534 835600 and the registration number of our investment manager is 100078.

Management Team

The following sets forth certain information with respect to our investment manager's management team:

NAME	AGE	POSITION
Lloyd McAdams	62	Chairman of the Board, President and Chief Executive Officer
Joseph E. McAdams	39	Vice President and Director
Heather U. Baines	66	Vice President and Director
Susan Jill Fossey	53	Director
Peter John Richardson	52	Director
Charles Siegel	58	Chief Financial Officer
Bistra Pashamova	37	Portfolio Manager

During the preceding five years, none of the members of our investment manager's management team have been convicted of any fraudulent offenses, been the subject of any insolvency or bankruptcy proceedings, receivership or liquidation, served as an officer or director of any company subject to an insolvency or bankruptcy proceeding, receivership or liquidation, been the subject of sanctions by a regulatory authority or been disqualified by any court of competent jurisdiction from acting as a member of the administrative, management or supervisory body of any issuer or from participating in the management or conduct of the affairs of any issuer. Lloyd McAdams and Joseph McAdams are father and son. Lloyd McAdams and Heather U. Baines are husband and wife. The business address of each member of the management team of our investment manager is c/o Glennstars Advisers Limited, 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands.

Remuneration paid to the management team of our investment manager and benefits in kind granted to such persons are not paid nor granted by us, and these individuals are compensated solely through our investment manager. Therefore, we have not set aside or accrued, nor do we plan to set aside or accrue, any amounts to provide pension, retirement, severance or similar benefits to the management team of our investment manager. In addition, there are no service contracts between us and any member of the management team of our investment manager providing for benefits upon termination of employment.

Biographical Information

Lloyd McAdams has been the Chairman of the Board, President and Chief Executive Officer of our investment manager since its incorporation. Mr. McAdams has also served as Chairman of the Board and Chief Executive Officer of Anworth since its formation in 1997, as Chairman of the Board, Chief Investment Officer and co-founder of PIA since 1987, and as Chairman of the Board of Syndicated Capital, Inc., a registered broker-dealer, since 1987. Before joining PIA, Mr. McAdams was President of Security Pacific Investment Managers, Inc., an investment management company, and served as Senior Vice President of Trust Company of the West. Mr. McAdams holds a Bachelor of Science in Statistics from Stanford University and a Masters in Business Administration from the University of Tennessee. Mr. McAdams is a Chartered Financial Analyst charterholder and a Certified Employee Benefit Specialist.

Joseph E. McAdams has been a Vice President of our investment manager since its incorporation. Mr. McAdams has also served as Chief Investment Officer and as a member of the board of directors of Anworth since January 2003, and as Senior Vice President of PIA, where he serves as Fixed Income Portfolio Manager with a specialty in mortgage securities and is responsible for PIA's fixed income trading, since 1998. Prior to joining PIA, from 1993 to 1998, Mr. McAdams was employed by Donaldson, Lufkin & Jenrette Securities Corp. as a mortgage-backed security trader and analyst. Mr. McAdams holds a Master of Arts degree in Economics from the University of Chicago and a Bachelor of Science degree in Economics from the Wharton School of the University of Pennsylvania. Mr. McAdams is also a Chartered Financial Analyst charterholder.

Heather U. Baines has been a Vice President of our investment manager since its incorporation. Ms. Baines has also served as Executive Vice President of Anworth since its formation in 1997 and as President, Chief Executive Officer and co-founder of PIA since 1987. From 1978 to 1987, Ms. Baines was employed by Security Pacific Investment Managers, Inc., ultimately holding the position of Senior Vice President and Director. Ms. Baines served as one of our directors since the date of our formation but will resign as our director prior to the completion of this global offering. Ms. Baines holds a Bachelor of Arts degree in Business from Antioch College.

Susan Jill Fossey is the Managing Director of Dominion Corporate Services Limited which provides corporate and fund administration services to institutional and corporate clients, including several FTSE100 entities. She qualified as a Chartered Secretary in the late 1980's and has over 30 years experience in the offshore finance industry. She previously held senior positions with both Ernst & Young and the Ogier Group in Jersey where she had primary responsibility for the development of corporate and fund administration services. She serves on a number of boards actively involved in investment management, corporate and mezzanine financing, real estate investment and development, private equity, and management buy-outs. Ms. Fossey's career to date has placed particular focus on corporate governance and the Jersey Regulatory environment.

Peter Richardson joined the Dominion Corporate Group in January 2001 to head its Capital Markets Team. He holds the ACIB Banking Diploma and is a Member of the Securities Institute (MSI Dip). Mr. Richardson is a director of Structured Finance Management Offshore and also acts as a director of listed public companies, special purpose structured finance vehicles and special purpose vehicle client companies. His experience in the offshore finance and private banking and trust environment covers 30 years with major international banking groups, holding senior positions over the last 20 years.

Charles Siegel has been Chief Financial Officer of our investment manager since its incorporation. Mr. Siegel has also served as Senior Vice President—Finance of Anworth since January 2005, and as Senior Vice President of Anworth from October 2004 to January 2005. From February 2003 to September 2004, Mr. Siegel was affiliated with Borrowers Best Mortgage Company, L.P., a mortgage originator, initially as a consultant and then as Chief Financial Officer. From October 2001 to February 2003, Mr. Siegel served as the Chief Financial Officer of Instafi.com, a mortgage originator. From 2000 to October 2001, Mr. Siegel was an independent consultant and also worked as a financial planner. From December 1999 to August 2000, Mr. Siegel served as a consultant to PacificAmerica Money Center, where he had served as Chief Financial Officer from 1993 until October 1999. PacificAmerica Money Center filed for bankruptcy protection in November 1999. Mr. Siegel began his career with KPMG, LLP. Mr. Siegel holds a Bachelor of Science degree from Syracuse University and is a Certified Public Accountant.

Bistra Pashamova has been a Portfolio Manager of our investment manager since its incorporation. Ms. Pashamova has also served as a Vice President of Anworth since October 2002, and as a Portfolio Manager of PIA, specializing in mortgage-backed and asset-backed securities, since June 2002. Ms. Pashamova began her career as an investment analyst at PIA in 1997. Ms. Pashamova holds a Master of Arts degree in Economics from the University of Southern California and a Bachelor of Arts degree in Economics and International Studies from Denison University. Ms. Pashamova is also a Chartered Financial Analyst charterholder.

The Investment Management Agreement

We are party to an investment management agreement with our investment manager, pursuant to which our investment manager will be responsible for administering our business activities and day-to-day operations, subject to the supervision and oversight of our board of directors. The material terms of the investment management agreement are described below.

Investment Management Services

The investment management agreement requires our investment manager to oversee our business affairs in conformity with the operating policies established by our board of directors. Our investment manager at all times will be subject to the supervision and direction of our board of directors, the terms and conditions of the investment management agreement and such further limitations or parameters as may be imposed from time to time by our board of directors. Our investment manager is responsible for (i) the selection, purchase and sale of our investment portfolio, (ii) our financing and hedging activities and (iii) providing us with investment advisory services. Our investment manager is responsible for our day-to-day operations and will perform such services and activities relating to our assets and operations as may be appropriate, including, without limitation:

- selecting, purchasing, monitoring and disposing of investments on our behalf;
- providing us with portfolio management;
- obtaining appropriate financing for our investments;
- engaging and supervising, on behalf of us and at our expense, independent contractors that provide real estate, investment banking, securities brokerage, insurance, legal, accounting, transfer agent, registrar and such other services as may be required relating to our operations or investments (or potential investments);
- providing executive and administrative personnel, office space and office services required in rendering services to us;
- performing and supervising the performance of administrative functions necessary in our management as may be agreed upon by our investment manager and our board of directors, including, without limitation, the services in respect of the Glennstars Limited 2008 Share Appreciation Rights Plan and any other share appreciation rights plan we may establish in the future, the collection of revenues and the payment of our debts and obligations and maintenance of appropriate information technology services to perform such administrative functions;
- communicating on behalf of us with the holders of any of our equity or debt securities as required to satisfy the reporting and other requirements of any governmental bodies or agencies or trading exchanges or markets and to maintain effective relations with such holders, including analyst presentations, investor conferences and annual meeting arrangements;
- counseling us in connection with policy decisions to be made by our board of directors;
- evaluating and recommending to us financing and borrowing strategies and obtaining financing and borrowings on our behalf, consistent with our operating policies;
- counseling us regarding tax matters;
- counseling us regarding the maintenance of our exemption from status as an investment company under the Investment Company Act and monitoring compliance with the requirements for maintaining such exemption;
- furnishing reports and statistical and economic research to us regarding our activities and services performed for us by our investment manager;

- monitoring the operating performance of our investments and providing periodic reports with respect thereto to our board of directors, including comparative information with respect to such operating performance and budgeted or projected operating results;
- investing and re-investing any of our monies and securities (including in short-term investments, payment of fees, costs and expenses, or payments of dividends or distributions to our shareholders) and advising us as to our capital structure and capital-raising activities;
- causing us to retain qualified accountants and legal counsel, as applicable, to (i) assist in developing appropriate accounting procedures, compliance procedures and testing systems with respect to financial reporting obligations and compliance with applicable tax laws, and (ii) conduct quarterly compliance reviews with respect thereto;
- causing us to qualify to do business in all jurisdictions in which such qualification is required and to obtain and maintain all appropriate certificates, consents, licenses, permits and registrations;
- assisting us in complying with all regulatory requirements applicable to us in respect of our business activities;
- taking all necessary actions to enable us to make required tax filings and reports;
- handling and resolving all claims, disputes or controversies (including all litigation, arbitration, settlement or other proceedings or negotiations) in which we may be involved or to which we may be subject arising out of our day-to-day operations;
- arranging marketing materials, advertising, industry group activities (such as conference participations and industry organization memberships) and other promotional efforts designed to promote our business;
- entering into, making, varying and performing or terminating all contracts, agreements and other undertakings and doing all such things as may be necessary, advisable or incidental to carrying out the objectives of the investment management agreement, our investment objectives and the lawful instructions and policies of our board of directors;
- using commercially reasonable efforts to cause expenses incurred by or on behalf of us to be commercially reasonable or commercially customary and within any budgeted parameters or expense guidelines set by our board of directors from time to time;
- performing such other services as may be required from time to time for the management and other activities relating to our assets as our board of directors reasonably requests or our investment manager deems appropriate under the particular circumstances; and
- using commercially reasonable efforts to cause us to comply with all applicable laws, rules and regulations; and
- exercising all voting rights related to the assets in which we invest in accordance with the directions or instructions which our board of directors may give and subject thereto and in the absence of such directions our investment manager may exercise, or refrain from exercising, such voting rights as deemed appropriate by our investment manager in its sole discretion.

Our investment manager is not prohibited from engaging in other businesses or from rendering services of any kind to any other person or entity, including those with investment objectives or policies similar to ours, to the extent that it believes, in its good faith judgment, that such activities would not adversely affect its performance of its obligations under the investment management agreement.

Our investment manager has not assumed any responsibility other than to render the services called for under the investment management agreement in good faith and is not responsible for any action of our board of directors in following or declining to follow its advice or recommendations. Our investment manager and its

affiliates, and the directors, officers, employees, members and shareholders of our investment manager and its affiliates, will not be liable to us, our board of directors or our shareholders for any acts or omissions performed in accordance with and pursuant to the investment management agreement, except by reason of acts constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their respective duties under the investment management agreement. We have agreed, to the full extent lawful, to indemnify our investment manager and its affiliates, and the directors, officers, employees, members and shareholders of our investment manager and its affiliates, with respect to all expenses, losses, damages, liabilities, demands, charges and claims in respect of or arising from any acts or omissions of our investment manager, its affiliates, and the directors, officers, employees, members and shareholders of our investment manager and its affiliates, performed in good faith under the investment management agreement and not constituting bad faith, willful misconduct, gross negligence, or reckless disregard of their respective duties. Our investment manager has agreed to indemnify us and our directors, officers, if any, and shareholders with respect to all expenses, losses, damages, liabilities, demands, charges and claims in respect of or arising from any acts or omissions of our investment manager constituting bad faith, willful misconduct, gross negligence or reckless disregard of its duties under the investment management agreement. Our investment manager will maintain reasonable and customary "errors and omissions" and other customary insurance coverage upon the completion of this global offering.

Our investment manager is required to refrain from any action that, in its sole judgment made in good faith, would violate any law, rule or regulation of any governmental body or agency having jurisdiction over us or that would otherwise not be permitted by our memorandum and articles of association. If our investment manager is ordered to take any action by our board of directors, our investment manager will notify our board of directors if it is our investment manager's judgment that such action would violate any such law, rule or regulation or our memorandum or articles of association. Our investment manager, its directors, officers or shareholders will not be liable to us, our board of directors, or our shareholders for any act or omission by our investment manager, its directors, officers or shareholders except as provided in the investment management agreement.

Term and Termination Rights

The investment management agreement has an initial term expiring on December 31, 2011. The investment management agreement will be automatically renewed for one-year terms thereafter unless terminated by either us or our investment manager. The investment management agreement does not limit the number of renewal terms. Either we or our investment manager may elect not to renew the investment management agreement upon the expiration of the initial term of the investment management agreement or upon the expiration of any automatic renewal terms, both upon 180 days prior written notice to our investment manager or us. If we choose not to renew the investment management agreement, we will pay our investment manager a termination fee, upon expiration, equal to three times the average annual management fee earned by our investment manager during the 24-month period immediately preceding the most recently completed calendar quarter prior to the date of termination. In addition, any share appreciation right that we may have awarded to our investment manager under our share appreciation rights plan that is outstanding at the time we terminate the investment management agreement will continue to be exercisable. We may only elect not to renew the investment management agreement without cause with the consent of the majority of our independent directors. If we elect not to renew the investment management agreement without cause, we may not, without the consent of our investment manager, for the remainder of the then-current term of the agreement and two years after its expiration or termination, employ any person who was employed by our investment manager or any of its affiliates, including PIA and Anworth, at any time during the term of the agreement. This limitation will not apply if the agreement is terminated by our investment manager or if it is terminated by us for cause. In addition, following any termination of the investment management agreement, we must pay our investment manager all compensation accruing to the date of termination. Neither we nor our investment manager may assign the investment management agreement in whole or in part to a third party without the written consent of the other party, except that our investment manager may delegate the performance of any its responsibilities to an affiliate so long as our investment manager remains liable for such affiliate's performance.

We may also terminate the investment management agreement with 60 days' prior written notice for cause, without paying the termination fee, if any of the following events occur, which will be determined by a majority of our independent directors:

- our investment manager's fraud, misappropriation of funds or embezzlement against us or gross negligence (including such action or inaction by our investment manager which materially impairs our ability to conduct our business);
- our investment manager fails to provide adequate or appropriate personnel that are reasonably necessary for our investment manager to identify investment opportunities for us and to manage and develop our investment portfolio if such default continues uncured for a period of 60 days after written notice thereof, which notice must contain a request that the same be remedied;
- a material breach of any provision of the investment management agreement if such default continues uncured for a period of 60 days after written notice thereof, which notice must contain a request that the same be remedied;
- our investment manager commences any proceeding relating to its bankruptcy, insolvency, reorganization or relief of debtors or there is commenced against our investment manager any such proceeding which results in an order for relief or is not dismissed within 90 days; or
- our investment manager becomes subject to a winding-up (except for a summary winding-up for the purpose of reconstruction or amalgamation upon terms previously approved by us).

Management Fee

We do not intend to employ personnel. As a result, we will rely on our investment manager to administer our business activities and day-to-day operations. Because we will not have any employees and our investment manager will have a limited number of employees, our investment manager will enter into an administrative services agreement with PIA. The management fee is payable monthly in arrears in cash. The management fee is intended to reimburse our investment manager for providing personnel to provide certain services to us as described above in "—Investment Management Services." Our investment manager may also be entitled to certain monthly expense reimbursements described below.

Management Fee. We will pay our investment manager a management fee monthly in arrears in an amount equal to the sum of (i) 1/12 of 1.75% of our Equity (as defined below) up to $100 million, plus (ii) 1/12 of 1.25% of our Equity in excess of $100 million. Our investment manager will use the proceeds from its management fee in part to pay PIA for services provided by PIA pursuant to the administrative services agreement.

Our investment manager will calculate each monthly installment of the management fee within 15 days after the end of each calendar month, and we will pay the monthly management fee with respect to each calendar month within 5 business days following the delivery to us of our investment manager's statement setting forth the computation of the monthly management fee for such month.

"Equity" equals our shareholders' equity, computed in accordance with U.S. GAAP, adjusted to exclude the effect of any unrealized gains or losses included in either retained earnings or other comprehensive income (loss), and adjusted to include all forms of preferred shares.

Share Appreciation Right. Following the completion of this global offering, we may in our discretion grant our investment manager or its employees a share appreciation right under our share appreciation rights plan, which we will adopt prior to the completion of this global offering, but we are not required to make any such grant. Subject to applicable terms and conditions, if we grant this share appreciation right under our share appreciation rights plan it will entitle our investment manager to exercise such right and receive a number of ordinary shares that are equal in value to the aggregate amount by which the fixed number of shares underlying the share appreciation right have appreciated in the value between the date of its award and its exercise. The number of ordinary shares that will be issued and delivered upon the exercise of any such right will be

determined by reference to the fair market value per ordinary share on the date on which such right is exercised. See "—Share Appreciation Rights Plan" for a description of our share appreciation rights plan.

Reimbursement of Expenses. We will pay, or reimburse our investment manager for, all our operating expenses. Pursuant to the terms of the investment management agreement, we are not responsible for the employment related expenses of our investment manager's personnel that provide services to us under the investment management agreement. The costs and expenses required to be paid by us include, but are not limited to:

- costs incurred in connection with the formation of our company;
- costs incurred in connection with this global offering;
- transaction costs incident to the acquisition, disposition and financing of our investments;
- expenses incurred in contracting with third parties;
- external legal, auditing, accounting, consulting, investor relations and administrative fees and expenses, including in connection with this global offering;
- the compensation and expenses of our directors and the cost of liability insurance to indemnify our directors;
- the costs associated with our establishment and maintenance of any repurchase agreement facilities and other indebtedness (including commitment fees, accounting fees, legal fees, closing costs and similar expenses);
- expenses associated with other securities offerings by us;
- expenses relating to the payment of dividends;
- costs incurred by personnel of our investment manager for travel on our behalf;
- expenses connected with communications to holders of our securities and in complying with the reporting and other requirements of governmental bodies;
- transfer agent and exchange listing fees;
- the costs of printing and mailing proxies and reports to our shareholders;
- costs associated with any computer software, hardware or information technology services that are used primarily for us;
- the costs and expenses incurred with respect to market information systems and publications, research publications and materials relating solely to us;
- settlement, clearing, and custodial fees and expenses relating to us;
- the costs of maintaining compliance with all federal, state and local rules and regulations of any European, Jersey, U.S. or other regulatory agency (as such costs relate to us), all taxes and license fees and all insurance costs incurred on behalf of us;
- the costs of administering any of our incentive plans; and
- our pro rata portion of rent (including disaster recovery facility costs and expenses), telephone, utilities, office furniture, equipment, machinery and other office, internal and overhead expenses of our investment manager and its affiliates required for our operations.

In addition, we shall reimburse our investment manager for the costs of any errors and omissions liability insurance, directors' and officers' liability insurance and other customary insurance coverage maintained by or on behalf of our investment manager. The fees and expenses owed by our investment manager to PIA under the administrative services agreement will be borne by our investment manager and will not be reimbursed by us.

Notwithstanding the foregoing, if the aggregate legal, accounting and printing costs incurred by our investment manager and/or its affiliates in connection with the formation of our company and this global offering exceed 1% of the gross proceeds of this global offering, our investment manager has agreed to pay the amount of any such costs in excess of this 1%, subject to reimbursement under the circumstances described below. We will reimburse any such expenses only to the extent that legal, accounting and printing costs incurred in connection with any future equity offering (excluding investment banking fees) are less than 1% of the gross proceeds of such equity offering. It is expected that legal, accounting and printing costs incurred by our investment manager and/or its affiliates in connection with the formation of our company and this global offering will exceed 1% of this global offering's gross proceeds and that expenses over this amount will be paid by our investment manager, subject to reimbursement only as described above. The aggregate costs in connection with the formation of our company and this global offering are estimated to be $2.3 million.

The Administrative Services Agreement

Our investment manager will enter into an administrative services agreement with PIA, pursuant to which PIA will render specified administrative services to our investment manager and provide our investment manager with access to PIA's employees and infrastructure necessary for our investment manager to perform its obligations and responsibilities under the investment management agreement. Our investment manager will pay PIA a fee in exchange for the services provided under the agreement. We will not reimburse our investment manager for fees and expenses incurred under the administrative services agreement.

The administrative services agreement has an initial term of one year, with automatic one-year renewal terms. PIA may terminate the administrative services agreement by providing written notice of non-renewal to our investment manager not less than 90 days prior to the expiration of the initial term or the applicable renewal term. In addition, the administrative services agreement will terminate 180 days after our investment manager provides written notice to PIA, except that our investment manager may specify a later termination date in such notice and PIA and our investment manager may agree to an earlier termination date. The administrative services agreement will also terminate if either we or our investment manager elects to terminate the investment management agreement pursuant to its terms (as described above).

We will not be a party to the administrative services agreement. Therefore, we will not have any recourse against PIA if it does not fulfill its obligations under the administrative services agreement or it elects to assign the agreement to one of its affiliates.

Share Appreciation Rights Plan

Prior to consummation of this global offering, we will adopt, and our administrator as our sole current shareholder will approve, the Glennstars Limited 2008 Share Appreciation Rights Plan. This share appreciation rights plan will provide that following the completion of this global offering we may in our discretion grant share appreciation rights, or SARs, to our employees (if any) and directors, our investment manager and its employees and directors and others who provide services to us, but we are not required to make any such grant.

A SAR will confer on the recipient the right to receive the appreciation in the value of a fixed number of ordinary shares between the date on which the SAR is awarded and the date on which the SAR is exercised. Subject to applicable terms and conditions, the recipient of a SAR will be entitled to exercise the SAR and receive either a number of ordinary shares equal to the quotient of (a) the amount by which the aggregate fair market value of the number of ordinary shares underlying the SAR on the date on which the SAR is exercised exceeds the aggregate fair market value of such ordinary shares on the date on which the SAR was awarded, and (b) the fair market value of one (1) ordinary share on the date on which the SAR is exercised or the equivalent value in cash. The recipient of a SAR will not be required to make a payment to us upon receipt or exercise of the SAR. All ordinary shares issued pursuant to our share appreciation rights plan will be fully paid shares. Subject to adjustment as provided below, the maximum number of ordinary shares that may be issued and

delivered upon settlement of all of the SARs we award under the Glennstars Limited 2008 Share Appreciation Rights Plan will not exceed 5% of the number of ordinary shares that we issue in this global offering.

Our share appreciation rights plan will be administered by our board of directors. The plan administrator will have the authority to make awards to persons eligible under the plan and to determine the terms and conditions of the awards, including the number of ordinary shares underlying the award. Each SAR awarded under our share appreciation rights plan will be evidenced by a written agreement that will set forth the terms and conditions of such award. Each SAR awarded under our share appreciation rights plan will have a term determined by the administrator and an exercise price per share that is no less than 100% of the fair market value of one ordinary share on the date on which the SAR is awarded. Except as provided below with respect to equitable adjustments, the plan administrator may not take any action that would have the effect of reducing the exercise or purchase price per share of any award under our share appreciation rights plan without first obtaining the consent of our shareholders.

The number of shares covered by our share appreciation rights plan, each outstanding award, and the per share exercise price of each such award, will be proportionately adjusted for any increase or decrease in the number of issued and outstanding ordinary shares resulting from a stock split, reverse stock split, recapitalization, spin-off, combination, reclassification, the payment of a stock dividend on the ordinary shares or any other increase or decrease in the number of such ordinary shares effected without receipt of consideration by us; provided, however, that conversion of any convertible securities shall not be deemed to have been "effected without receipt of consideration." Such adjustment will be made by the administrator whose determination in that respect will be final, binding and conclusive. Except as expressly provided in the share appreciation rights plan, no issue by us of ordinary shares of any class, or securities convertible into ordinary shares of any class, will affect, and no adjustment by reason thereof will be made with respect to, the number or price of ordinary shares subject to a share appreciation right.

Without further shareholder approval, no award may be granted under the plan more than 10 years after the plan adoption date. Our board of directors may terminate, amend, modify or suspend our share appreciation rights plan at any time, subject to shareholder approval as required by law or stock exchange rules. The plan administrator may amend the terms of any outstanding award under our share appreciation rights plan at any time. No amendment or termination of our share appreciation rights plan or any outstanding award may adversely affect any of the rights of an award holder without the holder's consent.

Non-Competition Agreement

In connection with this global offering, Lloyd McAdams and Joe McAdams have agreed not to serve as officers of any company (other than Anworth or any affiliates of ours) that invests in residential MBS in a manner similar to us and whose securities are listed and traded on Euronext Amsterdam while they are directors of our company or employees of our investment manager.

OUR BOARD OF DIRECTORS

Directors

Upon completion of this global offering, our board of directors will consist of George Loraine, Clive Spears and Lloyd McAdams. Each such director will serve on our board of directors until he or she resigns or is removed from office. See "Description of Our Shares and Certain Provisions of Jersey and Dutch Law and Our Memorandum and Articles of Association—Appointment and Removal of Directors." Therefore, none of our directors have a designated term of office. Our board of directors has determined that Messrs. Loraine and Spears qualify as independent within the meaning of the Listed Fund Guide published by the Jersey FSC. We may in the future have additional independent directors on our board of directors, but we are not required by law to do so.

NAME	AGE	POSITION
George Loraine	65	Chairman of the Board of Directors
Lloyd McAdams	62	Director
Clive Spears	54	Director

Biographical information for each director other than Lloyd McAdams is set forth below. Biographical information for Lloyd McAdams is above under "Our Investment Manager and The Investment Management Agreement—Biographical Information."

George Loraine has been the Chairman of the Board of directors of our company since May 2008. Mr. Loraine is also presently acting as a non executive director of a private equity fund, a substantial Asia Pacific hedge fund group, a large European property fund and a fund dealing in structured debt arrangements. In 2002, Mr. Loraine joined EFG Offshore Limited, a Jersey-based trust and fund administrator, as an executive director. Mr. Loraine is still with EFG Offshore on a consultancy basis dealing with particular trustee issues. Prior to 2002, in 2000, Mr. Loraine set up an offshore financial training enterprise with a former colleague and prior to that had been a partner at Coopers & Lybrand until 2000. Mr. Loraine has been admitted as a Fellow of the Institute of Chartered Accountants in England and Wales since 1979.

Clive Spears has been a director of our company since May 2008. In 2004, Mr. Spears established his own consultancy business through which he holds non executive director positions at various venture capital, property and hedge funds. Representative appointments include his position as Chairman at Nordic Capital Limited, as a non-executive director and head of the audit committee of Jersey Post Limited and non-executive director of Meridian Asset Management [C.I.] Limited. In 2003, Mr. Spears retired from the position of Deputy Director of Jersey at the Royal Bank of Scotland International Ltd after 32 years of service.

During the preceding five years, none of our directors have been convicted of any fraudulent offenses, been the subject of any insolvency or bankruptcy proceedings, receivership or liquidation, served as an officer or director of any company subject to an insolvency or bankruptcy proceeding, receivership or liquidation, been the subject of sanctions by a regulatory authority or been disqualified by any court of competent jurisdiction from acting as a member of the administrative, management or supervisory body of any issuer or from participating in the management or conduct of the affairs of any issuer. The business address of each of our directors is c/o Glennstars Limited, 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands.

For a discussion of existing and potential conflicts of interest between us and our board of directors, see "Certain Relationships."

Corporate Governance—Board of Directors and Board Committees

We are externally managed by our investment manager, subject to the supervision and oversight of our board of directors (all of whom are non-executive, although Mr. McAdams is an executive officer and part owner of our investment manager), and administered by our administrator. Please see "Formation and Organization of

Our Company—Our Administrator and the Administration Agreement" for further information on our administrator. Our board of directors has established broad investment guidelines for our investment manager to follow in its day-to-day management of our business. Our investment manager will keep our directors informed about our business at meetings of our board of directors and its committees and through supplemental reports and communications. Our independent directors will meet regularly in executive sessions without the presence of corporate officers.

Jersey law does not contain a mandatory code of corporate governance, although it does impose statutory obligations on our directors, including to act in good faith and with a view to the best interests of our company. We will undertake to comply with the corporate governance requirements set out in the Listed Fund Guide published by the Jersey FSC.

Any delegation of regulated functions in Jersey by us, our investment manager or our administrator will comply with the Policy Statement and Guidance Notes on Outsourcing published by the Jersey FSC.

Audit Committee. The board of directors has established an audit committee with formally delegated duties and responsibilities. The audit committee is comprised of Lloyd McAdams, Clive Spears and George Loraine. The audit committee will be chaired by one of the independent directors. The audit committee will receive and review reports from management and our auditors relating to our annual and interim results of operation and financial condition and our accounting and internal control systems. The audit committee will have unrestricted access to our auditors. Our financial reporting procedures include provision whereby our auditors will be asked to review our financial statements on a quarterly basis following the payment of the relevant quarter's management fees and there will be an annual audit of our financial statements.

Other Committees. We do not consider it necessary to establish compensation and nomination committees at present, as the board of directors has no executive directors. The position will be kept under review.

Indemnification of Various Parties

Our memorandum and articles of association provide that, insofar as the Jersey Companies Law allows, every present or former director, secretary and other officer or servant for the time being of our company will be indemnified and secured harmless out of the assets and profits of our company from and against all actions, costs, charges, losses, damages and expenses, which they or any of them, their or any of their heirs, administrators or executors will or may incur or sustain by reason of being or having been a director, secretary or other officer or servant and the amount for which such indemnity is provided will immediately attach as a lien on the property of our company and have priority as between our shareholders over all other claims.

Insofar as the Jersey Companies Law allows, our memorandum and articles of association further provides that none of the foregoing will be responsible for the acts, receipts, neglects, or defaults of the other or others of them, or for joining in any receipt for the sake of conformity, or for any bankers, brokers, or other persons into whose hands any money or assets of our company may come, or for any defects of title of our company to any property purchased, or for insufficiency or deficiency of or defect of title of our company to any security upon which any monies of or belonging to our company will be placed out or invested, or for any loss, misfortune or damage resulting from any such cause as aforesaid, or which may happen in the execution of their respective offices or trusts, or in relation thereto.

The Jersey Companies Law prohibits a company exempting any person from or indemnifying any person against any liability other than: (a) any liabilities incurred in defending any proceedings (whether civil or criminal) – (i) in which judgment is given in the person's favor; (ii) which were discontinued otherwise than for some benefit conferred by the person or on the person's behalf or some detriment suffered by the person, or (iii) which are settled on terms which include such benefit or detriment and, in the opinion of a majority of our directors (excluding any director who conferred such a benefit or on whose behalf such benefit was conferred or

who suffered such detriment), the person was substantially successful on the merits in the person's resistance to the proceedings; (b) any liability incurred otherwise than to us if the person acted in good faith with a view to the best interests of our company; (c) any liability incurred in connection with an application to the court under the Jersey Companies Law to grant relief in proceedings for negligence, default, breach of duty or breach of trust in which relief is granted to the person by the court; or (d) any liability against which we normally maintain insurance for persons other than directors. These provisions of the Jersey Companies Law do not prevent a company from purchasing and maintaining a policy of insurance against any such liability.

Director Compensation

Since the date of our incorporation through completion of the global offering, no payments have been made to the directors. For services rendered as our directors, each of George Loraine and Clive Spears will be entitled to an annual fee of £15,000. Mr. McAdams will receive no compensation for acting as a director of our company. As we are a newly formed company, we have not yet set aside or accrued any amounts to provide pension, retirement, severance or similar benefits to our directors and none of our directors will be entitled to such benefits upon his or her resignation or removal from office. See "Description of Our Shares and Certain Provisions of Jersey and Dutch Law and Our Memorandum and Articles of Association—Remuneration of Directors" for a description of the determination of director remuneration. Our directors are also eligible to receive awards of share appreciation rights under our stock appreciation rights plan.

In addition, we have agreed to reimburse the directors their reasonable expenses properly incurred in the performance of their duties. Each director is subject to a confidentiality undertaking without limitation of time. Each director must also communicate to our board of director's any conflict of interest or potential conflict of interest he or she may have with us. Under each appointment letter with the directors, we agree to use our reasonable efforts to obtain appropriate directors' liability insurance for the benefit of each director and to maintain such insurance in force for so long as he or she is a director of our company.

Executive Compensation

We have not paid, and we do not intend to pay, any cash or non-cash equity compensation to any officers we may appoint and we do not currently intend to adopt any policies with respect thereto.

FORMATION AND ORGANIZATION OF OUR COMPANY

Formation

We were incorporated under the laws of Jersey under the name Glennstars Limited with registered number 100079 as a no par value public company with limited liability under the Jersey Companies Law on February 25, 2008. We do not have a limited life.

Registered Office

Our registered office is at 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands. Our telephone number is +44 (0)1534 835600.

Register of Shareholders and Statutory Records

Our register of shareholders is kept at our registered office. Our register of shareholders and statutory records are maintained by our administrator, which is also our company secretary.

Material Changes

Any changes to our company or the material contracts listed below that would be contrary to the terms of the Listed Funds Guide published by the Jersey FSC or contrary to any of the Jersey FSC's published policies applicable to Listed Funds will require the prior consent of the Jersey FSC.

Service Providers

We are externally managed by our investment manager, Glennstars Advisers Limited. See "Our Investment Manager and The Investment Management Agreement" for more details. The other principal service providers currently providing services to us are our administrator, our listing agent, and our Euroclear issuing, transfer and paying agent. We are not aware of any material existing or potential conflicts of interest that any of these service providers may have as between their duty to us and duties owed by them to third parties and their other interests other than as set out in "Certain Relationships." Following the completion of this global offering, we will appoint a non-affiliated third-party to act as our custodian. Our custodian will hold our assets and will be responsible for maintaining the safe custody of such assets.

Our Administrator and the Administration Agreement

Dominion Fund Administrators Limited is a company incorporated under the laws of Jersey on 31 January 2001 with an issued and fully paid share capital of £25,000 divided into 25,000 shares of £1.00 each. It is regulated by the Jersey FSC and registered to conduct "fund services business" under the Financial Services (Jersey) Law 1998.

Under our agreement with Dominion Fund Administrators Limited entered into in connection with this global offering, we have appointed Dominion Fund Administrators Limited to act as our Jersey administrator and company secretary and delegated to it in its role as our administrator the relevant powers to enable it to perform its duties on behalf of and towards us. We have agreed to pay to our administrator such reasonable fees as are agreed from time to time and we will reimburse our administrator for certain out-of-pocket expenses which are reasonable in amount and which are evidenced in such manner as we may reasonably require. Under the administration agreement, we have agreed to indemnify our administrator and its employees and agents from liability, except in the case of negligence, fraud, bad faith or willful default on the part of our administrator, or its employees or agents, or as a result of the reckless disregard for its or their obligations and duties under the administration agreement or any material breach of the administration agreement. Our administrator is responsible for, among other things: (i) maintaining our share register and generally performing all actions related to the issuance, transfer and redemption of ordinary shares; (ii) keeping such books and records as are

required by law or otherwise for the proper conduct of our affairs; and (iii) performing other services necessary in connection with the administration of us as a Jersey company which is regulated as a listed fund in Jersey. The administration agreement may be terminated by the administrator or by us by, among other things, giving not less than three months' written notice to the other.

Global Manager and Bookrunner

Friedman, Billings, Ramsey & Co., Inc.
1001 Nineteenth Street North, 11th Floor
Arlington, Virginia 22209

Co-Lead Manager

Fox-Pitt, Kelton Ltd
25 Copthall Avenue
London EC2R 7BP

Co-Listing Agent

Friedman, Billings, Ramsey International, Ltd.
Berkeley Square House, Berkeley Square 8th Floor
London W1J 6DB

Co-Listing Agent/Euroclear Agent

ABN AMRO Bank N.V.
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

Legal advisers, accountants and auditors

The names and addresses of our various legal advisers, accountants and auditors are as follows:

Legal Advisers

Legal Advisers as to United States Law	Manatt, Phelps & Phillips, LLP 11355 West Olympic Boulevard Los Angeles, California 90064 USA
Legal Advisers as to Jersey Law	Carey Olsen 47 Esplanade, St Helier Jersey, JE1 0BD
Legal Advisers as to Dutch Law	Houthoff Buruma N.V. Gustav Mahlerplein 50 1082 MA AMSTERDAM

Accountants and Auditors

Accountants and Auditors	RSM Bentley Jennison 45 Moorfields London, EC2Y 9AE

Consents

All of our directors, our investment manager, our administrator, the initial purchasers and the other parties listed above have given and have not withdrawn their written consent to the issue of this offering memorandum and the references to themselves in the form and context in which such references appear.

Documents on Display

Copies of the following documents will be available for inspection at our registered office and the office of our Dutch paying agent, ABN AMRO Bank N.V., during business hours on any weekday from the date of this offering memorandum (weekends and public holidays excepted) until the Settlement Date:

- Our memorandum and articles of association;
- The written consents of our directors, our investment manager and other parties referred to above;
- This offering memorandum and any supplemental documents and circulars;
- The investment management agreement;
- The administration agreement; and
- Copies of such of our audited annual financial statements and unaudited interim financial statements as are made available in the relevant period.

We are not currently, and in the future we will not be, required to file reports with the SEC, or to deliver an annual report to holders of our ordinary shares pursuant to the Exchange Act. However, we will furnish our shareholders annual reports containing financial statements audited by our independent auditors. We will also make available to shareholders quarterly unaudited financial statements. The financial statements for the period ended June 30, 2008 will be made available to shareholders within 90 days of the end of such quarter. We will provide without charge, upon the written request of a holder of our ordinary shares or a prospective investor, a copy of such information as is required by Rule 144A to enable such holder to resell or such prospective investor to purchase our ordinary shares pursuant to Rule 144A. Any such request should be addressed to us at:

Glennstars Limited
47 Esplanade, St Helier
Jersey, JE1 0BD
Channel Islands

ABN AMRO Bank N.V.
Equity Capital Markets/Corporate Action
Gustav Mahlerlaan 10
1082 PP Amsterdam
The Netherlands

This offering memorandum will also be available through the website of Euronext Amsterdam at www.euronext.com.

Material Contracts

Nothing in any of our constitutive documents or the material contracts listed below excludes the jurisdiction of the courts of Jersey to entertain an action concerning us.

The following contracts, not being contracts entered into in the ordinary course of business, have been or are likely to be entered into by us and are, or may be, material:

- our investment management agreement (for a description of this agreement, see “Our Investment Manager and The Investment Management Agreement—The Investment Management Agreement”);
- our administration agreement (for a description of this agreement, see “Formation and Organization of Our Company—The Administrator and the Administration Agreement”); and
- our purchase agreement (for a description of this agreement, see “Plan of Distribution”).

CERTAIN RELATIONSHIPS

One of our directors, Lloyd McAdams is a stockholder, officer and director of our investment manager. Mr. McAdams owes fiduciary duties to us. Through his ownership and management of our investment manager, he also owes fiduciary duties to our investment manager. As described further below, this dual ownership and management role creates potential conflicts of interest. These conflicts pertain to his duty as our director, to oversee our business and our relationship with our investment manager and to maximize our value, and his duty as a stockholder, officer and director of our investment manager to maximize the value of our investment manager.

The members of the management team of our investment manager are also senior executives of PIA and Anworth, where they devote a portion of their time. These individuals are not contractually obligated to devote minimum amounts of time to our company. In addition, our investment manager is not prohibited from engaging in other businesses or from rendering services of any kind to any other person or entity, including those with investment objectives or policies similar to ours, to the extent that it believes, in its good faith judgment, that such activities would not adversely affect its performance of its obligations under the investment management agreement. Pursuant to the terms of the investment management agreement, our investment manager determines the allocation of MBS and other mortgage-related assets between us and other accounts over which our investment manager and its affiliates have control. Pursuant to such allocation, our investment manager bases allocation decisions on the procedures our investment manager considers fair and equitable, including, without limitation, such considerations as investment objectives, restrictions and time horizon, availability of cash and the amount of existing holdings. In some cases, some forms of pro rata allocations may be used and, in other cases, random allocation processes may be used. In other cases, neither may be used. Notwithstanding the foregoing, such conflicts may result in decisions or allocations of MBS and other mortgage-related assets to affiliates of our investment manager, including PIA and Anworth, that are not in our best interests. In particular, it is possible that asset allocations made by our investment manager could favor affiliates of our investment manager, and our operating income and distributions to shareholders could be materially and adversely affected.

In addition, our investment manager is paid a management fee pursuant to the investment management agreement. The management fee results in a direct benefit to Lloyd McAdams, Heather U. Baines and Joseph E. McAdams, who are the sole shareholders of our investment manager.

Our investment manager will enter into an administrative services agreement with PIA upon the closing of this global offering, pursuant to which PIA will render specified administrative services to our investment manager and provide our investment manager with access to PIA's employees and infrastructure necessary for our investment manager to perform its obligations and responsibilities under the investment management agreement. Our investment manager will pay PIA a fee in exchange for the services provided under the agreement. We will not reimburse our investment manager for any fees or expenses incurred by our investment manager under the administrative services agreement. Our investment manager and PIA will determine the amount of such fee based upon what the parties believe such services would be valued as if negotiated between unaffiliated third parties on an arms-length basis. A trust controlled by Lloyd McAdams and Heather U. Baines is the principal shareholder of PIA.

We, on the one hand, and our investment manager and its affiliates, on the other, do not presently expect to, but may in the future, enter into a number of relationships other than those governed by the investment management agreement, some of which may give rise to conflicts of interest between our investment manager and its affiliates and us. Any such relationships or transactions will require the approval of our board of directors, including a majority of the independent directors. The market in which we expect to purchase MBS and other mortgage-related assets is characterized by rapid evolution of products and services and, thus, there may in the future be relationships between us and our investment manager and its affiliates in addition to those described herein.

There are no arrangements or understandings with major shareholders, customers, suppliers or others, pursuant to which any person was selected as a member of our administrative, management or supervisory bodies.

Our investment manager, our investment manager's stockholders and officers, and our directors have agreed with Friedman, Billings, Ramsey & Co., Inc., as the representative of the initial purchasers, not to offer, pledge, sell or otherwise dispose of or transfer any of our ordinary shares, subject to certain exceptions, until 180 days after the closing of this global offering without the prior written consent of Friedman, Billings, Ramsey & Co., Inc. We also have agreed to such restrictions for the same period.

Prior to consummation of this global offering, we will adopt, and our administrator as our sole current shareholder will approve, the Glennstars Limited 2008 Share Appreciation Rights Plan. This share appreciation rights plan will provide that we may in our discretion award share appreciation rights to our investment manager and its affiliates who provide services to us, but we are not required to make any such grant. The plan administrator will have the authority to make awards to our investment manager, its employees and its affiliates and to determine the terms and conditions of the awards, including the number of ordinary shares underlying the award. For more information on the Glennstars Limited 2008 Share Appreciation Rights Plan, see "Our Investment Manager and The Investment Management Agreement—Share Appreciation Rights Plan."

PRINCIPAL SHAREHOLDERS

The following table presents information regarding the beneficial ownership of our ordinary shares following completion of this global offering, with respect to:

- each of our directors upon completion of this global offering;
- each person who is the beneficial owner of more than five percent of our outstanding ordinary shares; and
- all directors upon completion of this global offering as a group.

Unless otherwise indicated, all shares are owned directly and the indicated person has sole voting and investment powers. Our principal shareholders have the same voting rights as other holders of our ordinary shares.

	Ordinary Shares Beneficially Owned Upon Completion of this Global Offering	
Name of Beneficial Owner	**Number**	**Percentage**
Directors:		
Lloyd McAdams	—	—
George Loraine	—	—
Clive Spears	—	—
All directors as a group	—	—
5% Shareholders:	—	—

We are not aware of any person who, as of the date of this offering memorandum, directly or indirectly holds a beneficial interest in our share capital or voting rights in our company, which is notifiable under Dutch Law.

Two founder shares were subscribed for on behalf of our administrator for €10.00 per share in connection with the formation of our company. During the preceding five years, our administrator has not been convicted of any fraudulent offenses, served as an officer or director of any company subject to an insolvency proceeding, receivership or liquidation, been the subject of sanctions by a regulatory authority or been disqualified by any court of competent jurisdiction from acting as a member of the administrative, management or supervisory body of any issuer or from participating in the management or conduct of the affairs of any issuer.

DESCRIPTION OF OUR SHARES AND CERTAIN PROVISIONS OF JERSEY AND DUTCH LAW AND OUR MEMORANDUM AND ARTICLES OF ASSOCIATION

The following description is a summary of our memorandum and articles of association and the rights and preferences of our ordinary shares, preferred shares and founder shares, as they will be in effect upon the closing of this global offering. The summary is not complete. For more detailed information, please see our memorandum and articles of association.

General

In accordance with the Jersey Companies Law, our memorandum of association does not have an objects clause. Clause 2 of our memorandum of association states that we will have and be capable of exercising all the functions of a natural person of full capacity as provided by Article 18 of the Jersey Companies Law.

Share Capital

Our authorized share capital consists of: (i) ten founder shares, no par value per share, (ii) an unlimited number of shares of our ordinary shares, no par value per share and (iii) an unlimited number of shares of preferred shares, no par value per share. There are currently no ordinary shares issued and outstanding, no preferred shares issued and outstanding and two founder shares issued and outstanding which are held by a nominee of our administrator. All of our issued and outstanding founder shares are fully paid. After giving effect to this global offering, 15,000,000 of our ordinary shares will be outstanding (17,250,000 ordinary shares if the initial purchasers fully exercise their over-allotment option). None of our shares will be held by us or on our behalf.

Founder Shares

The founder shares are not redeemable and in accordance with our memorandum and articles of association are to be registered in the name of the administrator or as otherwise determined by the board of directors. The founder shares do not carry any rights to dividends or profits and on liquidation they will rank behind ordinary shares with regard to the return of the amount paid up on each of them. Founder shares have no rights on the winding up of our company. Founder shares carry the right to receive notice of and attend general meetings, but carry no right to vote thereat unless there are no ordinary shares in issue.

Ordinary Shares

Each ordinary share entitles the holder thereof to: (i) one vote per share; (ii) share equally and ratably in such dividends as the board of directors may from time to time declare on ordinary shares; and (iii) in the event of a winding-up or dissolution of our company, whether voluntary or involuntary or for the purpose of an amalgamation, a reorganization or otherwise or upon any distribution of capital, share equally and ratably in the surplus assets of our company, if any, remaining after the liquidation preference of any issued and outstanding shares ranking ahead of our ordinary shares. No holder of our ordinary shares will be entitled to preemptive, redemption or conversion rights, sinking fund or cumulative voting rights.

Preferred Shares

The board of directors has the discretion to authorize preferred shares in one or more series, and to establish from time to time the number of preferred shares to be included in each such series, and to fix the designation, powers, preferences and rights of such preferred shares of each such series and the qualifications, limitations, or restrictions thereof. Any or all of these rights may be superior to the rights of our ordinary shares.

The rights of the holders of our ordinary shares may be subject to, and may be adversely affected by, the rights of the holders of any preferred shares that may be established and issued by our board of directors in the future. The issuance of preferred shares may have the effect of delaying, deterring or preventing a change of

control of our company without further action by the holders of our ordinary shares and may adversely affect the voting and other rights of the holders of our ordinary shares.

Issues of Shares

Without prejudice to any special rights conferred on the holders of any class of shares, any of our shares may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the board of directors may from time to time determine.

Unissued shares will be at the disposal of the directors, and they may allot, grant options over, issue warrants in respect of or otherwise dispose of such shares to such persons, at such times and generally on such terms and conditions as they determine. We may also pay such brokerages and/or commissions as may be lawful.

No person will be recognized by us as holding any shares upon any interest other than an absolute right of the registered holder to the entirety of a share.

Register and Certificates

Our memorandum and articles of association allow for the holding and transfer of our ordinary shares in certificated and uncertificated form. Our ordinary shares may be represented by one or more registered shares issued to the official operator of a transfer, settlement and clearing system for shares approved by our directors, or the Approved Operator, in which case the Approved Operator will be entered into our share register as the shareholder.

Dividend Rights

Our memorandum and articles of association contain provisions enabling our directors, subject to the Jersey Companies Law, to declare and pay dividends in respect of our ordinary shares and our preferred shares. No dividend is payable to the holders of founder shares. When declared, dividends in respect of ordinary shares will be paid pro rata among holders of ordinary shares. Dividends will not bear interest and all unclaimed dividends may be invested or used by our directors for our benefit until claimed. Should a dividend remain unclaimed for a period of 10 years, our directors may declare the dividend forfeited and dispose of the dividend as they determine. Our board of directors may establish and issue one or more series of preferred shares which may provide for the payment of a minimum dividend. The right of holders of preferred shares to receive dividends may be preferential to the payment of any dividends with respect to our ordinary shares.

General Meetings and Voting

Our directors may call general meetings of our company whenever they think fit. Twenty one clear days' notice will be given in the case of an annual general meeting or a meeting for the passing of an extraordinary resolution or a special resolution, and in the case of any other general meeting, fifteen days' notice will be required. Any general meeting must be held outside the United Kingdom and the United States. An "extraordinary resolution" is a resolution of our company at a general meeting or at a meeting of the shareholders of any class of shares of our company approved by a majority of not less than two-thirds of the votes cast at that meeting and a "special resolution" has the meaning given in the Jersey Companies Law.

The holders of our ordinary shares have the right to receive notice of, and to vote at, general meetings of our company. Each holder of our ordinary shares who is present in person (or, being a corporation, by representative) at a general meeting on a show of hands has one vote and, on a poll, every such holder who is present in person (or, being a corporation, by representative) or by proxy has one vote in respect of each ordinary share held. No business will be transacted at a general meeting unless a quorum of two members are present either in person or by proxy and entitled to vote but excluding any custodian, the administrator and their respective affiliates, as the

case may be, where they have a material interest in the business to be transacted. Founder shares carry the right to receive notice of and attend general meetings, but carry no right to vote at such meetings unless there are no ordinary shares in issue.

An instrument appointing a proxy will be in writing under the hand of the appointer or of his attorney duly authorized in writing, or if the appointer is a corporation under its common seal or under the hand of an officer or attorney duly authorized. In the case of shares registered in the name of an Approved Operator or any institution which is affiliated with the Approved Operator for the purpose of trading on a stock exchange, any underlying holder of interests in such shares may submit a written declaration from the Approved Operator or affiliated institution which will constitute an instruction appointing a proxy from the relevant registered shareholder confirming that the number of shares mentioned in each written declaration form part of a "joint deposit," and that the person mentioned in the declaration is a participant for the mentioned number of shares in the "joint deposit," and will be entitled to exercise voting and all other rights as a proxy in respect of such shares at the relevant general meeting (and that such participant will be entitled to delegate their proxy to a third party by delivering such form of proxy executed in writing). Where there are joint participants in respect of any share, such persons will not have the right of voting individually in respect of such share but will 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 participant whose name appears first in order in the register in respect of such share will alone be entitled to vote.

Where there are joint registered holders of any share, such persons will not have the right of voting individually in respect of such share, but will elect one of their number to represent them and to vote whether in person or by proxy in their name.

The holders of our ordinary shares may require our directors to call a general meeting of our company in accordance with the terms of the Jersey Companies Law. The Jersey Companies Law provides that, in order to call such a meeting, a requisition must be delivered to our directors at our registered office (signed by shareholders who hold 10% or more of our outstanding ordinary shares and who have the right to vote at the meeting) outlining the objects of the meeting. Upon receipt of the requisition, our directors must call a general meeting to be held as soon as is practicable but, in any case, not later than two months after the date of the deposit of the requisition.

Variation of Rights

Subject to the Jersey Companies Law, the special rights attached to any class of shares may be varied or abrogated with the consent in writing of the holders of two-thirds of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of such shares. The necessary quorum will be at least two persons holding or representing by proxy at least one-third in number of the issued shares of the class (but if at any adjourned meeting of such holders a quorum as above defined is not present those shareholders who are present will be a quorum). Every holder of shares of the class concerned will be entitled at such meeting to one vote for every share held by such holder on a poll. The special rights conferred upon our ordinary shares or any shares or class of shares issued with preferred, deferred, or other special rights will not be deemed to be varied by either the exercise of any power under the provisions in our memorandum and articles of association requiring shareholders to disclose an interest in our shares or by the issue or the payment of a distribution on of any preferred or ordinary shares.

Transfer of Shares

The board of directors may, in its absolute discretion and without assigning any reason for its decision, refuse to register a transfer of any ordinary share if: (i) the share is not fully paid up provided that, in the case of shares in certificated form, where any such shares are admitted to Euronext Amsterdam, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis; (ii) our company has a lien on the share; (iii) the instrument of transfer is not accompanied by the

relevant share certificate (if any) and such other evidence as the board of directors may reasonably require to prove the title of the transferor to, or right of the transferor to transfer, the share; (iv) it is not satisfied that all applicable consents, authorizations, permissions or approvals of any governmental body or agency in Jersey or any other applicable jurisdiction required to be obtained under relevant law prior to such transfer have been obtained; (v) it is not satisfied that the transfer is permitted by or will be conducted in accordance with the transfer restrictions applicable to such share; (vi) it determines that the board of directors will, immediately following such transfer, have the right to compel the sale of, redeem or suspend the rights associated with any ordinary shares held by the transferee; or (viii) the transfer may violate the terms of any agreement to which we (or any of our subsidiaries) and the transferor are party or subject. The board of directors may also refuse to register a transfer of any share if such transfer is not (a) in respect of a single class of shares or (b) in favor of a single transferee or not more than four joint transferees. If the board of directors refuses to register a transfer of any share, it will, within three months after the date on which the instrument of transfer was lodged with our company or agent who maintains the register, send to the transferor and to the transferee notice of such refusal. Transfers or assignments of founder shares may not be made without the approval of our directors.

Alteration of Capital and Purchase of Ordinary Shares

We have authority to purchase from time to time up to 5,000,000 ordinary shares. The maximum price at which we may purchase such ordinary shares is ninety percent 90% of the book value per ordinary share at the time of such purchase. We may purchase such shares at any price below the maximum purchase price and there is no minimum price in that regard. This authority expires on November 30, 2009. A renewal of the authority to make purchases of ordinary shares (with any amendments proposed by the board of directors) will be sought from the ordinary shareholders at each annual general meeting of our company. Purchases of ordinary shares will be made at the discretion of our directors and subject to the Jersey Companies Law and any other applicable laws relating to the purchase by our company of our own shares. The timing of any purchases will be decided by the board of directors. Purchases will only be made through the market for cash when such purchases would be at prices which are accretive to our book value per ordinary share.

The Jersey Companies Law provides that we may, by special resolution: (i) alter our memorandum and articles of association to increase or reduce the number of shares that we are authorized to issue; (ii) consolidate all or any of our shares (whether issued or not) into fewer shares; or (iii) divide all or any of our shares (whether issued or not) into more shares.

We may by special resolution reduce our share capital, any redemption reserve fund or any stated capital account in any manner permitted by and with and subject to any consent required by the Jersey Companies Law.

In accordance with the provisions of the Jersey Companies Law and our memorandum and articles of association, we may from time to time (a) issue or (b) convert any existing non-redeemable shares (whether issued or not) into shares which are to be redeemed or are liable to be redeemed at our option or at the option of the holder thereof on such terms and in such manner as may be determined by the board of directors.

Disclosure of Interests in Shares

Our directors have the power by notice in writing to require any shareholder (being the registered holder of a share) to disclose to us the identity and residence of any person other than the registered shareholder (such other person is referred to as an interested party) who has any interest in the shares held by the shareholder and the nature of such interest. Any such notice must require any information in response to such notice to be given in writing within such reasonable time as the directors may determine.

We will maintain a register of interested parties as if the register of interested parties was the register of shareholders and whenever, pursuant to applicable regulation, we are informed by any shareholder that a person has become an interested party, the identity and residence of the interested party and the nature of the interest must be promptly added to such register together with the date of the request.

Failure to Disclose Interests in Shares

If any shareholder has been duly served with a notice given by the directors in accordance with the requirements described above and is in default for the prescribed period (28 days after service of the notice unless the shares concerned represent 0.25 percent or more in nominal value of the issued shares of the relevant class in which case it is 14 days) in supplying the information required by the notice, then the directors may in their absolute discretion at any time thereafter serve a notice (a "direction notice") upon such shareholder.

A direction notice may direct that, in respect of any shares in relation to which the default occurred (all or the relevant number as appropriate of such shares being the "default shares") and any other shares held by the shareholder, the shareholder will not be entitled to vote at a general meeting or meeting of the holders of any class of shares of our company either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of our company or of the holders of any class of shares of our company, and where the default shares represent at least 0.25 percent of the class of shares concerned then the direction notice may additionally direct that in respect of the default shares (i) such shareholder will be required to repay to us any distribution received by the shareholder while the default is continuing and (ii) no transfer other than an approved transfer (as described below) of the default shares held by such shareholder may be registered.

We will send to each other person appearing to be interested in the shares the subject of any direction notice a copy of the notice, but accidental failure by us to do so will not invalidate the notice.

If shares are issued to a shareholder as a result of that shareholder holding other shares in our company and if the shares in respect of which the new shares are issued are default shares in respect of which the shareholder is for the time being subject to particular restrictions, the new shares will become subject to the same restrictions while held by that shareholder as such default shares. For this purpose, shares which we procure to be offered to shareholders pro rata (or pro rata ignoring fractional entitlements and shares not offered to certain shareholders by reason of legal or practical problems associated with offering shares outside The Netherlands or Jersey) will be treated as shares issued as a result of a shareholder holding other shares in our company.

Any direction notice will remain effective in accordance with its terms for as long as the default, in respect of which the direction notice was issued, continues but will cease to have effect in relation to any shares which are transferred by such shareholder by means of an approved transfer (as described below). As soon as practical after the direction notice has ceased to have effect (and in any event within seven days thereafter) the directors will remove the restrictions imposed pursuant to the provisions described above will direct that dividends returned to us pursuant to the provisions described above are repaid to the relevant shareholder.

For the purpose of this section:

(a) a person will be treated as appearing to be interested in any shares if the shareholder holding such shares has given to us a notification which either: (i) names such person as being so interested; or (ii) fails to establish the identities of those interested in the shares and (after taking into account the said notification and any other relevant notification) our company knows or has reasonable cause to believe that the person in question is or may be interested in the shares;

(b) a transfer of shares is an approved transfer if but only if:

(i) it is a transfer of shares to an offeror by way or in connection with acceptance of a public offer made to acquire all the issued shares in the capital of our company not already owned by the offeror or any connected person of the offeror in respect of our company; or

(ii) the directors are satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the shareholder and with other persons appearing to be interested in such shares; or

(iii) the transfer results from a sale made through a regulated market in The Netherlands (as defined in section 1:1 of the Dutch Financial Supervision Act) or any stock exchange outside The Netherlands on which our company's shares are listed or normally traded.

Any shareholder who has given notice of an interested party in accordance with the requirements described above who subsequently ceases to have any party interested in his shares or has any other person interested in his shares must notify us in writing of the cessation or change in such interest and the directors will promptly amend the register of interested parties accordingly.

Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights

If our board of directors, in its sole discretion, determines that:

(a) any beneficial interest in our ordinary shares is or may be owned or held by its beneficial holder in breach of any applicable law or by virtue of which such holder is not qualified to own or hold those ordinary shares or, in the sole and conclusive determination of the directors, such ownership or holding or continued ownership or holding of those ordinary shares (whether solely because of such ownership or holding or in conjunction with any other circumstance appearing to the directors to be relevant) would prejudice our tax position or that of any other holder of our shares or our other securities or cause us or any of them a legal, regulatory, pecuniary, fiscal or other administrative disadvantage; or

(b) as the result of a purported transfer of our ordinary shares to a Covered Plan or Controlling Person, any beneficial interest in our ordinary shares is or may be owned or held by one or more beneficial holders that are Covered Plans in sufficient number such that in the opinion of the board of directors our assets may be considered "plan assets" within the meaning of the DOL Plan Asset Regulations adopted under ERISA;

(c) more than 40% of our total outstanding voting ordinary shares is or may be owned or held of record by U.S. residents (within the meaning of such terms used in the definition of "foreign private issuer" in Rule 405 under the Securities Act); or

(d) our ordinary shares are or may be owned or held by a sufficiently large number of U.S. record holders such that it would not be unreasonable to conclude that we might become required to register our ordinary shares under the Exchange Act,

then in any such instance, our board of directors may serve written notice (hereinafter called a "Notice of Ineligibility") (i) in the case of paragraphs (a) or (b) above upon the beneficial holder (or any one of such beneficial holders where shares are registered in joint names) appearing in the register as the holder of any of the ordinary shares concerned (which in the circumstances described in paragraph (b) above shall be only the ordinary shares purportedly transferred to a Covered Plan or Controlling Person), (ii) in the case of paragraph (c) above, upon any or all U.S. resident holders of record of our ordinary shares or (iii) in the case of paragraph (d) above, upon any or all U.S. record holders of our ordinary shares as selected by our board of directors (any person to whom a Notice of Ineligibility is sent, a "Vendor"). Such Notice of Ineligibility will direct the Vendor within 21 days (or such extended time as in all the circumstances the directors consider reasonable) to transfer (and/or procure the disposal of interests in) the number of ordinary shares specified in the Notice of Ineligibility, which number of ordinary shares may be all of the ordinary shares held by the Vendor (such number of ordinary shares specified in the Notice of Ineligibility being referred to as the "Relevant Shares") to another person who does not fall within the circumstances described in paragraphs (a) through (d) above, which may be a person determined by our board of directors (such other person being referred to as an "Eligible Transferee").

If a Vendor fails to transfer the Relevant Shares within the period directed by the Notice of Ineligibility to an Eligible Transferee, our board of directors will have the right to (i) require a Vendor to repay to us any dividend amounts distributed to such Vendor by us during the period determined by our board of directors that such Vendor owned the Relevant Shares, and (ii) impose a penalty determined in the discretion of our board of directors for each day such Vendor continues to hold such ordinary shares or book-entry interest, as applicable. During the period of time that the Vendor continues to hold such Relevant Shares after the date on which the Notice of Ineligibility directed the Relevant Shares to be transferred, such ordinary shares or book-entry interests in our ordinary shares may be deemed by our board of directors not to be in issue for the purposes of any vote,

consent or direction of the shareholders of our company and may not be taken into account for the purposes of calculating any quorum or majority requirements relating to the ordinary shares, and such Vendor may not be entitled to exercise any voting, consent or direction rights in respect of such Relevant Shares, except that our board of directors may not eliminate the right to vote the ordinary shares held by any persons described in paragraph (b) above. Further, if, in the case of the circumstances described in paragraph (c) above, all such Relevant Shares are not transferred to non-U.S. residents as directed, our board of directors may also determine that all or part of the other ordinary shares then held of record by any or all U.S. residents shall be deemed not to be in issue for the purposes of any vote, consent or direction of the shareholders of our company and shall not be taken into account for the purposes of calculating any quorum or majority requirements relating to the ordinary shares and the U.S. resident holders of such ordinary shares shall not be entitled to exercise any voting, consent or direction rights in respect of such ordinary shares. We will not be liable to any person having an interest in, or owing or holding, the Relevant Shares transferred as a result of any such transfer, or to any person in the event of the exercise of such discretion. If, in accordance with the terms of our memorandum and articles of association, our board of directors declares a dividend or other distribution on ordinary shares in issue, the foregoing provisions will not affect the entitlement to such dividend or other distribution of Euroclear Nederland in respect of our ordinary shares it holds.

A person who becomes aware that he falls within any of paragraphs (a) or (b) above or, being a U.S. resident holder of record of our shares, becomes aware that such person falls within the circumstance described in paragraph (c) or (d) above, will promptly, unless he has already received a Notice of Ineligibility pursuant to the provisions referred to above, either transfer the Relevant Shares to one or more Eligible Transferees or give a request in writing to the directors for the issue of a Notice of Ineligibility in accordance with the provisions referred to above. Every such request will, in the case of certificated shares, be accompanied by the certificate(s) for the shares to which it relates.

Subject to the provisions of the Jersey Companies Law, the directors will, unless any director has reason to believe otherwise, be entitled to assume without enquiry that none of our ordinary shares are held in such a way as to entitle the directors to serve a Notice of Ineligibility in respect thereof. The directors may, however, at any time and from time to time call upon any holder (or any one of joint holders or a person who is automatically entitled to the shares by transmission or by law) of ordinary shares by notice in writing to provide such information and evidence as the board of directors requires upon any matter connected with or in relation to such holder of shares. In the event of such information and evidence not being so provided within a reasonable period (such period not being less than 21 days after service of such notice) as may be specified by the directors in such notice, the directors may, in their absolute discretion, treat any ordinary shares held by such a holder or joint holders as being held in such a way as to entitle the board of directors to serve a Notice of Ineligibility in respect thereof and to exercise its related rights on the terms and conditions described above.

Our board of directors will not be required to give any reasons for any decision, determination or declaration taken or made in accordance with these provisions. The exercise of the powers conferred by the provisions referred to above may not be questioned or invalidated in any case on the grounds that there was insufficient evidence of direct or beneficial ownership or holding of ordinary shares by any person or that the true direct or beneficial owner or holder of any ordinary shares was otherwise than as appeared to the directors at the relevant date provided that the said powers have been exercised in good faith.

Lien

Our memorandum and articles of association provide that we shall have a first and paramount lien and charge on all the shares (not being fully paid shares) registered in the name of a shareholder (whether solely or jointly with others) for that shareholder's debts, liabilities and engagements, either alone or jointly with any other person, whether a shareholder or not, to or with us, whether the period for the payment or discharge thereof shall have actually arrived or not. Such lien shall extend to all distributions from time to time declared in respect of such shareholder's shares.

Interests of Directors

Save as mentioned below, a director may not vote or be counted in the quorum on any resolution of the board of directors (or a committee of the directors) in respect of any matter in which he has (together with any interest of any person connected with him) a material interest (other than by virtue of his interest in or relationship with our company or our investment manager).

Subject to the Jersey Companies Law, a director will be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:

(i) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or any other person for the benefit of us or any of our subsidiaries;

(ii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of us or any of our subsidiaries for which the director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;

(iii) a contract, arrangement, transaction or proposal concerning or the issue of shares, debentures or other securities of us or our subsidiaries in which issue he is or may be entitled to participate or in the underwriting or sub-underwriting of which he is to or may participate;

(iv) any proposal concerning (A) any other company in which he is interested, directly or indirectly, as an officer, creditor or shareholder or otherwise, provided that he, together with persons connected with him, is not to his knowledge the holder of or beneficially interested in 1% or more of any class of the equity share capital of any such other company (or of any third company through which his interest is derived) or of the voting rights of such other company, or (B) our investment manager;

(v) any arrangement for the benefit of (A) our employees, if any, or any of our subsidiaries which accords to the director only such privileges and advantages as are generally accorded to our employees to whom the arrangement relates, or (B) our investment manager or its affiliates; or

(vi) any proposal for the purchase or maintenance of insurance for the benefit of the director or persons including the directors.

Any director may act by himself or by his firm in a professional capacity for us, other than as auditor, and he or his firm will be entitled to remuneration for professional services as if he were not a director.

Any director may continue to be or become a director, managing director, manager or other officer or member of a company in which we are interested, and any such director will not be accountable to us for any remuneration or other benefits received by him.

Remuneration of Directors

Our directors will be remunerated for their services at such rate as the directors will determine provided that the aggregate amount of such fees payable to each director will not exceed £15,000 per annum plus any performance bonus agreed to be paid (or such sum as we in general meeting will from time to time determine). Our directors will determine their compensation themselves in all circumstances and the holders of our ordinary shares will not vote on director compensation in a general meeting. Our directors will also be entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. See “Our Board of Directors—Director Compensation” for the remuneration and expense reimbursement arrangements in effect for our directors as of the date of this offering memorandum.

A director may hold any other office, position, situation or arrangement with us for benefit or profit (other than the office of auditor) in conjunction with his office of director on such terms as to tenure of office and otherwise as the directors may determine.

Our directors may from time to time appoint one or more of their body to the office of managing director or to any other office for such term and at such remuneration and upon such terms as they determine.

Appointment and Removal of Directors

Our directors have power at any time and from time to time to appoint any person to be a director, either to fill a casual vacancy or as an addition to the existing directors. Any director so appointed holds office until he resigns or is disqualified or removed in accordance with our memorandum and articles of association. We may by extraordinary resolution appoint any person to office as a director.

The office of a director is vacated in any of the following events namely:

(a) if he resigns his office by notice in writing signed by him and left at our registered office;

(b) if he becomes bankrupt or makes any arrangement or composition with his creditors generally;

(c) if he becomes of unsound mind;

(d) if he ceases to be a director by virtue of any provision of the Jersey Companies Law or becomes prohibited by the Jersey Companies Law from or disqualified from being a director;

(e) if subsequent to his appointment he becomes resident or ordinarily resident in the United Kingdom and as a result thereof but for the provisions of our articles of association a majority of our directors would be resident or ordinarily resident in the United Kingdom;

(f) if he be requested by all the other directors (not being less than two in number) to vacate office; or

(g) if he is removed from office by an extraordinary resolution of the company in general meeting.

We may at any general meeting at which a director retires or is removed fill the vacant office by electing a director unless we determine to reduce the number of directors.

Retirement of Directors

Directors will not be subject to retirement by rotation. A director will not be required to hold any qualification shares. No person will be or become incapable of being appointed a director by reason of having attained the age of 70 or any other age and no director will be required to vacate his office at any time by reason of the fact that he has attained the age of 70 or any other age.

Distribution of Assets on a Winding Up

If we should be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator or we may with the authority of a extraordinary resolution and any other sanction required by the Jersey Companies Law, divide amongst our shareholders in specie the whole or any part of our assets, to which they are entitled. Whether or not our assets will consist of property of one kind the liquidator may (or if there is no liquidator, our board of directors may), for such purposes set such value as he or they may deem fit.

Voluntary Winding-Up

We may be wound up at any time by extraordinary resolution.

Borrowing

Our directors may exercise all and any of our powers to borrow money. Any person lending money to us will be entitled to assume that we are acting in accordance with our memorandum and articles of association and will not be concerned to enquire whether such provisions have in fact been complied with.

Determination of Book Value, Book Value Per Ordinary Share and Paid-in Capital

Our book value, book value per ordinary share and paid-in capital will be determined in accordance with U.S. GAAP, and other than in connection with our quarterly and annual financial statements being made available to our shareholders, these amounts will be published, if at all, by us at such times as our board of directors may determine.

In general, (i) our book value will be equal to our shareholders' equity, or the amount equal to the value of our assets less the value of our liabilities, and (ii) book value per share will be determined by dividing our book value by the number of our issued and outstanding ordinary shares. Paid-in capital is generally equal to the amount of capital contributed for our ordinary shares less the par value for our ordinary shares (our ordinary shares currently have no par value).

The name, address and telephone number of the service provider which is responsible for the determination and calculation of our net asset value is Dominion Fund Administrators Limited, located at 47 Esplanade, St Helier, Jersey, JE1 0BD, Channel Islands, +44 (0)1534 835600.

Changes to Our Asset Acquisition Policy

Our board of directors can modify or waive our current asset acquisition policy in whole or in part without prior notice and without shareholder approval. Any breach of the asset acquisition policy which comes to the notice of our board of directors will be reported immediately to our administrator, and (if required by applicable law or by a stock exchange on which our ordinary shares or preferred shares are listed) all shareholders will be informed in writing and/or by announcement without delay of the details of such breach and any rectifying action taken or to be taken by our investment manager.

Takeovers

Dutch Takeover Act

On October 28, 2007 the Dutch Act implementing the European Directive 2004/25/EC of April 21, 2004 relating to public takeover bids (the "Dutch Takeover Act") and the rules promulgated thereunder came into force. The provisions of the Dutch Takeover Act are included in Chapter 5.5 of the FSA and the rules promulgated thereunder will become applicable to us once our securities are admitted to trading on Euronext Amsterdam. In general, under these takeover provisions, third parties are prohibited from launching a public offer for securities that are admitted to trading on a regulated market, such as our ordinary shares following the admission to trading on Euronext Amsterdam, unless an offer document has been approved by, in the case of our company, the AFM and has subsequently been published. These public offer rules are intended to ensure that in the event of such a public offer, sufficient information will be made available to the holders of our securities, that the holders of our securities will be treated equally, that there will be no abuse of inside information and that there will be a proper and timely offer period. The provisions in the Dutch Takeover Act regarding mandatory takeover bids will not be applicable to us.

Our securities are not currently publicly traded in the U.S. markets nor are they registered with the SEC. In the event that our securities are no longer listed and admitted to trading on Euronext Amsterdam, the provisions described above will cease to apply.

UK City Code

To the extent that our management and control is not deemed to be in the UK or Jersey, the UK City Code on Takeovers and Mergers (the "City Code") issued and administered by the Panel on Takeovers and Mergers in the United Kingdom will not apply to us. If the City Code does not apply to us, our shareholders would not automatically receive the protections afforded by the City Code in the event that any person (together with

persons acting in concert with them) sought to obtain control of us, including by way of an offer for shares in our company. Our board of directors recognized that the absence of these protections could result in minority shareholders, in particular, being disadvantaged in that control of our company might be obtained without an appropriate offer being made to all shareholders. Accordingly, to the extent permitted by the Jersey Companies Law, our memorandum and articles of association will incorporate certain concepts from the City Code and will provide that, for so long as the City Code does not actually apply to us, no person may acquire securities or rights over securities of our company other than in accordance with the provisions of the City Code. In particular, our memorandum and articles of association contains a provision that prohibits any person acquiring an interest in our shares which, when taken together with shares in which persons acting in concert with such person are interested, carry 30 percent or more of our outstanding shares, such person, or persons, will normally be required to make a general offer in accordance with the relevant rules of the City Code to all other shareholders to acquire their shares. Similarly, when any person, together with persons acting in concert with such person, is interested in shares which in aggregate carry not less than 30 percent but not more than 50 percent of our voting rights, the making of a general offer in accordance with the relevant rules of the City Code will normally be required if any further shares are acquired. Pursuant to the relevant rules of the City Code, the offer must be in cash and at the highest price paid, within the preceding 3 months, for any interest in our shares acquired by the person required to make the offer or any person acting in concert with such person. The interpretation and administration of these provisions of our memorandum and articles of association are to be enforced by our board of directors. Failure to comply with these provisions for acquisitions of interests in our shares in the United Kingdom can lead to sanctions being taken at the discretion of our board of directors, including disenfranchisement.

Our memorandum and articles of association provides that any resolution or determination made by our board of directors acting in good faith will be final and conclusive and will not be open to challenge as to its validity or as to any other ground. Our board of directors will not be required to give any reason for any decision or determination that it makes in this regard.

Market Abuse Regime

Inside Information

The market abuse regime set out in the FSA, which implements the European Union Market Abuse Directive (2003/6/EC), is applicable to us, our directors, officers (if any), other key employees (if any), our insiders and persons performing or conducting transactions in our securities. Certain important market abuse rules set out in the FSA that are relevant for investors are described hereunder.

We must make public price-sensitive information once we have made a request for admission to listing on Euronext Amsterdam. Price-sensitive information is information that is concrete and that directly concerns us which information has not been publicly disclosed and whose public disclosure might significantly affect the price of our ordinary shares. We must also provide the AFM with this information at the time of publishing. Further, we must immediately publish the information on our website and keep it available on our website for at least one year.

It is prohibited for any person to make use of inside information within or from The Netherlands by conducting or effecting a transaction in our securities. Inside information is information that is concrete and that directly or indirectly concerns us or the trade in our ordinary shares, which information has not been publicly disclosed and whose public disclosure might have a significant influence on the price of our ordinary shares.

Notification of Insider Transactions

Pursuant to Article 5:60 of the FSA, our directors and any other person discharging day-to-day co-managerial responsibilities or having the authority to make decisions affecting our future developments and business prospects and having regular access to inside information relating, directly or indirectly, to us, are required to notify the AFM of the existence of transactions conducted for their own account in our ordinary

shares or in other financial instruments issued by us, the value of which is determined by the value of our ordinary shares. Pursuant to Article 5:60 FSA, persons who are closely associated with these persons are also required to notify the AFM of the existence of any transactions conducted for their own account in ordinary shares or in other financial instruments issued by us, the value of which is determined by the value of the ordinary shares. The following categories of persons are considered closely associated: (i) the spouse or any partner considered by national law as equivalent to the spouse; (ii) dependent children; (iii) other relatives who have shared the same household for at least one year at the relevant transaction date; and (iv) any legal person, trust or partnership, amongst other things, whose managerial responsibilities are discharged by a person referred to under (i), (ii) or (iii) above.

This notification must be made no later than the fifth working day after the transaction date on a standard form drawn up by the AFM. The notification obligation within the meaning of Article 5:60 of the FSA does not apply to transactions based on a discretionary management agreement as described in Article 8 of the Dutch Market Abuse Decree (*Besluit marktmisbruik wft*). The notification pursuant to Article 5:60 of the FSA may be delayed until the moment that the value of the transactions performed for that person's own account, together with the transactions carried out of the persons associated with that person, reach or exceed the amount of €5,000 in the calendar year in question. Non-compliance with the reporting obligations under the FSA could lead to criminal fines, administrative fines, imprisonment or other sanctions.

Insider Trading Rules

We are required to apply a code of conduct in respect of the applicable insider trading rules and reporting obligations in respect of transactions in financial instruments issued by us and to draw up a list of persons working for us, as employees or otherwise, who could have access to inside information on a regular or incidental basis, to regularly update this list of persons and to inform persons on this list about the relevant prohibitions and sanctions in respect of insider information and market abuse. We will adopt such a code of conduct and insider list prior to the admission to listing on Euronext Amsterdam.

Major Shareholdings and Other Disclosures Under Dutch Law

Shareholders' Obligations to Disclose Capital Interest and Voting Rights

Holders of our ordinary shares may be subject to reporting obligations under Chapter 5.3. of the FSA. An ultimate beneficial owner of ordinary shares is required to notify the AFM of its capital interest or voting rights forthwith after admission of our ordinary shares to listing on Euronext Amsterdam if, at the time of such admission, such person holds, directly or indirectly, a capital interest or voting rights amounting to at least 5 percent of the aggregate share capital or voting rights of our company, provided that such person is aware of its capital interest or voting rights meeting this threshold (or is deemed to be aware thereof). Furthermore, after such admission, an ultimate beneficial owner of ordinary shares is required to notify the AFM forthwith if it acquires or disposes of, directly or indirectly, an interest in our company's capital or voting rights and, as a result thereof, the percentage of capital interest or voting rights held by such person meets, exceeds, or falls below any of the following thresholds: 5 percent, 10 percent, 15 percent, 20 percent, 25 percent, 30 percent, 40 percent, 50 percent, 60 percent, 75 percent and 95 percent. A notification obligation will also apply if a person's capital interest or voting rights meets, exceeds or falls below one of the above thresholds as a consequence of a change in our share capital or voting rights. Such notification will have to be made forthwith and in any event no later than on the fourth trading day after the AFM's publication of our notification of such event. If a person's interest is varied due to a change in the composition of such person's capital interest (e.g. a potential interest has for instance been converted into an actual interest) and was not obliged to notify this variation, such person must update its registration with the AFM within four weeks after the end of the calendar year as long as it holds at least 5 percent of the capital interest of voting rights. Notification to the AFM must be made by means of a standard form, in writing or electronically. The AFM keeps a public register of all notifications made pursuant to the FSA.

Our Disclosure Obligations

Under the FSA, at the moment that our ordinary shares will be listed on Euronext Amsterdam, we must disclose to the AFM our issued share capital and related voting rights forthwith. After the admission, we are obliged to notify the AFM forthwith if our share capital or voting rights change by 1 percent or more as a result of modifications to our share capital or voting rights since our previous notification. We may notify the AFM of any other changes in our share capital at any time, but we must at least notify the AFM of such changes quarterly. In this respect, we are obliged to notify the AFM of any changes in our share capital which have occurred during the past quarter within eight days after the calendar quarter has ended.

Dutch Regulatory Matters

Pursuant to Article 2:65 of the FSA, it is prohibited to, directly or indirectly, solicit or obtain monies or other assets for shares in an investment institution or to offer shares in an investment institution in the Netherlands, if the manager (or, if the investment institution does not have a manager, the investment institution itself) does not have a license, unless the investment institution does not fall under the scope of the FSA or an exception, exemption or individual dispensation applies.

Pursuant to Article 2:66 of the FSA, the prohibition to offer shares as contemplated by Article 2:65 of the FSA does not apply to foreign investment institutions like our company, if such investment institution is actually subject to supervision in the country where it has its seat and the level of supervision of that country is considered ‘‘adequate’’ by the Dutch Minister of Finance. In order to be eligible for this exception the investment institution must, in accordance with Article 2:73 of the FSA, notify the AFM that it intends to offer its shares in the Netherlands and must submit a declaration of supervision from the supervisory authority of the country where it has its seat. In such cases, the Dutch Minister of Finance relies upon the supervision exercised in the country where the investment institution has its seat. By Ministerial Decree of November 13, 2006, as most recently amended on July 13, 2007, in respect of the accreditation of states as referred to in Article 2:66 of the FSA, Jersey was accredited by the Dutch Minister of Finance to have such adequate supervision over closed-end investment institutions such as our company.

Our company has notified the AFM that we intend to offer our ordinary shares in the Netherlands and have our ordinary shares admitted to trading on Euronext Amsterdam. The Jersey Financial Services Commission has submitted to the AFM a declaration of supervision and consequently the offering prohibition outlined above shall not apply to us.

Irrespective of the exception set forth above, our company will remain subject to certain ongoing requirements under the FSA and rules and regulations further promulgated thereunder relating to, among other things, advertising and information requirements, including the publication of our financial statements.

BOOK-ENTRY SYSTEM

General

The following descriptions of the operations and procedures of Euroclear Nederland are provided solely as a matter of convenience. These operations and procedures are solely within the control of Euroclear Nederland and are subject to change. We take no responsibility for these operations and procedures and advise investors to contact their bank or broker to discuss these matters.

The ordinary shares offered in this global offering will be held in registered form in the name of Euroclear Nederland. Ownership of interests in the ordinary shares held by the shareholders included in the book-entry custody and settlement system operated by Euroclear Nederland (the "Book-Entry Interests") will be limited to persons that hold interests through participants of Euroclear Nederland (the "Admitted Institutions"). Investors in such ordinary shares will hold interests in these securities through their accounts with Admitted Institutions.

Book-Entry Interests will be shown on, and transfers thereof will be done only through, records maintained in book-entry form by Euroclear Nederland and the Admitted Institutions. Except in limited circumstances, definitive certificates representing individual ordinary shares will not be issued. The laws of some jurisdictions, including certain U.S. states, may require that certain purchasers of securities take physical delivery of such securities in definitive certificated form. These limitations may impair the ability to own, transfer or pledge Book-Entry Interests. We will not have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

Transfers of Book-Entry Interests between investors holding securities accounts with Admitted Institutions or their participants will be effected in accordance with the rules and procedures of Euroclear Nederland and any applicable clearing rules and will be settled in immediately available funds. Transfers of Book-Entry Interests in the securities will in some circumstances be subject to the restrictions and certification requirements discussed under "Notice to Investors—Transfer Restrictions; Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights."

Action by Owners of Book-Entry Interests

Euroclear Nederland has advised us that it will take any action permitted to be taken by a holder of Book-Entry Interests (including the presentation of ordinary shares for exchange as described above) only at the direction of one or more participants to whose accounts the Book-Entry Interests are credited and only in respect of such portion of the aggregate number of the securities as to which such participant or participants has or have given such direction. Euroclear Nederland will not exercise any discretion in the granting of consents, waivers or the taking of any other action in respect of the securities. In the case of the ordinary shares, voting rights and rights to attend general meetings of shareholders can be exercised only on the basis of instructions provided by the holders of Book-Entry Interests in respect of such ordinary shares. Such holders must comply with applicable Euroclear Nederland rules and procedures.

Withdrawal from the Book-Entry System

An investor that holds Book-Entry Interests in the ordinary shares may not withdraw the number of ordinary shares which corresponds with its Book-Entry Interests from the book-entry system operated by Euroclear Nederland following usual rules and procedures, unless and until our board of directors determines that withdrawal of our ordinary shares from the book-entry system operated by Euroclear Nederland will be permitted. Ordinary shares which are withdrawn from the book-entry system will be registered in our shareholder register in the name of the investor. After withdrawal of ordinary shares, we may in our discretion issue certificates for the ordinary shares registered in the name of an investor, which certificates shall bear the applicable legend to the effect set forth under "Notice to Investors—Transfer Restrictions; Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights."

Definitive Registered Securities

Under the terms of the securities, holders of the Book-Entry Interests will be entitled to receive definitive registered securities in certificated form ("Definitive Registered Securities") if Euroclear Nederland is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In the case of the issuance of Definitive Registered Securities, the holder of a Definitive Registered Security may transfer such security by surrendering it to the registrar or any paying or transfer agent. In the event of a partial transfer or a partial redemption of a holding of Definitive Registered Securities represented by any Definitive Registered Security, a Definitive Registered Security will be issued to the transferee in respect of the part transferred and a new Definitive Registered Security in respect of the balance of the holding not transferred or redeemed will be issued to the transferor or the holder, as applicable. However, no Definitive Registered Security will be issued in respect of an interest in a fractional number of ordinary shares. We will bear the cost of preparing, printing, packaging and delivering the Definitive Registered Securities.

We will not be required to register the transfer or exchange of any Definitive Registered Security for a period of 15 calendar days preceding the record date for any distribution in respect of the Definitive Registered Securities. Also, we are not required to register the transfer or exchange of any securities selected for redemption.

If any Definitive Registered Security is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the transfer agent for the time being subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as we may require. Mutilated or defaced Definitive Registered Securities must be surrendered before replacements will be issued.

Definitive Registered Securities may be transferred and exchanged only after the transferor first delivers to us a written certification to the effect that such transfer will comply with the transfer restrictions applicable to such Definitive Registered Securities. See "Notice to Investors—Transfer Restrictions; Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights." Definitive Registered Securities will have a legend to the effect set forth under "Notice to Investors—Transfer Restrictions; Dividend Repayment, Discretionary Penalty and Elimination of Voting Rights."

Settlement under the Book-Entry System

The ordinary shares offered in the global offering are expected to be admitted and listed to trading on Euronext Amsterdam. Any permitted secondary market trading activity in such securities will, therefore, be required by Euroclear Nederland to be settled in immediately available funds. We will not be responsible for the performance by Euroclear Nederland, the Admitted Institutions, or their respective participants or indirect participants, of their respective obligations under the rules and procedures governing their operations.

Payments on the Securities and Currency of Payment for the Securities

We will declare any payment in respect of our ordinary shares (including dividends) in U.S. dollars. All amounts payable by us in respect of the securities will be paid in U.S. dollars. All payments by us will be made through a paying agent to Euroclear Nederland and/or the Admitted Institutions, in accordance with their customary procedures.

We will pay all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and described under "Income Tax Consequences." If any such deduction or withholding is required to be made, then the relevant payment will be made subject to such withholding or deduction. We will not pay any additional or further amounts in respect of amounts subject to such deduction or withholding. We expect that standing customer instructions and customary practices will govern payments for holders of Book-Entry Interests held through Admitted Institutions.

EURONEXT MARKET INFORMATION

Euronext Amsterdam

Prior to this global offering, there has been no public market for our shares. We will apply for the admission of our ordinary shares to listing and trading on Euronext Amsterdam. Upon listing and trading of our ordinary shares on Euronext Amsterdam, we will be subject to Dutch securities regulations and supervision by the relevant Netherlands authorities.

Market Regulator

The market regulator in The Netherlands is the AFM insofar as the supervision of market conduct is concerned. The AFM has, amongst others, supervisory powers with respect to the publication of information by listed companies, the application of market abuse regulations, takeover regulations and regulations relating to the disclosure of shareholdings. It also supervises financial institutions, such as investment firms and collective investment schemes. The AFM is also the competent authority for approving prospectuses published for admission of securities to trading on Euronext Amsterdam, except for prospectuses approved in other member states of the European Economic Area that have implemented the Prospectus Directive (each a relevant member state) and that are used in The Netherlands in accordance with applicable passporting rules. The surveillance units of Euronext Amsterdam and the AFM monitor and supervise all trading operations.

Listing, Trading and Settlement

We will apply for admission of our ordinary shares to listing and trading on Euronext Amsterdam under the symbol "GSTAR."

We expect that listing and trading of our ordinary shares on Euronext Amsterdam will commence on or about June 27, 2008 (the "Listing Date") on an "as-if-and-when-issued" basis. The date on which the closing of the global offering and delivery of the ordinary shares sold in this global offering (and delivery of any additional ordinary shares which may be part of the over-allotment option if it has been exercised prior to such date) occurs (the "Settlement Date") is expected to be on or about July 2, 2008, the third business day following the Listing Date (T+3).

Investors who wish to enter into transactions in our ordinary shares prior to the Settlement Date, whether such transactions are effected on Euronext Amsterdam or otherwise, should be aware that the closing of the global offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the purchase agreement (see "Plan of Distribution") are not satisfied or waived on or prior to such date. Such conditions include confirmation of customary representation and warranties made by us in the purchase agreement, our performance of or compliance with certain obligations in such agreement that we have not suffered a material adverse effect, the delivery of legal opinions and the effectiveness of our application for admission to listing and trading of our ordinary shares on Euronext Amsterdam.

If the closing of the global offering does not take place on the Settlement Date or at all, the global offering will be withdrawn, all subscriptions for the ordinary shares will be disregarded, any allotments made will be deemed not to have been made, any subscription payments made will be returned without interest or other compensation and all transactions in our ordinary shares on Euronext Amsterdam conducted between the Listing Date and the Settlement Date will be subject to annulment by Euronext. All dealings in our ordinary shares prior to settlement and delivery are at the sole risk of the parties concerned. Euronext Amsterdam does not accept any responsibility or liability for any loss or damage incurred by any person as a result of a withdrawal of the global offering and/or (the related) annulment of any transactions on Euronext Amsterdam as from the Listing Date to the Settlement Date.

Clearing System

The address of Euroclear Nederland is:

Euroclear Nederland
Herengracht 459-469
1017 BS Amsterdam
The Netherlands

Trading Information

Our ordinary shares will be traded on Euronext Amsterdam under the following codes and symbol:

- ISIN Code: JE00B39MS696
- Euronext Trading Symbol: "GSTAR"

Co-Listing Agent/Euroclear Agent

ABN AMRO Bank N.V. and Friedman, Billings, Ramsey International, Ltd. are acting as the listing agents with respect to the admission and listing to trading of all of our ordinary shares on Euronext Amsterdam by NYSE Amsterdam. ABN AMRO Bank N.V. is acting as the Euroclear issuing, transfer and paying agent with respect to such ordinary shares. The address of ABN AMRO Bank N.V. is Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands. The address of Friedman, Billings, Ramsey International Ltd. is Berkeley Square House, Berkeley Square 8th Floor, London, W1J 6DB, United Kingdom.

INCOME TAX CONSEQUENCES

Jersey Tax Considerations

Our Tax Treatment

We have been granted exempt company status and are regarded as non-resident for Jersey tax purposes. As such we are exempt from Jersey income tax on income arising outside Jersey and, by concession, bank interest arising in Jersey, but are otherwise liable to Jersey income tax on income arising in Jersey (if any). As an exempt company, we are liable for the exempt company charge, currently at the rate of £600 per annum.

Our directors do not intend to conduct our business and our investment manager does not intend to invest our assets so as to give rise to taxable Jersey source income. We will have no liability in Jersey to tax on capital gains on securities held, value added tax on expenses or stamp duties on transactions entered into in connection with our ordinary shares.

Holders

Jersey does not levy taxes upon capital, inheritances, capital gains, gifts, sales or turnover, nor are there estate duties. No stamp duty is levied on the transfer inter vivos or redemption of our ordinary shares but there is a stamp duty payable when Jersey grants of probate and letters of administration are required. Stamp duty is levied according to the size of the estate and in the case of an estate not exceeding £10,000 in value the sum payable would be £50 otherwise duty is payable at a rate not exceeding 0.75%. Under Jersey law, a Jersey grant of probate or letters of administration are required to transfer or redeem our ordinary shares on the death of a shareholder except (in the case of a shareholder not domiciled in Jersey) where the value of the deceased's holdings is less than £10,000 when our directors may at their discretion dispense with this requirement on certain conditions being satisfied but, in all cases, an indemnity is required. Under Jersey law, deductions by way of withholding tax are not made on payments to shareholders on the redemption of our ordinary shares. No Jersey tax is payable by investors on redemption proceeds of our ordinary shares.

The attention of Jersey resident investors is drawn to Article 134A of the Jersey Tax Law, the effect of which may be to render their gains chargeable to Jersey income tax.

Dividends

Holders of our ordinary shares, other than persons resident for tax purposes in Jersey, are not subject to Jersey tax in respect of dividends declared by us. Jersey income tax will, however, be deducted at source and paid to the Comptroller of Income Tax in respect of our ordinary shares held by or on behalf of residents of Jersey. On request by the Jersey Comptroller of Income Tax, we must deliver to the Comptroller a list showing the names, addresses and shareholdings of Jersey residents as of the date of the request by the Comptroller.

European Union Directive on the Taxation of Savings Income

As part of an agreement reached in connection with the European Union ("EU") directive on the taxation of savings income in the form of interest payments, and in line with steps taken by other relevant third countries, Jersey introduced with effect from 1 July 2005 a retention tax system in respect of payments of interest, or other similar income, made to an individual beneficial owner resident in an EU Member State by a paying agent established in Jersey. The retention tax system applies for a transitional period prior to the implementation of a system of automatic communication to EU Member States of information regarding such payments. During this transitional period, such an individual beneficial owner resident in an EU Member State will be entitled to request a paying agent not to retain tax from such payments but instead to apply a system by which the details of such payments are communicated to the tax authorities of the EU Member State in which the beneficial owner is resident.

The retention tax system in Jersey is implemented by means of bilateral agreements with each of the EU Member States, the Taxation (Agreements with European Union Member States) (Jersey) Regulations 2005 and Guidance Notes issued by the Policy & Resources Committee of the States of Jersey. Based on these provisions and what is understood to be the current practice of the Jersey tax authorities (and subject to the transitional arrangements described above), distributions to holders of our ordinary shares and income realized by holders of our ordinary shares upon the sale, refund or redemption of our ordinary shares do not constitute interest payments for the purposes of the retention tax system and therefore neither we nor our administrator nor any paying agent appointed by us or our administrator in Jersey is obliged to levy retention tax in Jersey under these provisions in respect thereof. However, the retention tax system could apply in the event that an individual resident in an EU Member State otherwise receives an interest payment in respect of a debt claim (if any) owed by us to the individual.

Accordingly our directors intend to manage us in such a way as not to incur debt claims from such individuals that would require the making of interest payments to them.

General Sales Tax

Jersey has introduced a 3% general sales tax ("GST") on goods and services supplied after May 5, 2008. We have obtained international services entity ("ISE") status under the GST regime. GST is not chargeable on any supplies of goods and/or services by an ISE. We intend to conduct the business of the company such that no GST will be incurred by the company.

Future Developments

The foregoing is based on the law and practice currently in force in Jersey and is subject to changes therein.

In this regard investors should note that legislation has been adopted by the States of Jersey which, on and from January 1, 2009, introduces a standard rate of corporate tax of 0% applicable to all income (other than certain profits and gains arising from the ownership or disposal of Jersey land, buildings or structures) of all companies which are resident in Jersey for income tax purposes (other than any "financial services company" (as defined therein) and certain specified Jersey utility companies). As of the date of this global offering memorandum, we are neither a "financial services company" nor such a specified utility company and we do not expect to have any such profits or gains arising from the ownership or disposal of Jersey land, buildings or structures. We expect to be resident in Jersey for income tax purposes on and from January 1, 2009.

Netherlands Taxation

This is a general outline of the Netherlands tax consequences for a holder of our ordinary shares. Any potential investor should consult his own tax adviser for more information about the tax consequences of acquiring, owning and disposing our ordinary shares.

This taxation summary solely addresses the principal Dutch tax consequences of the acquisition, the ownership and disposition of our ordinary shares. It does not consider every aspect of taxation that may be relevant to a particular holder of our ordinary shares under special circumstances or who is subject to special treatment under applicable law. English terms and expressions used in this summary that refer to Dutch concepts shall be attributed the equivalent Dutch concepts under Dutch tax law. This summary assumes that the effective place of our management is not the Netherlands. This summary is based on the tax laws of the Netherlands (other than unpublished case law) as of the date of this offering memorandum. The law upon which this summary is based is subject to change, perhaps with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

Taxes on income and capital gains

Resident holders of our ordinary shares; In General. The summary in this section "—Taxes on income and capital gains—Resident holders of our ordinary shares; In General" only applies to a holder of our ordinary shares who is a "Dutch Individual" or a "Dutch Corporate Entity."

For the purposes of this section you are considered to be a "Dutch Individual" if you satisfy the following tests:

(i) you are an individual;

(ii) you are resident, or deemed to be resident, of the Netherlands for Dutch income tax purposes, or you have elected to be treated as a resident of the Netherlands for Dutch income tax purposes;

(iii) your ordinary shares and any benefits derived or deemed to be derived from such shares have no connection with your past, present or future employment, if any; and

(iv) your ordinary shares do not form part of a substantial interest (*aanmerkelijk belang*) or a deemed substantial interest in us within the meaning of Chapter 4 of the Dutch Income Tax Act 2001 (*Wet inkomstenbelasting 2001*).

Generally, if a person holds an interest in our company, such interest forms part of a substantial interest or a deemed substantial interest in our company if any one or more of the following circumstances is applicable to a person.

1. Such person alone or, if such person is an individual, together with his partner (partner, as defined in Article 1.2 of the Dutch Income Tax Act 2001), if any, owns, directly or indirectly, a number of our shares representing 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of our shares), or rights to acquire, directly or indirectly, shares, whether or not already issued, representing 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of our shares), or profit participating certificates (*winstbewijzen*) relating to 5% or more of either our annual profit or our liquidation proceeds.

2. Such person's shares, profit participating certificates or rights to acquire shares or profit participating certificates in us do not form a substantial interest in itself but have been acquired by such person or are deemed to have been acquired by such person on a non-recognition provision, for example, in a tax rolled-over exchange for shares, profit participating certificates or rights to acquire shares or profit participating certificates that did form a substantial interest.

3. Such person's partner or any of his ancestors or descendants by blood or by marriage (including foster children) or of those of his partner has a substantial interest (as described under 1. and 2. above) in us. A person who is entitled to the benefits from shares or profit participating certificates (for instance a holder of a right of usufruct) is deemed to be a holder of shares or profit participating certificates, as the case may be, and such person's entitlement to benefits is considered a share or profit participating certificate, as the case may be. If you are an individual and a holder of our ordinary shares and if you satisfy test (ii), but do not satisfy test (iii) and/or test (iv), your Dutch income tax position is not discussed in this offering memorandum. If you are an individual and a holder of our ordinary shares who does not satisfy test (ii), please refer below to the section "—Non-resident holders of our ordinary shares."

For the purposes of this section you are a "Dutch Corporate Entity" if you satisfy the following tests:

(i) you are a corporate entity (*lichaam*), including an association that is taxable as a corporate entity, that is subject to Dutch corporate income tax in respect of benefits derived from our ordinary shares;

(ii) you are resident, or deemed to be resident, in the Netherlands for Dutch corporate income tax purposes;

(iii) you are not an entity that, although in principle subject to Dutch corporate income tax, is, in whole or in part, specifically exempt from Dutch corporate income tax;

(iv) you are not an investment institution (*beleggingsinstelling*) as defined in the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*); and

(v) your ordinary shares do not qualify as a "participation" for the purposes of the Dutch Corporate Income Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*).

If you are not a corporate entity and are a holder of our ordinary shares and if you do not satisfy any of these tests, other than test (ii), your Dutch corporate income tax position is not discussed in this offering memorandum. If you are a corporate entity and are a holder of ordinary shares that does not satisfy test (ii), please refer to the section "—Taxes on income and capital gains—Non-resident holders of our ordinary shares."

Dutch Individuals deriving profits from an enterprise. If you are a Dutch Individual and if you derive or are deemed to derive any benefits from our ordinary shares, including any capital gain realized on the disposal of such shares, that are attributable to an enterprise from which you derive profits, whether as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, such benefits are generally subject to Dutch income tax at progressive rates.

Dutch Individuals deriving benefits from miscellaneous activities. If you are a Dutch Individual and if you derive or are deemed to derive any benefits from our ordinary shares, including any gain realized on the disposal of such shares, that constitute benefits from miscellaneous activities (*resultaat uit overige werkzaamheden*), such benefits are generally subject to Dutch income tax at progressive rates. If you are a Dutch Individual you may, inter alia, derive benefits from our ordinary shares that are taxable as benefits from miscellaneous activities if your investment activities go beyond the activities of an active portfolio investor, for instance in the case of the use of insider knowledge (*voorkennis*) or comparable forms of special knowledge.

Other Dutch Individuals. If you are a Dutch Individual and your situation has not been discussed in this section "—Taxes on income and capital gains—Resident holders of our ordinary shares," benefits from your ordinary shares are taxed as a benefit from savings and investments (*voordeel uit sparen en beleggen*). Such benefit is deemed to be 4% per annum of the average of your "yield basis" (*rendementsgrondslag*) at the beginning and at the end of the year, insofar as that average exceeds the "exempt net asset amount" (*heffingvrij vermogen*). The benefit is taxed at the rate of 30%. The value of your ordinary shares forms part of your yield basis. Actual benefits derived from your ordinary shares, including any gain realized on the disposal thereof, are not as such subject to Dutch income tax.

Dutch Corporate Entities. If you are a Dutch Corporate Entity, any benefits derived or deemed to be derived by you from our ordinary shares, including any gain realized on the disposal of such shares, are generally subject to Dutch corporate income tax.

Non-resident holders of ordinary shares. The summary set out in this section "—Taxes on income and capital gains—Non-resident holders of our ordinary shares" only applies to a holder of our ordinary shares who is a Non-resident holder of our ordinary shares. For the purposes of this section, you are a "Non-resident holder of our ordinary shares" if you satisfy the following tests:

(i) you are neither resident, nor deemed to be resident, in the Netherlands for purposes of Dutch income tax or corporation tax, as the case may be, and, if you are an individual, you have not elected to be treated as a resident of the Netherlands for Dutch income tax purposes;

(ii) your ordinary shares and any benefits derived or deemed to be derived from such shares have no connection with your past, present or future employment performed in The Netherlands or membership of a management board (*bestuurder*) or a supervisory board (*commissaris*) of a Dutch resident entity; and

(iii) if you are a corporate entity, your ordinary shares do not qualify as a participation for the purposes of the Dutch Corporate Tax Act 1969.

If you are a holder of ordinary shares and you satisfy test (i), but do not satisfy any one or more of tests (ii) and (iii), your Dutch income tax position or corporate income tax position, as the case may be, is not discussed in this offering memorandum.

If you are a Non-resident holder of ordinary shares you will not be subject to any Dutch taxes on income or capital gains in respect of any benefits derived or deemed to be derived by you from our ordinary shares, including any capital gain realized on the disposal of such shares, except if:

1. (i) you derive profits from an enterprise as an entrepreneur (*ondernemer*) or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, if you are an individual, or other than as a holder of securities, if you are not an individual and (ii) such enterprise is either managed in the Netherlands or carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands and (iii) your ordinary shares are attributable to such enterprise; or

2. you are an individual and you derive benefits from our ordinary shares that are taxable as benefits from miscellaneous activities in the Netherlands. See "—Resident holders of our ordinary shares" for a description of the circumstances under which the benefits derived from our ordinary shares may be taxable as benefits from miscellaneous activities, on the understanding that such benefits will be taxable in the Netherlands only if such activities are performed or deemed to be performed in the Netherlands.

Dividend withholding tax

All payments with respect to our ordinary shares may be made free from withholding or deduction of or for any taxes of whatever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

Gift and inheritance taxes

If you acquire our ordinary shares as a gift (in form or in kind) or if you acquire, or are deemed to acquire, our ordinary shares on the death of an individual you will not be subject to Dutch gift tax or to Dutch inheritance tax, as the case may be, unless:

(i) the donor is, or the deceased was, resident or deemed to be resident in the Netherlands for purposes of gift or inheritance tax (as the case may be); or

(ii) the ordinary shares are or were attributable to an enterprise or part of an enterprise that the donor or deceased carried on through a permanent establishment or a permanent representative in the Netherlands at the time of the gift or of the death of the deceased; or

(iii) the donor made a gift of ordinary shares, then became a resident or deemed resident of the Netherlands, and died as a resident or deemed resident of the Netherlands within 180 days of the date of the gift.

Other taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of, or in connection with the subscription, issue, placement, allotment, delivery and/or enforcement by way of legal proceedings (including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of ordinary shares or the performance by us of our obligations thereunder, or in respect of or in connection with the transfer of the ordinary shares.

U.S. Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH U.S. TREASURY CIRCULAR 230, PROSPECTIVE INVESTORS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES CONTAINED OR REFERRED TO HEREIN IS NOT INTENDED OR WRITTEN TO BE USED, AND CANNOT BE USED, BY PROSPECTIVE INVESTORS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE U.S. FEDERAL TAX LAWS; (B) SUCH DISCUSSION IS WRITTEN TO SUPPORT THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) PROSPECTIVE INVESTORS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

The following is a summary of certain U.S. federal income tax considerations relevant to a U.S. Holder (as defined below) acquiring, holding, and disposing of our ordinary shares. This summary is based upon existing U.S. federal income tax law, which is subject to change, possibly with retroactive effect. For purposes of this summary, a "U.S. Holder" is a beneficial owner of our ordinary shares that is for U.S. federal income tax purposes (1) an individual who is a citizen or resident of the United States, (2) a corporation created in, or organized under the law of, the United States, any state or the District of Columbia, (3) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source, or (4) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more U.S. persons who have the authority to control all substantial decisions of the trust. A Non-U.S. Holder is a beneficial owner of our ordinary shares that is not a U.S. Holder or an entity treated as a partnership for U.S. federal income tax purposes.

This summary does not discuss all aspects of U.S. federal income taxation that may be important to particular investors in light of their specific circumstances, including except as expressly provided below, investors subject to special tax rules, such as financial institutions, insurance companies, broker-dealers, tax-exempt organizations, regulated investment companies, REITs, certain expatriates or former long-term residents of the United States, investors who are not U.S. Holders (except as set forth below), investors who own (directly, indirectly, or constructively) 10% or more of our ordinary shares, investors that hold our ordinary shares as part of a straddle, hedge, conversion, constructive sale, or other integrated transaction for U.S. federal income tax purposes, investors holding options to purchase our ordinary shares, or investors that have a functional currency other than the U.S. dollar, all of whom may be subject to tax rules that differ significantly from those summarized below.

This summary does not discuss the tax treatment of partnerships or other pass-through entities or persons who hold our ordinary shares through such entities. If a partnership (or other entity classified as a partnership for U.S. federal income tax purposes) is the owner of our ordinary shares, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership.

Moreover, this discussion does not address taxpayers who acquire our ordinary shares upon exercise of a stock option or otherwise as compensation. This summary, except as expressly provided elsewhere in this offering memorandum with respect to Jersey, the Netherlands and the European Union, does not discuss any non-U.S. tax considerations or any state or local tax considerations. This summary assumes that investors will hold our ordinary shares as "capital assets" (generally, property held for investment) under the Code.

This section is not a substitute for careful tax planning. Prospective investors are urged to consult their tax advisers regarding the U.S. federal, state, local, and non-U.S. income and other tax considerations relevant to an investment in our ordinary shares. The law applicable to the U.S. federal income taxation of our company and our ordinary shares is technical and complex and the discussion below necessarily represents only a general summary.

Our Tax Treatment

In General. We will be classified as a corporation for U.S. federal income tax purposes. A non-U.S. entity that is treated as being engaged in a trade or business in the United States is generally subject to U.S. federal income tax on a net basis with respect to income that is "effectively connected" with such trade or business. Based on the manner in which we intend to operate, we do not expect to be treated as being engaged in a U.S. trade or business as a result of our activities. Accordingly, we do not expect to be subject to U.S. federal income tax on a net basis.

However, we are not seeking a ruling from the Internal Revenue Service regarding this issue and there can be no assurance that the Internal Revenue Service or the courts would agree with our position if this matter were challenged. If we were treated as being engaged in a trade or business in the United States for U.S. federal income tax purposes, our income that is effectively connected with such U.S. trade or business would be subject to U.S. federal corporate income tax, generally at a maximum rate of 35%, and a branch profits tax of 30% on our net after-tax returns. Therefore, were we determined to be engaged in a U.S. trade or business, our ability to make distributions to our shareholders would be adversely affected.

Distributions on our ordinary shares will not be eligible for the preferential individual U.S. federal income tax rates on "qualified dividend income," nor will the dividends received deduction be available for corporate U.S. holders that are recipients of distributions on our ordinary shares.

U.S. Holder Tax Treatment

Passive Foreign Investment Company ("PFIC") Rules

In General. We expect that we will be treated as a PFIC for U.S. federal income tax purposes. In general, a non-U.S. corporation will be treated as a PFIC for any taxable year if at least (1) 75% of its gross income is classified as "passive income" or (2) 50% of the average quarterly value of its assets produce or are held for the production of passive income. Passive income includes, among other things, dividends, interest and rental income not treated as earned in connection with the active conduct of a trade or business. Passive assets include any asset if it has (or is reasonably expected to generate in the reasonably foreseeable future) passive income. We expect that we will qualify under both tests as a PFIC as a result of our income and assets. In addition, absent a U.S. Holder validly making and maintaining one of the elections discussed below, if we are treated as a PFIC for any taxable year during which a U.S. Holder owns our ordinary shares, the U.S. Holder will be subject to special tax rules described below, and those special tax rules are likely to result in significant adverse tax consequences (as described below in "Failure to Make any Election").

We strongly urge all U.S. Holders to consult their tax advisers with respect to making either a QEF election or, if available, a mark-to-market election.

Qualified Electing Fund Election. A U.S. Holder may make an election to treat us as a QEF for U.S. federal income tax purposes. In order to obtain the full benefit of a QEF election, it is necessary to make the election for the first year a U.S. Holder acquires our ordinary shares. A QEF election is made with the filing of a U.S. Holder's U.S. federal income tax return for the taxable year. If a timely QEF election is made, an electing U.S. Holder generally will be required in each taxable year to include in its gross income (1) such holder's pro rata share of our ordinary earnings as ordinary income, and (2) such holder's pro rata share of our net capital gain as long-term capital gain, in each case, whether or not such amounts are distributed currently by us to such U.S. Holder. A U.S. Holder's tax basis in its ordinary shares will be increased to reflect such QEF inclusions. If we have losses for a taxable year, they will not be available to such U.S. Holder and may not be carried back or forward in computing our ordinary earnings and net capital gain for purposes of determining income inclusions in other taxable years. Consequently, U.S. Holders may over time be taxed on amounts that as an economic matter exceed our net profits. Amounts previously included in income pursuant to a U.S. Holder's QEF election are not again subject to U.S. federal income tax when distributed, although the U.S. Holder is required to reduce its tax basis in its ordinary shares to reflect such non-taxable distributions.

We intend to provide annual information detailing our ordinary income and net capital gains (an "Annual Information Statement") to our U.S. Holders, which statement is required in order for our U.S. Holders to make a QEF election with respect to our ordinary shares. We may not be able to provide our Annual Information Statements in advance of the March 15 or April 15 tax return deadline applicable to most calendar year U.S. corporate and individual taxpayers, respectively, and you should be aware that it may be necessary for you to apply for an extension of time to file your U.S. federal income tax return. If you do not make a QEF election or a mark-to-market election (as described below) for the taxable year in which you purchase your ordinary shares, you will continue to be subject to the foregoing PFIC rules even if you subsequently make a QEF election, unless you also elect to "purge" the non-QEF years from your holding period. A "purging" election, however, may have adverse U.S. federal income tax consequences to you, and you are urged to consult your tax adviser as to the consequences to you of such an election.

A U.S. Holder that makes a QEF election will recognize ordinary income and net capital gain as determined in the functional currency of the PFIC, the U.S. dollar. As noted above, a U.S. Holder that has paid tax on the undistributed earnings of a PFIC pursuant to a QEF inclusion will receive distributions from the PFIC tax-free, up to the amount of the previously taxed earnings.

As previously noted, U.S. Holders that make a QEF election could recognize income for U.S. federal income tax purposes with respect to their ordinary shares regardless of whether we make any distributions. As stated elsewhere in this offering memorandum, we expect to distribute at least 90 percent of our net income for each accounting year by way of dividends, which are expected to be paid in respect of each accounting year in quarterly installments in February, May, August and November. However, while we intend to distribute annually in the aggregate an amount sufficient to cover the U.S. federal income taxes payable by our shareholders resulting from a QEF election made by them, we are under no obligation to make distributions and our ability to make distributions may be limited. In particular, certain of our investments may cause us to be treated as earning income for U.S. federal income tax purposes in advance of receiving payments on the investments, and certain investments may generate income for U.S. federal income tax purposes that is economically a return of capital. A U.S. Holder may elect to defer, until the occurrence of certain events, payment of the U.S. federal income tax attributable to a QEF inclusion for which no current distributions are received, but such holder would be required to pay interest on the deferred tax. Prospective investors should consult their tax advisers with regard to such an election.

A U.S. Holder that makes a QEF election generally will recognize capital gain or loss on the sale, exchange or other disposition of our ordinary shares equal to the difference between the U.S. dollar value of the amount realized on the disposition and the U.S. Holder's adjusted tax basis (determined as described above) in its ordinary shares. Such gain or loss generally will be long-term capital gain or loss if the U.S. Holder held the ordinary shares for more than one year at the time of the sale, exchange or other disposition. The deductibility of capital losses is subject to significant limitations.

Mark-to-Market Election. If, for purposes of the PFIC rules, our ordinary shares are "marketable stock" a U.S. Holder may make a mark-to-market election. To be "marketable stock," our ordinary shares would have to be regularly traded on a "qualified exchange" as described in the relevant U.S. Treasury regulations. Euronext Amsterdam generally will be considered a "qualified exchange" if it meets certain trading volume, listing, financial disclosure, surveillance and other requirements. U.S. Holders should consult their tax advisers as to the applicability and availability of making a mark-to-market election.

A U.S. Holder that makes an effective mark-to-market election will include as ordinary income in each year the excess of the fair market value of its ordinary shares at the end of the year over its adjusted tax basis in its ordinary shares. Similarly, any gain realized on the sale, exchange or other disposition of the ordinary shares would be treated as ordinary income. The U.S. Holder will be entitled to deduct as an ordinary loss each year the excess of its adjusted tax basis in its ordinary shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. Any loss recognized from the sale, exchange, or the taxable disposition of the ordinary shares would be treated as an

ordinary loss to the extent of the mark-to-market gains included in income with respect to such ordinary shares. A U.S. Holder's adjusted tax basis in its ordinary shares will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. If a U.S. Holder makes a mark-to-market election, the election will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ordinary shares are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election.

If an effective mark-to-market election is made after the initial taxable year in which a U.S. Holder owns its ordinary shares and the U.S. Holder did not have a QEF election in place with respect to all years during the U.S. Holder's holding period for the ordinary shares, distributions as well as any mark-to-market gain during the first year for which the election is in effect will be subject to the "excess distribution rules" described below.

Failure to Make any Election. If a U.S. Holder fails to make one of the previously described elections, such U.S. Holder will be subject to special tax rules with respect to (1) "excess distributions" received on our ordinary shares and (2) any gain realized from a sale or other disposition (including a pledge) of our ordinary shares. Excess distributions are distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or the U.S. Holder's holding period for its ordinary shares. Under these special tax rules, (x) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period for its ordinary shares; (y) the amount allocated to the current taxable year will be treated as ordinary income; and (z) the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and an interest charge (at the rate generally applicable to underpayments of tax due in such year) will be imposed on the resulting tax attributable to each such year. In order to avoid these adverse tax consequences, a U.S. Holder generally will need to have one of the previously described elections effective for the first year in which such U.S. Holder acquires our shares.

Further, if we are considered a PFIC, upon the death of any U.S. Holder such individual's heirs or estate may not be entitled to a "step-up" in the tax basis our ordinary shares which might otherwise be available under U.S. federal income tax laws.

The rules dealing with PFICs and with the QEF and mark-to-market elections are complex and are affected by various factors in addition to those described above. U.S. Holders of ordinary shares are urged to consult their tax advisers regarding the PFIC rules in connection with their purchasing, holding or disposing of our ordinary shares.

Consequences of Not Being a PFIC

Although we expect and intend to be treated as a PFIC for U.S. federal income tax purposes, if we are not a PFIC, then distributions we pay on our ordinary shares would be taxable as ordinary income to a U.S. Holder to the extent of our current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. A U.S. Holder generally would recognize capital gain or loss on the sale, exchange or other disposition of our ordinary shares equal to the difference between the U.S. dollar value of the amount realized on the disposition and the U.S. Holder's adjusted tax basis in its ordinary shares. A U.S. Holder's adjusted basis in its ordinary shares generally would equal the U.S. dollar value of the amount paid for such ordinary shares. Such gain or loss generally would be long-term capital gain or loss if the U.S. Holder held the ordinary shares for more than one year at the time of the sale, exchange or other disposition. The deductibility of capital losses is subject to significant limitations.

Controlled Foreign Corporation Rules

A foreign corporation is considered a controlled foreign corporation ("CFC") if "10% U.S. Shareholders" (defined below) own (directly, indirectly through foreign entities or by attribution by application of the constructive ownership rules of Section 958(b) of the Code ("constructively")) more than 50% of the total combined voting power of all classes of voting stock of such foreign corporation, or more than 50% of the total

value of all stock of such corporation. A "10% U.S. Shareholder" is a U.S. person who owns constructively at least 10% of the total combined voting power of all classes of stock entitled to vote of the foreign corporation. As a result of certain ownership limitations and restrictions on our stock, we do not intend or expect to be a CFC.

If (contrary to our expectations) we were to be a CFC, each 10% U.S. Shareholder who held our ordinary shares for an uninterrupted period of 30 days or more during a taxable year and on the last day of the CFC's taxable year would be required to include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. "Subpart F income" of a foreign corporation typically includes interest, dividends, rents and other types of passive income, as well as foreign base company sales and services income and certain insurance and reinsurance income. It is likely that all or substantially all of our income would constitute "subpart F income." In addition, if a U.S. person sells or exchanges our ordinary shares and such person was a 10% U.S. Shareholder with respect to us at any time during the five year period ending on the date of the sale or exchange and during that time we were classified as a CFC, any gain from the sale or exchange of the ordinary shares will be treated as a dividend to the extent of our earnings and profits (determined under U.S. federal income tax principles) during the period that the shareholder held the ordinary shares and while the corporation was a CFC (with certain adjustments). 10% U.S Shareholders who are subject to the preceding CFC rules, will not be subject to the PFIC rules described above.

U.S. Information Reporting, Tax Returns, and Backup Withholding

A U.S. Holder may be subject to information reporting unless it establishes that payments to it are exempt from these rules (e.g., payments to corporations generally are exempt from these rules). Payments that are subject to information reporting may be subject to backup withholding if a U.S. Holder does not provide its taxpayer identification number and otherwise comply with the backup withholding rules. Amounts withheld under the backup withholding rules are available to be credited against a U.S. Holder's U.S. federal income tax liability and may be refunded to the extent they exceed such liability, provided the required information is provided to the IRS. U.S. Holders will be required to file additional U.S. tax forms with respect to our ordinary shares, including Internal Revenue Service Form 8621.

Transfer and Tax Shelter Reporting Requirements

A U.S. Holder (including a tax-exempt entity) that purchases ordinary shares for cash from us will be required to file Internal Revenue Service Form 926 if (i) such person owned, directly or by attribution, immediately after such purchase at least 10% by vote or value of our company or (ii) the purchase, when aggregated with all purchases made by such person (or any related person) within the preceding 12 month period, exceeds $100,000. In the event a U.S. Holder fails to file any such required form, the U.S. Holder could be required to pay a penalty equal to 10% of the gross amount paid for such shares (subject to a maximum penalty of $100,000, except in cases involving intentional disregard).

If a U.S. Holder holds 10% or more of the ordinary shares in a CFC or PFIC, the holder must disclose any of such entity's transactions reportable under recent U.S. Treasury regulations concerning tax shelter transactions, which require disclosure of certain types of transactions whether or not they were undertaken for tax, reasons. We intend to provide U.S. Holders of our ordinary shares with information about our transactions, if any, reportable under those regulations. In addition, subject to certain significant exceptions, any U.S. Holder of ordinary shares, whether or not such U.S. Holder is a "reporting shareholder," that recognizes a significant loss on a sale or exchange of such holder's ordinary shares (generally $2 million or more for individuals and partnerships with one or more noncorporate partners, and $10 million or more for corporations and partnerships consisting solely of corporate partners) in any taxable year may be required to file Internal Revenue Service Form 8886, unless an exception applies. U.S. Holders are urged to consult their tax advisers about these and all other specific reporting requirements arising by reason of the purchase, ownership and disposition of our ordinary shares.

Non-U.S. Holders Tax Treatment

A non-U.S. Holder of shares will not be subject to U.S. federal income or withholding tax on the payment of distributions on our ordinary shares and the gain from the disposition of ordinary shares unless:

- such income is effectively connected with the conduct by the non-U.S. Holder of a trade or business in the United States and, in the case of a resident of a country which has a treaty with the United States, such income is attributable to a permanent establishment or, in the case of an individual, a fixed place of business, in the United States; or
- the non-U.S. Holder is an individual who holds our ordinary shares as a capital asset and is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met.

If the first exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax with respect to such income in the same manner as a U.S. Holder unless otherwise provided in an applicable income tax treaty. In such a case, a non-U.S. Holder that is a corporation for U.S. federal income tax purposes also may be subject to a branch profits tax on the after-tax amount of such income at a rate of 30% (or at a reduced rate under an applicable income tax treaty). If the second exception applies, the non-U.S. Holder generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which such non-U.S. Holder's capital gains allocable to U.S. sources exceed capital losses allocable to U.S. sources during the taxable year of disposition of the ordinary shares.

ERISA CONSIDERATIONS

The following is a summary of certain considerations associated with an investment in us by a pension, profit sharing or other employee benefit plan, or other plan, account or arrangement that is subject to Title l of ERISA or Section 4975 of the Code and entities whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement. **THE FOLLOWING IS MERELY A SUMMARY, HOWEVER, AND SHOULD NOT BE CONSTRUED AS LEGAL ADVICE OR AS COMPLETE IN ALL RELEVANT RESPECTS. ALL INVESTORS ARE URGED TO CONSULT THEIR LEGAL ADVISERS BEFORE INVESTING ASSETS OF A PLAN IN OUR COMPANY AND TO MAKE THEIR OWN INDEPENDENT DECISIONS**.

A fiduciary considering investing assets of an employee benefit plan or other retirement plan, account or arrangement in our company should consult its legal adviser about ERISA, Section 4975 of the Code and any applicable Similar Laws before making such an investment. Specifically, before investing in us, each fiduciary should, after considering the plan's particular circumstances, determine whether the investment is appropriate under the fiduciary standards of ERISA or other applicable Similar Laws including standards with respect to prudence, diversification and delegation of control and the prohibited transaction provisions of ERISA, the Code and any applicable Similar Laws.

ERISA and the Code do not define "plan assets." However, regulations promulgated under ERISA by the United States Department of Labor, known as the DOL Plan Asset Regulations, generally provide that when a benefit plan investor acquires an equity interest in an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the benefit plan investor's assets include both the equity interest in the entity and an undivided interest in each of the underlying assets of the entity, unless it is established either that equity participation in the entity by "benefit plan investors" is not "significant" or that the entity is an "operating company" in each case as defined in the DOL Plan Asset Regulations.

Under the DOL Plan Asset Regulations, a security is a "publicly-offered security" if it is "freely transferable," part of a class of securities that is "widely-held," and either (1) part of a class of securities registered under Section 12(b) or l2(g) of the Exchange Act or (2) sold to a plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the class of securities of which such security is a part is registered under the Exchange Act within 120 days (or such later time as may be allowed by the SEC) after the end of the fiscal year of the issuer during which the offering of such securities to the public occurred.

"Widely-held" for this purpose means the security is of a class owned by 100 or more investors independent of the issuer and of one another. "Freely transferable," for purposes of the DOL Plan Asset Regulations, is a question to be determined on the basis of all relevant facts and circumstances but, where the minimum investment is $10,000 or less, is ordinarily not adversely affected by some enumerated restrictions, including restrictions against any transfer which would result in a termination or reclassification of the issuer for federal tax purposes.

Our ordinary shares will not qualify as a "publicly-offered security" immediately after this global offering and we do not expect that they will qualify in the future. In addition, we do not anticipate that we will qualify as an investment company under the Investment Company Act or as an "operating company" within the meaning of the DOL Plan Asset Regulations.

For purposes of the DOL Plan Asset Regulations, equity participation in an entity by benefit plan investors is not "significant" if they hold, in the aggregate, less than 25% of the value of each class of equity securities in the entity, disregarding, for purposes of such determination, any interests held by persons (other than benefit plan investors) who have discretionary authority or control with respect to the assets of the entity or who provide

investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates of such persons (each, a "Controlling Person"). Benefit plan investors, for these purposes, include all employee benefit plans subject to Part 4 of Subtitle B of Title I of ERISA or Section 4975 of the Code, including "Keogh" plans and individual retirement accounts, but excluding governmental employee benefit plans and pension plans maintained by foreign corporations. Also included as a benefit plan investor is any entity whose underlying assets are deemed to include "plan assets" under the DOL Plan Asset Regulations (*e.g.*, an entity of which 25% or more of the value of any class of equity interests is held by benefit plan investors and which does not satisfy another exception under the DOL Plan Asset Regulations). In the event any original purchaser of our ordinary shares from the initial purchasers represents that it is a benefit plan investor pursuant to a purchaser's letter substantially in the form of Annex I or Annex II hereto, as applicable, then the initial purchasers and we will use our commercially reasonable efforts to provide that investment in our ordinary shares by "benefit plan investors" will not be "significant" for purposes of the DOL Plan Asset Regulations.

For the foregoing reasons, in order to avoid having our underlying assets considered assets of investing benefit plan investors pursuant to the DOL Plan Asset Regulations, each investor that purchases our ordinary shares in this global offering, will represent, warrant and agree in the relevant purchaser's letter that, among other things, (1) either, (x) no part of the assets to be used to purchase or hold our ordinary shares constitutes or will constitute the assets of any "benefit plan investor" (as defined in Section 3(42) of ERISA), which term includes an employee benefit plan subject to Title I of ERISA, a plan or arrangement described in Section 4975 of the Code, an entity whose underlying assets include "plan assets" by reason of a plan's investment in such entity (including but not limited to an insurance company general account), or any entity that otherwise constitutes a "benefit plan investor" for purposes of the DOL Plan Asset Regulations (each, a "Covered Plan") or (y) it is a benefit plan investor and its purchase and holding of our ordinary shares will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a violation of any applicable Similar Laws, and (2) it will not transfer or assign its interest in our ordinary shares to any person (including any change in the source of funds that is a result of a transfer to an affiliate or a different account) that is or is acting on behalf of, a Covered Plan or Controlling Person. Each other purchaser and transferee of our stock may be required expressly to provide certain advance assurances that it is not and will not be in the future a Covered Plan or Controlling Person.

Our memorandum and articles of association also provides that transfers of our ordinary shares may not be made to a person that is, or is acting on behalf of, a Covered Plan or Controlling Person. In the event of a purported transfer in violation of such requirement, our board of directors can direct that the relevant ordinary shares be transferred to an eligible transferee (as defined in our memorandum and articles of association) and, if such ordinary shares are not transferred as directed, can exercise the right to require the repayment of dividends paid on such ordinary shares and impose a penalty on such holder in the manner described in this offering memorandum. See "Description of Our Shares and Certain Provisions of Jersey and Dutch Law and Our Memorandum and Articles of Association—Dividend Repayment, Discretionary Penalties, Elimination of Voting Rights." We cannot assure you, however, that ownership or holding of any class of our stock by or on behalf of benefit plan investors will always remain below the 25% threshold or that our assets will not otherwise constitute "plan assets" under the DOL Plan Asset Regulations.

If our assets were deemed to be "plan assets" of benefit plan investors whose assets were invested in us, Subtitle A and Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code would extend to our investments. This could result, among other things, in (1) the application of the prudence and other fiduciary standards of ERISA, which impose liability on fiduciaries, to investments made by us, which could materially affect our operations, (2) potential liability of persons having investment discretion over the assets of the benefit plan investors investing in us should our investments not conform to ERISA's prudence and fiduciary standards under Title I of ERISA, unless certain conditions are satisfied and (3) the possibility that certain transactions that we might enter into in the ordinary course of our business and operation might constitute non-exempt "prohibited transactions" under ERISA and the Code. A non-exempt prohibited transaction, in addition to imposing potential personal liability upon fiduciaries of the benefit plan investors, may also result in the imposition of an excise tax

under the Code upon the "party in interest," as defined in ERISA, or "disqualified person," as defined in the Code, with whom the benefit plan investor engaged in the transaction, and correction or unwinding of the transaction.

Under the reasoning of the U.S. Supreme Court in *John Hancock Life Ins. Co. v. Harris Trust and Savings Bank*, 510 U.S. 86 (1993), an insurance company's general account may be deemed to include assets of any plans investing in the general account (*e.g.*, through the purchase of an annuity contact), and the insurance company might be treated as a disqualified person and a party-in-interest with respect to a plan by virtue of such investment. Following the decision in *John Hancock Life Insurance*, Congress enacted Section 401(c) of ERISA and the United States Department of Labor adopted regulations (20 C.F.R. § 2550.401c-1) to provide guidance on which assets held by the insurer constitute "plan assets" for purposes of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code. The plan asset status of insurance company separate accounts is unaffected by Section 401(c) of ERISA, and separate account assets continue to be treated as the plan assets of any plan invested in a separate account.

ANY POTENTIAL INVESTOR CONSIDERING AN INVESTMENT IN OUR ORDINARY SHARES THAT IS, OR IS ACTING ON BEHALF OF A PLAN IS STRONGLY URGED TO CONSULT ITS OWN LEGAL AND TAX ADVISERS REGARDING THE CONSEQUENCES OF SUCH AN INVESTMENT UNDER ERISA, THE CODE AND ANY APPLICABLE SIMILAR LAWS AND ITS ABILITY TO MAKE THE REPRESENTATION DESCRIBED ABOVE.

PLAN OF DISTRIBUTION

The subscription period for prospective investors is expected to begin on June 11, 2008 and end on June 26, 2008 at 17.30 hours Amsterdam time, subject to acceleration or extension of the timetable for this global offering (the "Subscription Period"). Any acceleration or extension of the timetable for this global offering will be announced in an advertisement in at least one national newspaper distributed daily in The Netherlands and in the Daily Office List and in a press release, in the event of an accelerated timetable for the global offering, at least three hours before the proposed expiration of the accelerated Subscription Period or, in the event of an extended timetable for this global offering, at least three hours before the expiration of the original Subscription Period. Any extension of the timetable for this global offering will be for a minimum of one full business day. A minimum of six business days is to be observed for the Subscription Period. We and the initial purchasers reserve the right to withdraw or modify this offer.

The number of our ordinary shares offered in this global offering can be increased prior to the end of the Subscription Period. Any increase in the maximum number of our shares being offered in this global offering will be announced in a press release and in an advertisement in at least one national newspaper distributed daily in The Netherlands and in the Daily Official List.

Allocation of the ordinary shares offered by the initial purchasers (in the case of Friedman, Billings, Ramsey & Co., Inc., partially through Friedman, Billings, Ramsey International, Ltd.) to the investors is expected to take place prior to the Listing Date. Allocation of our ordinary shares will not occur unless we and the initial purchasers enter into a purchase agreement prior to the Listing Date, and the consummation of the sale of our ordinary shares in this global offering will be subject to certain customary conditions in such agreement discussed below. The following discussion assumes that the purchase agreement will be entered into by us and the initial purchasers. It is expected that the initial purchasers will notify each of the investors of the actual number of ordinary shares allocated to them on or about the Listing Date. Although multiple subscriptions are possible, the initial purchasers have full discretion to determine the number of our ordinary shares to be allocated to each investor, and any orders for ordinary shares may be rejected in whole or in part.

We are offering up to 15,000,000 ordinary shares in this global offering to certain investors at a global offering price of €10.00 per ordinary share. The actual number of ordinary shares issued in this global offering, and the aggregate number of ordinary shares allocated by the initial purchasers (in the case of Friedman, Billings, Ramsey & Co., Inc., partially through Friedman, Billings, Ramsey International, Ltd.) will be contained in a pricing statement which will be deposited with the AFM on or about the Listing Date, subject to acceleration or extension of such date, which will be made available in printed form at our registered office and at the office of the paying agent in The Netherlands, and be announced by means of a press release and an advertisement to be published in the Daily Official List and in at least one national newspaper distributed daily in The Netherlands, subject to acceleration or extension of the timetable of this global offering.

Subject to the terms and conditions set forth in a purchase agreement between us and the initial purchasers, the initial purchasers have agreed to purchase from us, and we have agreed to sell to the initial purchasers, the actual number of ordinary shares we issue in this global offering at a price of €9.50 per ordinary share. The initial purchasers propose to resell these ordinary shares to certain investors at the global offering price of €10.00 per share in transactions not requiring registration under the Securities Act or any other applicable law of the United States, including sales pursuant to Regulation S and Rule 144A under the Securities Act. The difference between the price per share the initial purchasers pay us for our ordinary shares and the price per share at which the initial purchasers resell those ordinary shares is referred to as the initial purchasers' discount. The price at which our ordinary shares are offered by initial purchasers may be changed by the initial purchasers at any time without notice. However, the proceeds we receive from the sale of our ordinary shares to the initial purchasers will be the same even if the initial purchasers change the price at which our ordinary shares are offered by the initial purchasers.

The purchase agreement provides that the initial purchasers are obligated to purchase all of the ordinary shares offered in this global offering if any are purchased, other than those ordinary shares covered by the over-allotment option described below. The purchase agreement between us and the initial purchasers provides that the obligations of the initial purchasers are subject to the satisfaction or waiver of certain customary conditions, including confirmation of customary representations and warranties made by us in such agreement, our performance of or compliance with certain obligations in such agreement, and conditions that we have not suffered a material adverse effect, the delivery of legal opinions and the effectiveness of our application to have our ordinary shares admitted to listing and trading on Euronext Amsterdam.

Over-Allotment Option

We have granted to the initial purchasers an option to purchase at the global offering price less the initial purchasers' discount an additional number of ordinary shares equal to up to 15% of the number of ordinary shares we issue in this global offering, to be exercised, if at all, within 30 days from the Listing Date to cover over-allotments, if any. If the option is exercised in whole or in part, the additional ordinary shares we will issue as a result will be sold by the initial purchasers on the same terms on which the other shares in this global offering are being sold. We will be obligated to sell to the initial purchasers the number of additional ordinary shares covered by the exercise of the option by the initial purchasers, if at all. Under Dutch law, any short position resulting from over-allotments not covered by the over-allotment option may not exceed 5% of the number of ordinary shares offered in the global offering.

Stabilization

In connection with the global offering, the initial purchasers may, through Friedman, Billings, Ramsey International, Ltd., at their discretion engage in over-allotments, stabilizing transactions, covering transactions and penalty bids in accordance with the Dutch Financial Supervision Act, Commission Regulation (EC) No. 2273/2003, Rule A-2408 of Rule Book II of Euronext and any other applicable law. These over-allotments, stabilizing transactions, covering transactions and penalty bids are made for the purpose of preventing or retarding a decline in the market price of our ordinary shares.

- Over-allotments involve sales in excess of the number of ordinary shares in the global offering, which create a short position for Friedman, Billings, Ramsey International, Ltd.
- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Stabilizing transactions may include making short sales of our ordinary shares, which involves the sale by Friedman, Billings, Ramsey International, Ltd. of a greater number of our ordinary shares than the initial purchasers are required to purchase in this global offering.
- Covering transactions involve purchases of our ordinary shares in the open market after the distribution has been completed in order to cover short positions.
- Penalty bids permit Friedman, Billings, Ramsey International, Ltd. to reclaim a selling concession from a broker-dealer when our ordinary shares originally sold by such broker/dealer are purchased in stabilizing or covering transactions to cover short positions.

These over-allotments, stabilizing transactions, covering transactions and penalty bids may stabilize or maintain the market price of our ordinary shares at a level above that which might otherwise prevail in the open market. However, there is no obligation on the stabilization agent to engage in any of these stabilization transactions, and there can be no assurance that any such stabilization transactions will be undertaken. These transactions, if commenced, may begin on the Listing Date, may be discontinued at any time and will end no later than 30 days after the Listing Date. To the extent permitted by applicable law, such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise. Except as required by law or regulation, neither the initial purchasers nor Friedman, Billings, Ramsey International, Ltd. intends to disclose the extent of any stabilization and/or over-allotment transaction in connection with the global offering.

Liquidity Provider

We have appointed Friedman, Billings, Ramsey International, Ltd. as the liquidity provider (the "Liquidity Provider") for our ordinary shares in order to enhance liquidity in the market of our ordinary shares by giving sale and buy orders for our ordinary shares in its own name and for the accounts held by Friedman, Billings, Ramsey & Co., Inc. The Liquidity Provider will maintain a spread of firm bid and offer prices during the fifteen (15) minutes preceding the market opening and then throughout the trading day. The Liquidity Provider will give quotes and act as counterparty for buyers and sellers of our ordinary shares whereby it will maintain (i) a maximum spread of firm bid and offer prices of 5% with a minimum capital amount of €5,000 for a share price above €5.00 and (ii) a maximum spread of firm bid and offer prices of €0.25 with a minimum capital amount of 1,000 ordinary shares for a share price below €5.00.

Indemnification

Under the purchase agreement, we have also agreed to indemnify the initial purchasers and their affiliates' respective directors, officers, representatives, agents and control persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) against certain liabilities, including liabilities under securities laws. In connection with this indemnification obligation, we have agreed to contribute to payments that the initial purchasers may be required to make in respect of those liabilities.

Expenses

We have also agreed to reimburse the initial purchasers in an amount not to exceed 2% of the gross proceeds of this global offering for certain out-of-pocket expenses, including legal expenses (up to $1.0 million), incurred in connection with the performance of their activities under the purchase agreement between us and the initial purchasers.

Lock-Up Agreements

Our investment manager, our investment manager's shareholders and officers, and our directors have agreed with Friedman, Billings, Ramsey & Co., Inc., as the representative of the initial purchasers, not to:

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant for the sale of, lend or otherwise dispose of or transfer, directly or indirectly, any of our equity securities or any securities convertible into or exercisable or exchangeable for our equity securities, or
- enter into any swap or other arrangement that transfers, in whole or in part, directly or indirectly, any of the economic consequences of ownership of any of our equity securities, whether any such transaction described above is to be settled by delivery of our ordinary shares or such other securities, in cash or otherwise,

except for certain permitted gifts and sales, until 180 days after the closing of this global offering without the prior written consent of Friedman, Billings, Ramsey & Co., Inc.

We also have agreed to such restrictions for the same period. However, such restrictions will not apply to the sale of our shares in this global offering and the issuance by us of share-based awards pursuant to our share appreciation rights plan.

Relationships with Friedman, Billings, Ramsey & Co., Inc.

Friedman, Billings, Ramsey &Co., Inc. and its affiliates have engaged in investment banking and other dealings with us and our affiliates, including Anworth, in the ordinary course of business. Among other things, Friedman, Billings, Ramsey &Co., Inc. or its affiliates since January 1, 2005 (1) acted as co-lead manager for

Anworth's cumulative redeemable preferred stock offering in January 2007, and (2) acted as co-lead and co-manager on Anworth's common stock offerings in November 2007 and January 2008, respectively. Friedman, Billings, Ramsey &Co., Inc. and its affiliates have received customary fees and commissions for their services on these transactions. We and/or our affiliates, including Anworth, will likely enter into additional similar transactions with Friedman, Billings, Ramsey &Co., Inc. and its affiliates in the ordinary course of our business.

Subject to the successful completion of this global offering and certain limitations described below, we have granted Friedman, Billings, Ramsey & Co., Inc. the right to act as co-lead underwriter and joint book runner or co-lead placement agent, with Friedman, Billings, Ramsey & Co., Inc. receiving at least 50% of the underwriting or placement agent fee, in connection with any public offering (or other similar capital markets financing) of our ordinary shares or convertible debt securities. Friedman, Billings, Ramsey & Co., Inc.'s right will expire in June of 2010 and is not exercisable in connection with transactions in which we: (i) raise in any calendar quarter aggregate net capital of $25 million or less through any investment bank, (ii) sell our ordinary shares through a dividend reinvestment and share purchase plan or similar plan, or (iii) sell our ordinary shares directly to one or more investors without the use of any placement agent or financial advisor.

Selling Restrictions

United States

We are not an investment company pursuant to an exemption of Section 3(c)(5)(C) under the Investment Company Act.

The shares have not been and will not be registered under the Securities Act or any state securities law, and may not be offered or sold in the United States or to, or for the account or benefit of U.S. persons, except to "qualified institutional buyers" (as defined in Rule 144A) in reliance on Rule 144A, and in accordance with any applicable securities laws of any state or territory of the United States or any other jurisdiction. The initial purchasers have agreed that, except as permitted by the purchase agreement, they will not offer or sell the shares (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this global offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 144A or Rule 903 of Regulation S, and they will have sent to each dealer to which they sell shares during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days following the closing of this offering, an offer or sale of shares within the United States by a dealer (whether or not participating in the offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A of the Securities Act.

Each person who purchases our ordinary shares from the initial purchasers may be required to complete and deliver to the initial purchasers a purchaser's letter (substantially in the form of Annex I for non-U.S. persons who purchase outside the United States pursuant to Regulation S and Annex II for "qualified institutional buyers").

Member States of the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), the initial purchasers represent and warrant that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") they (in the case of Friedman, Billings, Ramsey & Co., Inc. through Friedman, Billings, Ramsey International, Ltd.) have not made and will not make an offer of the ordinary shares to the public in that Relevant Member State, other than an offer in the Netherlands after this offering memorandum has

been approved by the AFM and published in accordance with the Prospectus Directive as implemented in The Netherlands, except that they may, with effect from and including the Relevant Implementation Date, make an offer of the shares to the public in that Relevant Member State at any time:

(a) to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (a) an average of at least 250 employees during the last financial year; (b) a total balance sheet of more than €43,000,000; and (c) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of our ordinary shares will result in a requirement for the publication by us or the initial purchasers of a prospectus pursuant to Article 3 of the Prospectus Directive,

For the purposes of this provision, the expression an "offer of shares to the public" in relation to any shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the shares to be offered so as to enable an investor to decide to purchase any ordinary shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

The initial purchasers have represented and agreed that:

(a) they have only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Acts 2000 (the "FSMA") received by them in connection with the issue or sale of the ordinary shares in circumstances in which Section 21(1) of the FSMA does not apply to us; and

(b) they have complied and will comply with all applicable provisions of the FSMA with respect to anything done by them in relation to the ordinary shares in, from or otherwise involving the United Kingdom.

General

No action has been or will be taken in any jurisdiction, except in The Netherlands, by us or the initial purchasers that would, or is intended to, permit a public offering of the ordinary shares, or possession or distribution of this offering memorandum or any other offering material, in any country or jurisdiction where action for that purpose is required. Accordingly, the ordinary shares may not be offered or sold, directly or indirectly, and neither this offering memorandum nor any circular, prospectus, advertisement or other material relating to the offering may be distributed in or from or published in any country or jurisdiction, except under circumstances that will result in compliance with any applicable laws or regulations.

VALIDITY OF ORDINARY SHARES

Certain matters of U.S. law will be passed upon for us by Manatt, Phelps & Phillips, LLP, Los Angeles, California, and of Dutch law will be passed upon for us by Houthoff Buruma N.V., Amsterdam. The validity of our ordinary share offered and sold in this global offering will be passed upon for us by Carey Olsen, our Jersey counsel. The initial purchasers are represented by Gibson, Dunn & Crutcher LLP and by NautaDutilh N.V., Amsterdam.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Our balance sheet as of May 23, 2008, included in this offering memorandum, has been audited by RSM Bentley Jennison, independent certified public accountants, as stated in their report appearing herein. RSM Bentley Jennison is registered to carry on audit work by the institute of Chartered Accountants in England and Wales and is authorized and regulated by the Financial Services Authority as an independent financial adviser.

SELLING RESTRICTIONS

NOTICE TO RESIDENTS OF AUSTRIA

ANY PERSON WHO IS IN POSSESSION OF THIS OFFERING MEMORANDUM UNDERSTANDS THAT NO ACTION HAS BEEN OR WILL BE TAKEN WHICH WOULD ALLOW AN OFFERING OF THE ORDINARY SHARES TO THE PUBLIC IN AUSTRIA. ACCORDINGLY, THE ORDINARY SHARES MAY NOT BE OFFERED, SOLD OR DELIVERED AND NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING MATERIALS RELATING TO THESE SECURITIES MAY BE DISTRIBUTED OR MADE AVAILABLE TO THE PUBLIC IN AUSTRIA. ANY INDIVIDUAL SALES OF THESE SECURITIES TO ANY PERSON IN AUSTRIA WERE MADE ONLY TO A LIMITED CIRCLE OF INSTITUTIONAL INVESTORS IN ACCORDANCE WITH § 3/1/11 OF THE AUSTRIAN CAPITAL MARKETS ACT (THE "CAPITAL MARKETS ACT") OR IN A PRIVATE PLACEMENT WHERE A MAXIMUM OF 250 INDIVIDUALS WERE INDIVIDUALLY APPROACHED AND IDENTIFIED BY NAME. THESE SECURITIES MUST NOT BE RESOLD OR SOLD OTHER THAN IN COMPLIANCE WITH THE CAPITAL MARKETS ACT.

NOTICE TO RESIDENTS OF BELGIUM

THIS OFFERING MEMORANDUM HAS NOT BEEN AND WILL NOT BE REGISTERED WITH THE BELGIAN BANKING, FINANCE AND INSURANCE COMMISSION ("BFIC"). THE SECURITIES OFFERING HAS NOT AND WILL NOT BE APPROVED BY THE BFIC AND THE TRANSACTION WILL NOT BE ADVERTISED IN BELGIUM. ANY PERSON WHO IS IN POSSESSION OF THIS OFFERING MEMORANDUM UNDERSTANDS THAT NO ACTION HAS BEEN OR WILL BE TAKEN WHICH WOULD ALLOW AN OFFERING OF THE ORDINARY SHARES TO THE PUBLIC IN BELGIUM. ACCORDINGLY, THE ORDINARY SHARES MAY NOT BE OFFERED, SOLD OR DELIVERED AND NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING MATERIALS RELATING TO THESE SECURITIES MAY BE DISTRIBUTED OR MADE AVAILABLE TO THE PUBLIC IN BELGIUM. THE SECURITIES MUST NOT BE OFFERED, DISTRIBUTED OR SOLD IN BELGIUM EXCEPT IN COMPLIANCE WITH THE REQUIREMENTS FOR A NON-PUBLIC OFFERING LAID DOWN IN ARTICLES 2 & 3 OF THE ROYAL DECREE OF JULY 7, 1999. INDIVIDUAL SALES OF THESE SECURITIES TO ANY PERSON IN BELGIUM MAY ONLY BE MADE IF (i) NO UNAUTHORIZED INTERMEDIARY HAS BEEN INVOLVED, (ii) THE OFFER HAS NOT BEEN ADVERTISED TO MORE THAN FIFTY (50) INDIVIDUALS, AND (iii) A MAXIMUM OF FIFTY (50) INDIVIDUALS HAVE BEEN ACTIVELY SOLICITED. INDIVIDUAL SALES OF THESE SECURITIES TO PROFESSIONAL INVESTORS, AS DEFINED IN ARTICLE 3 OF THE ROYAL DECREE OF JULY 7, 1999, ARE PERMITTED, AS WELL AS INDIVIDUAL SALES FOR A CONSIDERATION OF AT LEAST €250,000 PER INVESTOR.

NOTICE TO RESIDENTS OF DENMARK

THIS OFFERING MEMORANDUM HAS NOT BEEN AND WILL NOT BE FILED WITH OR APPROVED BY THE DANISH FINANCIAL SUPERVISORY AUTHORITY ("FINANSTILSYNET") OR ANY OTHER REGULATORY AUTHORITY IN THE KINGDOM OF DENMARK. THE ORDINARY SHARES HAVE NOT BEEN OFFERED OR SOLD AND MAY NOT BE OFFERED OR SOLD OR DELIVERED DIRECTLY OR INDIRECTLY IN DENMARK, UNLESS IN COMPLIANCE WITH CHAPTER 12 OF THE DANISH ACT ON TRADING IN SECURITIES AS AMENDED FROM TIME TO TIME AND EXECUTIVE ORDERS ISSUED PURSUANT THERETO. THE RECIPIENT OF THIS OFFERING MEMORANDUM MAY NOT FORWARD ANY OFFER TO, OR REPLACE THEMSELVES WITH, ANY OTHER INVESTOR IN DENMARK WITHOUT COMPLYING WITH THE RELEVANT LAWS.

NOTICE TO RESIDENTS OF THE EUROPEAN ECONOMIC AREA

IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE (EACH, A RELEVANT MEMBER STATE), EACH MANAGER HAS REPRESENTED AND AGREED THAT WITH EFFECT FROM AND INCLUDING THE DATE ON WHICH THE PROSPECTUS DIRECTIVE IS IMPLEMENTED IN THAT RELEVANT MEMBER STATE (THE RELEVANT IMPLEMENTATION DATE) IT HAS NOT MADE AND WILL NOT MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE PRIOR TO THE PUBLICATION OF A PROSPECTUS IN RELATION TO THE SECURITIES WHICH HAS BEEN APPROVED BY THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE OR, WHERE APPROPRIATE, APPROVED IN ANOTHER RELEVANT MEMBER STATE AND NOTIFIED TO THE COMPETENT AUTHORITY IN THAT RELEVANT MEMBER STATE, ALL IN ACCORDANCE WITH THE PROSPECTUS DIRECTIVE, EXCEPT THAT IT MAY, WITH EFFECT FROM AND INCLUDING THE RELEVANT IMPLEMENTATION DATE, MAKE AN OFFER OF SECURITIES TO THE PUBLIC IN THAT RELEVANT MEMBER STATE AT ANY TIME:

- **(A) TO LEGAL ENTITIES WHICH ARE AUTHORIZED OR REGULATED TO OPERATE IN THE FINANCIAL MARKETS OR, IF NOT SO AUTHORIZED OR REGULATED, WHOSE CORPORATE PURPOSE IS SOLELY TO INVEST IN SECURITIES;**
- **(B) TO ANY LEGAL ENTITY WHICH HAS TWO OR MORE OF (1) AN AVERAGE OF AT LEAST 250 EMPLOYEES DURING THE LAST FINANCIAL YEAR; (2) A TOTAL BALANCE SHEET OF MORE THAN €43,000,000; AND (3) AN ANNUAL NET TURNOVER OF MORE THAN €50,000,000, AS SHOWN IN ITS LAST ANNUAL OR CONSOLIDATED ACCOUNTS; OR**
- **(C) IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF THE PROSPECTUS DIRECTIVE.**

FOR THE PURPOSES OF THIS PROVISION, THE EXPRESSION AN "OFFER OF SECURITIES TO THE PUBLIC" IN RELATION TO ANY SECURITIES IN ANY RELEVANT MEMBER STATE MEANS THE COMMUNICATION IN ANY FORM AND BY ANY MEANS OF SUFFICIENT INFORMATION ON THE TERMS OF THE OFFER AND THE SECURITIES TO BE OFFERED SO AS TO ENABLE AN INVESTOR TO DECIDE TO PURCHASE OR SUBSCRIBE FOR THE SECURITIES, AS THE SAME MAY BE VARIED IN THAT MEMBER STATE BY ANY MEASURE IMPLEMENTING THE PROSPECTUS DIRECTIVE IN THAT MEMBER STATE AND THE EXPRESSION PROSPECTUS DIRECTIVE MEANS DIRECTIVE 2003/71/EC AND INCLUDES ANY RELEVANT IMPLEMENTING MEASURE IN EACH RELEVANT MEMBER STATE.

NOTICE TO RESIDENTS OF FRANCE

THIS OFFERING MEMORANDUM HAS NOT BEEN AND WILL NOT BE CERTIFIED BY THE FRENCH AUTORITE DES MARCHES FINANCIERS ("AMF"). THE SECURITIES OFFERING HAS NOT AND WILL NOT BE APPROVED BY THE AMF AND THE TRANSACTION WILL NOT BE ADVERTISED IN FRANCE. ANY PERSON WHO IS IN POSSESSION OF THIS OFFERING MEMORANDUM UNDERSTANDS THAT NO ACTION HAS BEEN OR WILL BE TAKEN WHICH WOULD ALLOW AN OFFERING OF THE ORDINARY SHARES TO THE PUBLIC IN FRANCE. ACCORDINGLY, THE ORDINARY SHARES MAY NOT BE OFFERED, SOLD OR DELIVERED AND NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING MATERIALS RELATING TO THESE SECURITIES MAY BE DISTRIBUTED OR MADE AVAILABLE TO THE PUBLIC IN FRANCE. THE TRANSFER TO THE PUBLIC, EITHER DIRECTLY OR INDIRECTLY,

OF THE SECURITIES PURCHASED, MUST COMPLY WITH FRENCH PUBLIC OFFERING REGULATIONS. PURSUANT TO ARTICLES L. 411-1 AND L. 411-2 OF THE FRENCH MONETARY AND FINANCIAL CODE (THE "MF CODE"). PURCHASERS OF THE SECURITIES MAY TAKE PART IN THE TRANSACTION ONLY FOR THEIR OWN ACCOUNT. INDIVIDUAL SALES OF THESE SECURITIES IN FRANCE MAY ONLY BE MADE TO QUALIFIED INVESTORS IN FRANCE AS DEFINED IN ARTICLES L. 411-2 AND D. 411-1 OF THE MF CODE. FURTHERMORE NO SOLICITATION OR CANVASSING OF THE PUBLIC WILL BE CONDUCTED IN CONNECTION WITH THE SECURITIES OFFERING.

NOTICE TO RESIDENTS OF GERMANY

ANY PERSON WHO IS IN POSSESSION OF THIS OFFERING MEMORANDUM UNDERSTANDS THAT NO ACTION HAS BEEN OR WILL BE TAKEN WHICH WOULD ALLOW AN OFFERING OF THE SECURITIES TO THE PUBLIC IN GERMANY. ACCORDINGLY, THIS OFFERING MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE SECURITIES TO THE PUBLIC IN GERMANY. THEREFORE, THE SECURITIES MAY NOT BE OFFERED, SOLD, OR DELIVERED AND NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING MATERIALS RELATING TO THE SECURITIES MAY BE DISTRIBUTED OR MADE AVAILABLE TO THE PUBLIC IN GERMANY OR BE USED FOR, OR IN CONNECTION WITH AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, THE SECURITIES TO THE PUBLIC IN GERMANY. INDIVIDUAL SALES OF THE SECURITIES TO ANY PERSON IN GERMANY MAY ONLY BE MADE TO (I) QUALIFIED INVESTORS (AS DEFINED IN §3 PARA. 2 NO. 1 GERMAN SECURITIES PROSPECTUS ACT), OR (II) TO FEWER THAN 100 NON-QUALIFIED INVESTORS PER STATE OF THE EUROPEAN ECONOMIC AREA (AS DEFINED IN §3 PARA. 2 NO. 2 GERMAN SECURITIES PROSPECTUS ACT), AND ACCORDING TO ANY OTHER GERMAN SECURITIES, PROSPECTUS, TAX, AND OTHER APPLICABLE LAWS AND REGULATIONS.

NOTICE TO RESIDENTS OF HONG KONG

THE CONTENTS OF THIS DOCUMENT HAVE NOT BEEN REVIEWED BY ANY REGULATORY AUTHORITY IN HONG KONG. YOU ARE ADVISED TO EXERCISE CAUTION IN RELATION TO THE OFFER. IF YOU ARE IN DOUBT ABOUT ANY OF THE CONTENTS OF THIS DOCUMENT, YOU SHOULD OBTAIN INDEPENDENT PROFESSIONAL ADVICE. THE OFFERED SECURITIES MAY NOT BE OFFERED OR SOLD BY MEANS OF ANY DOCUMENT OTHER THAN (I) IN CIRCUMSTANCES WHICH DO NOT CONSTITUTE AN OFFER TO THE PUBLIC WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32, LAWS OF HONG KONG), OR (II) TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP.571, LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER, OR (III) IN OTHER CIRCUMSTANCES WHICH DO NOT RESULT IN THE DOCUMENT BEING A "PROSPECTUS" WITHIN THE MEANING OF THE COMPANIES ORDINANCE (CAP.32, LAWS OF HONG KONG), AND NO ADVERTISEMENT, INVITATION OR DOCUMENT RELATING TO THE OFFERED SECURITIES MAY BE ISSUED OR MAY BE IN THE POSSESSION OF ANY PERSON FOR THE PURPOSE OF ISSUE (IN EACH CASE WHETHER IN HONG KONG OR ELSEWHERE), WHICH IS DIRECTED AT, OR THE CONTENTS OF WHICH ARE LIKELY TO BE ACCESSED OR READ BY, THE PUBLIC IN HONG KONG (EXCEPT IF PERMITTED TO DO SO UNDER THE LAWS OF HONG KONG) OTHER THAN WITH RESPECT TO THE OFFERED SECURITIES WHICH ARE OR ARE INTENDED TO BE DISPOSED OF ONLY TO PERSONS OUTSIDE HONG KONG OR ONLY TO "PROFESSIONAL INVESTORS" WITHIN THE MEANING OF THE SECURITIES AND FUTURES ORDINANCE (CAP.571, LAWS OF HONG KONG) AND ANY RULES MADE THEREUNDER.

NOTICE TO RESIDENTS OF ITALY

THIS OFFERING MEMORANDUM HAS NOT BEEN SUBMITTED TO THE CLEARANCE PROCEDURES OF *COMMISSIONE NAZIONALE PER LE SOCIETÀ E LA BORSA* ("CONSOB") AND HAS NOT BEEN AND WILL NOT BE SUBJECT TO THE FORMAL REVIEW OR CLEARANCE PROCEDURES OF CONSOB AND ACCORDINGLY MAY NOT BE USED IN CONNECTION WITH ANY OFFERING OF ORDINARY SHARES IN THE REPUBLIC OF ITALY ("ITALY") OTHER THAN TO "PROFESSIONAL INVESTORS" (AS DEFINED BELOW AND IN ACCORDANCE WITH APPLICABLE ITALIAN SECURITIES LAWS AND REGULATIONS).

ANY OFFER OF ORDINARY SHARES IN ITALY IN RELATION TO THE OFFERING IS BEING MADE ONLY TO PROFESSIONAL INVESTORS (EACH A "PROFESSIONAL INVESTOR"), PURSUANT TO ARTICLE 30, PARAGRAPH 2 AND ARTICLE 100 A) OF LEGISLATIVE DECREE NO. 58 OF 24 FEBRUARY 1998, AS AMENDED ("DECREE NO. 58") AND AS DEFINED IN ARTICLES 25 AND 31, PARAGRAPH 2 OF CONSOB REGULATION NO. 11522 OF 1 JULY 1998, AS AMENDED ("REGULATION NO. 11522"), AND EXCLUDING INDIVIDUALS AS DEFINED PURSUANT TO THE AFOREMENTIONED ARTICLE 31, PARAGRAPH 2, WHO MEET THE REQUIREMENTS IN ORDER TO EXERCISE ADMINISTRATIVE, MANAGERIAL OR SUPERVISORY FUNCTIONS AT A REGISTERED SECURITIES DEALING FIRM (A *SOCIETÀ DI INTERMEDIAZIONE MOBILIARE*, OR "SIM"), MANAGEMENT COMPANIES AUTHORIZED TO MANAGE INDIVIDUAL PORTFOLIOS ON BEHALF OF THIRD PARTIES (*SOCIETÀ DI GESTIONE A FIDUCIARIE*) MANAGING PORTFOLIO INVESTMENTS REGULATED BY ARTICLE 60, PARAGRAPH 4 OF LEGISLATIVE DECREE NO. 415 OF 23 JULY 1996 AND OTHERWISE IN ACCORDANCE WITH APPLICABLE ITALIAN LAWS AND REGULATIONS PROVIDED THEREIN. UNDER NO CIRCUMSTANCES SHOULD THIS OFFERING MEMORANDUM BE CIRCULATED AMONG, OR BE DISTRIBUTED IN ITALY TO ANY MEMBER OF THE GENERAL PUBLIC IN ITALY OR TO INDIVIDUALS OR ENTITIES FALLING OUTSIDE THE CATEGORIES OF PROFESSIONAL INVESTORS. ANY SUCH OFFER OR ISSUE OR ANY DISTRIBUTION OF THIS OFFERING MEMORANDUM WITHIN ITALY AND/OR THE RENDERING OF ADVICE OF ANY NATURE WHATSOEVER IN CONNECTION WITH THE OFFERING MUST BE CONDUCTED EITHER BY BANKS, INVESTMENT FIRMS (AS DEFINED IN DECREE NO. 58) OR FINANCIAL COMPANIES ENROLLED IN THE SPECIAL REGISTER PROVIDED FOR BY ARTICLE 107 OF LEGISLATIVE DECREE NO. 385 OF 1 SEPTEMBER 1993, AS AMENDED, TO THE EXTENT DULY AUTHORIZED TO ENGAGE IN THE PLACEMENT AND/OR UNDERWRITING OF FINANCIAL INSTRUMENTS IN ITALY IN ACCORDANCE WITH THE RELEVANT PROVISIONS OF DECREE NO. 58.

NOTICE TO RESIDENTS OF NORWAY

THIS OFFERING MEMORANDUM HAS NOT BEEN FILED WITH THE NORWEGIAN COMPANY REGISTRY OR WITH THE OSLO STOCK EXCHANGE IN ACCORDANCE WITH THE NORWEGIAN SECURITIES TRADING ACT, CHAPTER 5, AND MAY THEREFORE NOT BE DISTRIBUTED TO MORE THAN FIFTY POTENTIAL INVESTORS IN NORWAY.

NOTICE TO RESIDENTS OF SPAIN

THE SECURITIES MAY NOT BE OFFERED, SOLD OR DISTRIBUTED, NOR MAY ANY SUBSEQUENT RESALE OF THE SECURITIES BE CARRIED OUT IN SPAIN, IN CIRCUMSTANCES WHICH CONSTITUTE A PUBLIC OFFER OF SECURITIES IN SPAIN WITHIN THE MEANING OF THE SPANISH SECURITIES MARKET LAW (LEY 24/1988, DE 28 DE JULIO, DEL MERCADO DE

VALORES), AS AMENDED, OR WITHOUT COMPLYING WITH ALL LEGAL AND REGULATORY REQUIREMENTS UNDER SPANISH SECURITIES LAWS.

NEITHER THE SECURITIES NOR THIS OFFERING MEMORANDUM, OR ANY OTHER OFFERING MATERIAL, HAVE BEEN VERIFIED OR REGISTERED WITH THE SPANISH SECURITIES MARKET COMMISSION (COMISIÓN NACIONAL DEL MERCADO DE VALORES) AND THEREFORE THIS OFFERING MEMORANDUM IS NOT INTENDED FOR ANY PUBLIC OFFER OF THE SECURITIES IN SPAIN.

NOTICE TO RESIDENTS OF SWEDEN

THIS OFFERING MEMORANDUM HAS NOT BEEN AND WILL NOT BE APPROVED BY OR REGISTERED WITH THE SWEDISH FINANCIAL SUPERVISORY AUTHORITY ("SFSA"). THE SECURITIES OFFERING HAS NOT AND WILL NOT BE APPROVED BY THE SFSA AND THE TRANSACTION WILL NOT BE ADVERTISED IN SWEDEN. ANY PERSON WHO IS IN POSSESSION OF THIS OFFERING MEMORANDUM UNDERSTANDS THAT NO ACTION HAS BEEN OR WILL BE TAKEN WHICH WOULD ALLOW AN OFFERING OF THE ORDINARY SHARES TO THE PUBLIC IN SWEDEN. ACCORDINGLY, NEITHER THIS OFFERING MEMORANDUM NOR ANY OTHER OFFERING MATERIALS RELATING TO THE SECURITIES MAY BE DISTRIBUTED OR MADE AVAILABLE TO THE PUBLIC IN SWEDEN.

NOTICE TO RESIDENTS OF SWITZERLAND

THE ISSUER HAS NOT BEEN AUTHORIZED BY THE SWISS FEDERAL BANKING COMMISSION AS A FOREIGN INVESTMENT FUND NOR DOES THIS OFFERING MEMORANDUM CONSTITUTE AN ISSUE PROSPECTUS FOR THE OFFERING OF NEW ORDINARY SHARES IN ACCORDANCE WITH APPLICABLE SWISS LEGISLATION. ACCORDINGLY, OUR ORDINARY SHARES MAY NOT BE OFFERED TO THE PUBLIC IN OR FROM SWITZERLAND. THIS OFFERING MEMORANDUM MAY ONLY BE USED BY THOSE PERSONS TO WHOM IT HAS BEEN HANDED OUT IN CONNECTION WITH THE OFFER DESCRIBED THEREIN. IT MAY NOT BE USED IN CONNECTION WITH ANY OTHER OFFER AND SHALL IN PARTICULAR NOT BE DISTRIBUTED TO THE PUBLIC IN SWITZERLAND.

NOTICE TO RESIDENTS OF THE UNITED KINGDOM

THIS OFFERING MEMORANDUM IS ONLY BEING DISTRIBUTED TO AND IS ONLY DIRECTED AT (I) PERSONS WHO ARE OUTSIDE THE UNITED KINGDOM OR (II) INVESTMENT PROFESSIONALS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE "ORDER"), OR (III) HIGH NET WORTH ENTITIES, AND OTHER PERSONS TO WHOM IT MAY LAWFULLY BE COMMUNICATED, FALLING WITHIN ARTICLE 49(2)(A)-(D) OF THE ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS, RELEVANT PERSONS. THE ORDINARY SHARES ARE ONLY AVAILABLE TO, AND ANY INVITATION, OFFER OR AGREEMENT TO SUBSCRIBE, PURCHASE OR OTHERWISE ACQUIRE SUCH ORDINARY SHARES WILL BE ENGAGED IN ONLY WITH, RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFERING MEMORANDUM OR ANY OF ITS CONTENTS.

NOTICE TO OTHER NON-UNITED STATES RESIDENTS

IT IS THE RESPONSIBILITY OF THE PROSPECTIVE INVESTOR TO SATISFY ITSELF AS TO FULL OBSERVANCE OF THE LAWS OF ANY RELEVANT TERRITORY OR JURISDICTION OUTSIDE THE UNITED STATES IN CONNECTION WITH ANY PURCHASE OF OUR SECURITIES, INCLUDING, WITHOUT LIMITATION, OBTAINING ANY REQUIRED GOVERNMENTAL OR OTHER CONSENTS OR OBSERVING ANY OTHER APPLICABLE REQUIREMENTS.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR LEGAL, TAX AND ACCOUNTING ADVISERS TO ENSURE THAT THEY ARE QUALIFIED AND ELIGIBLE TO PARTICIPATE IN THIS OFFERING AND TO PURCHASE OUR SECURITIES. WE HAVE NOT UNDERTAKEN ANY ACTIONS TO ENSURE THAT YOU ARE SO QUALIFIED OR ELIGIBLE UNDER THE LAWS OF YOUR JURISDICTION.

NOTICE TO RESIDENTS OF FLORIDA

THE FLORIDA SECURITIES ACT PROVIDES, WHERE SALES ARE MADE TO FIVE OR MORE PERSONS IN FLORIDA, THAT ANY SALE MADE PURSUANT TO SUBSECTION 517.061(11) OF THE FLORIDA SECURITIES ACT SHALL BE VOIDABLE BY SUCH FLORIDA PURCHASER EITHER WITHIN THREE DAYS AFTER THE FIRST TENDER OF CONSIDERATION IS MADE BY SUCH PURCHASER TO THE ISSUER, AN AGENT OF THE ISSUER, OR AN ESCROW AGENT, OR WITHIN THREE DAYS AFTER THE AVAILABILITY OF THAT PRIVILEGE IS COMMUNICATED TO SUCH PURCHASER, WHICHEVER OCCURS LATER.

NOTICE TO RESIDENTS OF NEW HAMPSHIRE

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, FOR THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED THE UNDER NEW HAMPSHIRE REVISED STATUTES ANNOTATED 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT, ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

NOTICE TO RESIDENTS OF NEW YORK

THE ATTORNEY GENERAL OF THE STATE OF NEW YORK HAS NOT PASSED ON OR ENDORSED THE MERITS OF THIS OFFERING. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

NOTICE TO RESIDENTS OF PENNSYLVANIA

EACH PERSON WHO ACCEPTS AN OFFER TO PURCHASE SECURITIES EXEMPTED FROM REGISTRATION BY SECTION 203(d) DIRECTLY FROM THE ISSUER OR AN AFFILIATE OF THE ISSUER SHALL HAVE THE RIGHT TO WITHDRAW HIS ACCEPTANCE WITHOUT INCURRING ANY LIABILITY TO THE SELLER OR ANY OTHER PERSON, WITHIN TWO BUSINESS DAYS FROM THE DATE OF RECEIPT BY THE ISSUER OF HIS WRITTEN BINDING CONTRACT OF PURCHASE, OR IN THE CASE OF A TRANSACTION IN WHICH THERE IS NO BINDING CONTRACT OF PURCHASE, WITHIN TWO BUSINESS DAYS AFTER HE MAKES INITIAL PAYMENT FOR THE SECURITIES OFFERED.

NOTICE TO RESIDENTS OF THE UNITED STATES

IF YOU ARE A RESIDENT OF THE UNITED STATES AND YOU DO NOT PURCHASE ANY OF OUR ORDINARY SHARES, OR IF THIS GLOBAL OFFERING IS TERMINATED, YOU MUST RETURN THIS OFFERING MEMORANDUM AND ALL DOCUMENTS DELIVERED IN CONNECTION WITH THIS OFFERING MEMORANDUM TO:

FRIEDMAN, BILLINGS, RAMSEY & CO., INC.
1001 NINETEENTH STREET NORTH, 11TH FLOOR
ARLINGTON, VIRGINIA 22209
ATTENTION: SYNDICATE DEPARTMENT

GLENNSTARS LIMITED

Directors' Report and Audited Financial Statements
For the period from 25 February 2008 to 23 May 2008

GLENNSTARS LIMITED

DIRECTOR'S REPORT

For the period 25 February 2008 to 23 May 2008

The Directors present their Report, together with the audited financial statements of the Company for the period from 25 February 2008 to 23 May 2008.

PRINCIPAL ACTIVITIES

The principal activity of the Company will be to set as a closed-ended collective investment fund and it is intended that the Company will be regulated by the Jersey Financial Services Commission under the Collective Investment Funds (Jersey) Law 1988. It is proposed that the Company will invest in United States mortgage related assets.

DIRECTORS

The Directors who held office during the period and up to the date of this report were:

Joseph L McAdams	(appointed 25 February 2008)
Heather U H Baines	(appointed 25 February 2008)
George S Loraine	(appointed 8 May 2008)
Clive Spears	(appointed 8 May 2008)

No Director holds any interest in the Company.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are required by the Companies (Jersey) Law 1991 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing these financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non-compliance with law regulations.

AUDITORS

On 8 May 2008 RSM Bentley Jennison were appointed as Company auditors and have indicated their willingness to continue in office.

SECRETARY

The secretary of the Company who had been secretary for the whole of the period under review was Dominion Fund Administrators Limited.

Approved by the Board of Directors
and signed on behalf of the Board

/s/ Sarah Rayson

Secretary
Dated this 29 day of May 2008

Registered Office

47 Esplanade
St Helier
Jersey
JE1 0BD

GLENNSTARS LIMITED

AUDITOR'S REPORT

For the period 25 February 2008 to 23 May 2008

Independent Auditors' Report to the members of Glennstars Limited

We have audited the financial statements of Glennstars Limited for the period from 25 February 2008 to 23 May 2008 set out on pages F-6 and F-7. These financial statements have been prepared with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Article 110 of the Companies (Jersey) Law 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the statement of Directors' responsibilities on page F-1, the company's directors are responsible for the preparation of the financial statements in accordance with the Companies (Jersey) Law 1991 and accounting principles generally accepted in the United States of America. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies (Jersey) Law 1991. We also report to you if, in our opinion, the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- *the financial statements give a true and fair view, in accordance with accounting principles generally accepted in the United States of America of the state of the company's affair as at 23 May 2008 and of its result for the period;*

- *the financial statements have been properly prepared in accordance with the Companies (Jersey) Law 1991; and*
- *the information given in the Directors' Report is consistent with the financial statements.*

/s/ RSM Bentley Jennison

RSM Bentley Jennison
Chartered Accountants & Registered Auditors

45 Moorfields
London
EC2Y 9AE

Date: 30 May 2008

GLENNSTARS LIMITED

BALANCE SHEET
As at 23 May 2008

	Note	*23 May 08 US$*
CURRENT ASSET		
Cash in hand		30
LIABILITIES AND STOCKHOLDER'S FUNDS		
Share capital	3	30

The audited financial statements on pages F-6 and F-7 were approved by the Board of Directors on 29 May 2008 and were signed on its behalf by:

/s/ George Loraine	/s/ Clive Spears
Director	Director

GLENNSTARS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period from 25 February 2008 to 23 May 2008

1. ORGANIZATION AND SUMMARY OPERATIONS

Glennstars Limited was incorporated under the laws of Jersey Channel Islands on 25 February 2008. The Company was incorporated for the purpose of acting as a closed-ended collective investment fund and it is intended that the Company will be regulated by the Jersey Financial Services Commission under the Collective Investment Funds (Jersey) Law 1988.

The Company is currently non trading and is in the process of raising funds for its operations.

2. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The financial statements have been prepared in US Dollars as this is considered to be the main operating currency of the Company.

Foreign Currency Translation

The functional currency of the Company is US Dollars. The books and records of the Company are maintained in US Dollars. The assets and liabilities denominated in non-US Dollars are translated into US Dollars at the rate prevailing at the balance sheet date, with the exception of stockholders' equity which is translated at its historical rate. The €20 received in relation to the 2 founders shares was converted into U.S. dollars at the rate of €1 for $1.53, which was the rate in effect on March 11, 2008, the date that the company received the €20 in relation to the founders shares. Realized and unrealized gains and losses from such translation, if any, are included in profit and loss for the period.

3. SHARE CAPITAL

	23 May 08 US$
Authorized	
Unlimited number of shares of no par value	—
	US$
Allotted, called up and fully paid	
2 founder shares at €10 each	30

4. CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

The holding company and ultimate holding company of the Company is Dominion Corporate Nominees Limited, as holder of the founder shares.

There were no related party transactions during the period.

5. CHANGES IN STOCKHOLDER'S FUNDS

There were no movements in Stockholder's funds after the issue of shares in the period.

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ANNEX I
FORM OF PURCHASER'S LETTER
FOR REGULATION S INVESTORS

Friedman, Billings, Ramsey & Co., Inc.
1001 Nineteenth Street North, 18th floor
Arlington, Virginia 22209

Fox-Pitt, Kelton Ltd
25 Copthall Avenue
London EC2R 7BP

Glennstars Limited
47 Esplanade, St Helier
Jersey, JE1 0BD, Channel Islands

Dear Madam or Sir:

In connection with a proposed purchase from Friedman, Billings, Ramsey & Co., Inc. ("*FBR*") and/or Fox-Pitt, Kelton Ltd (*"FPK"*) of ordinary shares, no par value (the "*Shares*"), of Glennstars Limited (the "*Company*"), the undersigned hereby confirms and certifies that:

1. The undersigned, on the undersigned's own behalf and on behalf of each Account (defined below), if any, hereby agrees and gives a binding commitment to purchase from FBR and/or FPK (each, an "*Initial Purchaser*", and together the "*Initial Purchasers*") the total number of Shares specified on the signature page hereto (and as further broken down for each Account, if any, on *Schedule A*) on the terms provided for herein and in the Offering Memorandum (defined below) and to pay and deliver the subscription amount for the Shares so subscribed pursuant to the instructions to be provided by the Initial Purchasers on or before the business day preceding the Closing Date (as such term is defined in the Purchase Agreement to be entered into between the Company and the Initial Purchasers). The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands and agrees that the Initial Purchasers reserve the right to accept or reject the undersigned's and/or any Account's subscription for the Shares for any reason or for no reason, in whole or in part, at any time prior to its acceptance by the Initial Purchasers. To the extent that the actual number of Shares purchased and received by the undersigned (and/or any Account) differs from the number subscribed for, the Company and the Initial Purchasers may amend this letter to reflect the actual number of Shares purchased and received by the undersigned (and/or any Account). In the event of rejection of the entire subscription by the Initial Purchasers, the undersigned's and any Account's payment hereunder will be returned to the undersigned and this letter shall have no force or effect.

2. The undersigned represents and warrants that it is not a "*U.S. person*" (as defined in Rule 902(k) under the Securities Act of 1933, as amended (the "*Securities Act*")), and, unless it is purchasing Shares solely on behalf of Accounts (as defined below), (a) has his, her or its principal address outside the United States, and (b) was located outside the United States at the time any offer to buy the Shares was made to the undersigned and at the time that the buy order was originated by the undersigned.

3. The undersigned (*check applicable box*):

☐ is purchasing Shares only on its own behalf and not for the account of any other person or entity, or

☐ is acting and purchasing (or proposes to purchase) Shares on behalf of itself and/or the persons, entities or accounts (each, an "*Account*" and collectively, "*Accounts*") set forth on *Schedule A* hereto (*provide the requested information on Schedule A*). The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that each Account is not a U.S. person and was located outside the United States at the time any offer to buy Shares was made and at the time the buy offer was originated by the undersigned or any such Account.

4. The undersigned (*check all boxes that are applicable*):

☐ (i) is a qualified institutional buyer (a "*QIB*"), as defined under Rule 144A ("*Rule 144A*") under the Securities Act.

☐ (ii) is an "accredited investor" within the meaning of Rule 501(a) under the Securities Act (an "*Accredited Investor*") in that the undersigned satisfies the requirement of one or more of sub-paragraphs (A) through (E) below *(check applicable box(es))*:

☐ (A) is a natural person and has a net worth, either alone or with the undersigned's spouse, of more than $1,000,000.

☐ (B) is a natural person and had income in excess of $200,000 during each of the previous two years and reasonably expects to have income in excess of $200,000 during the current year, or joint income with the undersigned's spouse in excess of $300,000 during each of the previous two years and reasonably expect to have joint income in excess of $300,000 during the current year.

☐ (C) is an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*") (whether or not a U.S. person), a corporation, a business trust, or a partnership, not formed for the specific purpose of acquiring Shares, with total assets in excess of $5,000,000.

☐ (D) is a trust with total assets in excess of $5,000,000, that was not formed for the specific purpose of purchasing Shares and whose purchase is directed by a person who has knowledge and experience in financial and business matters and is capable of evaluating the merits and risks of investing in the Company.

☐ (E) is an entity in which all of the equity owners are entities described in (A) through (D) above or this (E).

5. The undersigned, on the undersigned's own behalf and on behalf of any Accounts for which it holds, understands and agrees that the Company is, and after the offering to which this letter relates expects to remain, a "foreign private issuer" within the meaning of Rule 405 of the Securities Act, and therefore, for purposes of that definition, it represents, warrants and certifies to the following effect:

(*Either box (a) or (b) below* ***must*** *be ticked*)

(a) it (and any such Account) (i) is a natural person, (ii) will be the holder of record of the Shares, and (iii) is not a U.S. resident;

OR

(b) it (and any such Account) (i) is a corporation, partnership or other entity other than a natural person, and was organized under the laws of a jurisdiction outside the United States, (ii) will be the holder of record of the Shares, (iii) is not a U.S. resident, and (iv) it was not formed or organized primarily for the purpose of, and it is not being used as a means of holding the Shares primarily for the purpose of, circumventing the registration provisions of the Securities Act or Exchange Act.

The undersigned further represents, warrants and agrees that, if it is a broker, dealer, bank or other nominee that is located in the United States, Jersey or The Netherlands, it is providing the representations and warranties in (a) or (b) above in regard to its customers on whose behalf it holds.

6. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands, certifies and agrees that (a) the undersigned and/or each such Account is not a U.S. person and is not acquiring the Shares for the account or benefit of any U.S. person, (b) the undersigned and/or each such Account is

acquiring the Shares in an offshore transaction within the meaning of and in accordance with Rules 901 and 904 of Regulation S ("*Regulation S*") promulgated under the Securities Act, (c) the undersigned and/or each such Account is not acquiring, and has not entered into any discussions regarding the undersigned's or such Account's acquisition of, the Shares while the undersigned or such Account was in the United States or any of its territories or possessions, (d) the Shares are being sold without a registration statement declared effective under the Securities Act by reason of an exemption that depends, in part, on the accuracy of the representations made by the undersigned and each such Account, (e) the Shares may not and will not be resold or transferred except in accordance with paragraph 10 below, and (f) the undersigned and/or each such Account is familiar with the rules and restrictions set forth in Regulation S and have not undertaken and will not undertake any activity for the purpose of, or that could reasonably be expected to have the effect of, conditioning the market in the United States for the Shares.

7. The undersigned represents and warrants, on the undersigned's own behalf and on behalf of each Account, that it ☐ is ☐ is not (and for as long as it owns the Shares will not be) using "plan assets" of a Benefit Plan Investor. A "*Benefit Plan Investor*" includes any plan subject to Title I of the Employment Retirement Insurance Security Act of 1974 ("*ERISA*"), a plan described in Section 4975 of the Code, and any entity whose underlying assets include plan assets by reason of a plan's investment in such entity (including but not limited to an insurance company general account). If the undersigned is (or the Account is) a Benefit Plan Investor, then _____% of the investment by the Benefit Plan Investor constitute "plan assets" subject to Title I of ERISA or Section 4975 of the Code.

8. The undersigned further represents and warrants, on the undersigned's own behalf and on behalf of each Account, that the purchase and holding of Shares by the undersigned and/or each such Account either does not constitute a prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law, or is eligible for coverage under one or more statutory or administrative exemptions from the prohibited transaction rules of ERISA and the Code; and agrees, on the undersigned's own behalf and on behalf of each Account, to provide to the Company and the Initial Purchasers, promptly upon request, all additional information that either the Company or the Initial Purchasers determine to be reasonably necessary in order to determine whether the undersigned and each such Account meets the suitability standards for ownership of the Shares. The undersigned further represents and warrants, on the undersigned's own behalf and on behalf of each Account) that, in addition to any other transfer restrictions described herein, it will not transfer or assign its interest in the Shares to any person (including any change in the source of funds that is a result of a transfer to an affiliate or a different account) that is, or is acting on behalf of, a Benefit Plan Investor or person who has discretionary authority or control with respect to the Company's assets or who provides investment advice for a fee (direct or indirect) with respect to such assets.

9. The undersigned acknowledges that it has received a copy of the approved offering memorandum, dated June 11, 2008, relating to the offering of Shares and will receive a Pricing Statement relating to the pricing of the Shares (together, the "*Offering Memorandum*"), and the undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands and agrees that the Offering Memorandum speaks only as of its date and that the information contained in the Offering Memorandum may not be correct or complete as of any time subsequent to that date.

10. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands that the Shares are being offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the Shares have not been registered under the Securities Act or any other law of the United States and, unless so registered, may not be sold except as permitted in the following sentence. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees that, if in the future the undersigned or any Account decides to offer, resell, pledge or otherwise transfer such Shares, prior to the date that is one year after the later of the date of original issue and the last date on which the Company or any affiliate of the Company (or any predecessor thereto) was the owner of such Shares (the "*Resale Restriction Termination Date*"), such Shares may be offered, resold, pledged or otherwise transferred only (a) to

the Company or a subsidiary thereof, or (b) pursuant to offers and sales to non-U.S. persons[1] that occur outside the United States within the meaning of and in accordance with Regulation S under the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of the undersigned's property or the property of any such Account be at all times within the undersigned's or such Account's control and subject to compliance with any applicable securities laws of any jurisdiction. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands that the transfer agent for the Shares will not be required to accept for registration of transfer any Shares acquired by the undersigned or any Account, except upon presentation of evidence satisfactory to the Company and the transfer agent that the foregoing restrictions on transfer have been complied with. The undersigned acknowledges that the Company and the Initial Purchasers reserve the right prior to any offer, sale or other transfer of the Shares pursuant to clause (b) above prior to the end of the Resale Restriction Termination Date to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Initial Purchasers. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees not to engage in hedging transactions with regard to the Shares unless in compliance with the Securities Act. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, further understands that any certificates representing Shares acquired by the undersigned or any Account will bear a legend reflecting the substance of this paragraph.

11. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, hereby makes the representations, warranties, covenants and agreements deemed to have been made by each investor under the sections of the Offering Memorandum relating to the Shares entitled "Notice to Investors—Transfer Restrictions" and "Notice to Investors—Investor Restrictions" and agrees to be bound by the restrictions set forth in each such section.

12. The undersigned acknowledges that it has received such information as the undersigned deems necessary in order to make an investment decision on the undersigned's own behalf and on behalf of each Account, if any, with respect to the Shares. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands that the undersigned, each Account and their professional adviser(s), if any, have the right to ask questions of and receive answers from the Company and its officers and directors, and to obtain such information concerning the terms and conditions of the offering of the Shares to the extent that the Company possesses the same or could acquire it without unreasonable effort or expense, as the undersigned, any such Account and any professional adviser(s) deem necessary to verify the accuracy of the information referred to in the Offering Memorandum pursuant to which the Shares are being offered. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and agrees that the undersigned and the undersigned's professional adviser(s), if any, have asked such questions, received such answers and obtained such information as the undersigned and the undersigned's professional adviser(s), if any, deem necessary to verify the accuracy (a) of the information referred to in the Offering Memorandum and (b) of any other information that the undersigned and the undersigned's professional adviser(s), if any, deem relevant to making an investment decision with respect to the Shares.

13. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that (a) the undersigned and each Account, if any, became aware of this offering of the Shares, and the Shares were offered to the undersigned and each Account, solely by means of the Offering Memorandum and/or by direct contact between the undersigned and/or each such Account and the Company or the Initial Purchasers, and not by any other means, including, by any form of general solicitation or general advertising, (b) the undersigned and each Account, if any, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Shares and is aware that there are substantial

[1] In order to qualify as a non-U.S. person under Regulation S, the proposed transferee must (a) have his, her or its principal address outside the United States, (b) be located outside the United States at the time any offer to buy the Shares was made to the proposed transferee and at the time that the buy order was originated by the proposed transferee, and (c) not be a "U.S. person" (as defined in Rule 902(k) under the Securities Act).

risks incident to the purchase of the Shares, including those summarized under "Risk Factors" in the Offering Memorandum, (c) in making the decision to purchase the Shares for the undersigned and each Account, if any, the undersigned has relied solely upon the Offering Memorandum and independent investigation made by the undersigned, and (d) alone, or together with any professional adviser(s), the undersigned has adequately analyzed the risks of an investment in the Shares and determined that the Shares are a suitable investment for the undersigned and for each Account, if any, and that the undersigned and each such Account is able at this time and in the foreseeable future to bear the economic risk of a total loss of the undersigned's or such Account's investment in the Shares; the undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges such a possibility.

14. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that (a) the undersigned is acquiring the Shares for the undersigned's and each such Account's own account (and not for the account of others) for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, (b) neither the undersigned nor any Account was formed for the specific purpose of acquiring the Shares, (c) the undersigned and each Account, if any, understands that there is no established market for the Shares and that no public market for the Shares may develop and that no federal or state agency has passed upon the Shares or the Offering Memorandum, or made any findings or determination as to the fairness of an investment in the Shares and (d) the undersigned and each Account, if any, is aware of the restrictions on transfer contained in the Company's Memorandum and Articles of Association. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges and agrees that the Initial Purchasers did not make any representations, declarations or warranties to the undersigned or any Account regarding the Shares, the Company or the Company's offering of the Shares.

15. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that neither the undersigned nor any Account, nor, to the undersigned's knowledge, any person or entity controlling, controlled by or under common control with the undersigned or any Account, nor any person or entity having a beneficial interest in the undersigned or any Account, nor any other person or entity on whose behalf the undersigned is acting: (a) is a person or entity listed in the annex to Executive Order No. 13224 (2001) issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism); (b) is named on the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Office of Foreign Assets Control (OFAC); (c) is a Designated National as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515; (d) is a non-U.S. shell bank or is providing banking services indirectly to a non-U.S. shell bank; (e) is a current or former senior non-U.S. political figure or an immediate family member or close associate of such figure or any entity owned or controlled by or organized for the benefit of such a figure; or (f) is otherwise prohibited from investing in the Company pursuant to applicable U.S. anti-money laundering, antiterrorist and asset control laws, regulations, rules or orders (categories (a) through (f) collectively, a "*Prohibited Investor*"). The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees to provide the Company, promptly upon request, all information that the Company reasonably deems necessary or appropriate to comply with applicable U.S. anti-money laundering, antiterrorist and asset control laws, regulations, rules and orders. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, consents to the disclosure to U.S. regulators and law enforcement authorities by the Company and its affiliates and agents of such information about the undersigned and each such Account as the Company reasonably deems necessary or appropriate to comply with applicable U.S. anti-money laundering, antiterrorist and asset control laws, regulations, rules and orders, if the undersigned or any Account is a financial institution that is subject to the PATRIOT Act, Public Law No. 107-56 (Oct. 26, 2001) (the "*Patriot Act*"), the undersigned, on the undersigned's own behalf and on behalf of each such Account, represents that the undersigned and each such Account has met all of its respective obligations under the Patriot Act. If the undersigned or any Account is a financial institution that is subject to the Bank Secrecy Act, as amended (31 U.S.C. Section 5311 et seq.), and its implementing regulations (collectively, the "*Bank Secrecy Act*"), the undersigned, on the undersigned's own behalf and on behalf of each such Account, if any, represents that the undersigned and each such Account has met and will continue to meet all of its respective obligations under the Bank Secrecy Act. The undersigned, on the undersigned's own behalf and on

behalf of each Account, if any, further represents and warrants that to the undersigned's knowledge, the funds used to purchase the Shares were legally derived. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that if, following the investment in the Shares by the undersigned and/or any Account, the Company reasonably believes that the undersigned or any Account is a Prohibited Investor or is otherwise engaged in illegal or suspicious activity or refuses to provide promptly information that the Company requests, the Company has the right or may be obligated to prohibit additional investments, segregate the assets constituting the investment in accordance with applicable regulations or immediately require the undersigned or any such Account to transfer the Shares. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, further acknowledges that neither the undersigned nor any Account will have any claim against the Company or any of its affiliates or agents for any form of damages as a result of any of the foregoing actions.

16. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees to indemnify and hold harmless the Company and the Initial Purchasers, their respective directors, executive officers and each other person, if any, who controls or is controlled by the Company or the Initial Purchasers, within the meaning of Section 15 of the Securities Act or Section 20 of the Securities Exchange Act of 1934, as amended, from and against any and all loss, liability, claim, damage and expense whatsoever (including, without limitation, any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon (a) any false, misleading or incomplete representation, declaration or warranty or breach or failure by the undersigned or any such Account to comply with any covenant or agreement made by the undersigned, on the undersigned's own behalf and on behalf of each such Account, in this letter or in any other document furnished by the undersigned or any such Account to any of the foregoing in connection with this transaction or (b) any action for securities law violations by the undersigned or any such Account.

17. The Company and the Initial Purchasers may request from the undersigned and/or any Account such additional information as the Company or the Initial Purchasers may deem necessary to evaluate the eligibility of the undersigned or any Account to acquire the Shares, and may request from time to time such information as the Company or the Initial Purchasers may deem necessary to determine the eligibility of the undersigned or any Account to hold the Shares or to enable the Company to determine the Company's compliance with applicable regulatory requirements or tax status, and the undersigned and each Account shall provide such information as may reasonably be requested.

18. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Initial Purchasers, the Company and others will rely on the acknowledgments, understandings, agreements, representations and warranties contained in this letter. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees to promptly notify the Initial Purchasers and the Company if any of the acknowledgments, understandings, agreements, representations and warranties set forth herein change or are no longer accurate. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees that each purchase by the undersigned or any Account of Shares from the Company or from or through the Initial Purchasers within six months from the date of this letter will constitute a reaffirmation of the acknowledgments, understandings, agreements, representations and warranties herein (as modified by any such notice) by the undersigned and any such Account as of the time of such purchase, including with respect to the Shares then purchased.

19. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Initial Purchasers are not making any representation to any purchaser of the Shares regarding the legality, or appropriateness of an investment in the Shares under any laws or regulations and that it should not consider any information contained in the Offering Memorandum to be legal, business or tax advice. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, further acknowledges that it should consult its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Shares.

20. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Shares have not been recommended, approved or disapproved by the SEC or any other U.S. federal or state securities commission or regulatory authority, nor has any such commission or regulatory authority passed upon the accuracy or determined the adequacy of the Offering Memorandum, and that any representation to the contrary is a criminal offense.

21. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the offer of Shares may be withdrawn at any time before the closing, either in whole or in part, and is specifically made subject to the terms described in the Offering Memorandum and in the Purchase Agreement between the Initial Purchasers and the Company.

22. If the undersigned is acting on behalf of an Account, the undersigned represents and warrants that: (a) the undersigned is acting as the authorized agent on behalf of each Account and has full discretionary authority to make investment decisions on behalf of each Account; (b) the undersigned has direct knowledge of the identity of each Account and has made reasonable, recent (within six months prior to the date hereof) inquiry as to the eligibility of each Account to purchase the Shares pursuant to the terms set forth in the Offering Memorandum and based thereon, each Account is eligible to purchase the number of Shares set forth opposite such Account's name on Schedule A pursuant to the terms set forth in the Offering Memorandum; (c) the undersigned is duly authorized and empowered by each Account to act for and legally bind such Account and to execute this letter and make and enter into the acknowledgments, understandings, agreements, representations and warranties contained herein, including, without limitation, the binding commitment to purchase the Shares, on behalf of such Account, and such acknowledgments, understandings, agreements, representations and warranties constitute legal, valid and binding obligations of each such Account, enforceable against each such Account in accordance with the terms hereof, to the same extent as if made and entered into directly by each such Account; and (d) each Account is a QIB and/or an Accredited Investors, as noted on *Schedule A*.

23. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that the execution, delivery and performance of this letter by the undersigned, on the undersigned's own behalf and on behalf of each Account, if any, are within the powers of the undersigned, have been duly authorized and will not constitute or result in a breach or default under or conflict with any order, ruling or regulation of any court or other tribunal or of any governmental commission or agency, or any agreement or other undertaking, to which the undersigned or any Account is a party or by which the undersigned or any Account is bound, and, if the undersigned or any Account is not an individual, will not violate any provisions of such entity's charter documents, including, without limitation, its incorporation or formation papers, bylaws, indenture of trust or partnership or operating agreement, as may be applicable. The signature on this letter is genuine, and the signatory, if the undersigned is an individual, has legal competence and capacity to execute the same, or, if the undersigned is not an individual, the signatory has been duly authorized to execute the same, and this letter constitutes a legal, valid and binding obligation of the undersigned and each Account, if any, enforceable in accordance with its terms.

24. Neither this letter nor any rights that may accrue to the undersigned or any Account hereunder may be transferred or assigned.

25. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Initial Purchasers, the Company and others may be relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A.

26. The Initial Purchasers and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

27. The undersigned agrees to notify you of any change in the certification herein.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD OTHERWISE REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER STATE.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the undersigned, on the undersigned's own behalf and on behalf of each Account, if any, has caused this Purchaser's Letter to be executed as of the date set forth below.

This Purchaser's Letter must be signed by the undersigned's chief financial officer or another executive officer, except that if the undersigned is a member of a "family of investment companies," this Purchaser's Letter must be signed by an executive officer of the undersigned's investment adviser.

By: _____

Name: _____

Company Name: _____

Title: _____

Date: _____

Address: _____

_____

_____

Telephone No.: _____

Email: _____

Total Number of Shares subscribed for: _____

Subscription Amount: $ _____

(The subscription amount for the Shares shall be paid pursuant to the instructions to be provided by the Initial Purchasers. To the extent the actual number of Shares purchased and received by the undersigned (and/or any Account) is different from the number subscribed for, the Company and the Initial Purchasers may amend this letter to reflect the actual number of Shares purchased and received by the undersigned (and/or any Account)).

SCHEDULE A

ACCOUNTS (if any)

Account Name, Location of Residence (Indiv.) Principal Place of Business (Entities) and Type of Entity (Entities)	Accredited Investor?[1]	QIB?[2]	Number of Shares Subscribed For[3] (#)	Subscription Amount[3] ($)
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		
	☐ Yes ☐ No	☐ Yes ☐ No		

(1) See paragraph 4 above.

(2) See paragraph 4 above.

(3) To the extent the actual number of Shares purchased and received by the undersigned (and/or any Account) differs from the number subscribed for, the Company and the Initial Purchasers may amend this letter to reflect the actual subscription amount and the actual number of Shares purchased and received by the undersigned (and/or any Account).

ANNEX II
FORM OF PURCHASER'S LETTER FOR
RULE 144A QUALIFIED INSTITUTIONAL BUYERS

Friedman, Billings, Ramsey & Co., Inc.
1001 Nineteenth Street North, 18th Floor
Arlington, Virginia 22209

Fox-Pitt, Kelton Ltd
25 Copthall Avenue
London EC2R 7BP

Glennstars Limited
47 Esplanade, St Helier
Jersey, JE1 0BD, Channel Islands

Dear Madam or Sirs:

In connection with a proposed purchase from Friedman, Billings, Ramsey & Co., Inc. ("*FBR*") and/or Fox-Pitt, Kelton Ltd ("*FPK*") of ordinary shares, no par value (the "*Shares*"), of Glennstars Limited (the "*Company*"), the undersigned hereby confirms and certifies that:

1. The undersigned, on the undersigned's own behalf and on behalf of each Account (defined below), if any, hereby agrees and gives a binding commitment to purchase from FBR and/or FPK (each an "*Initial Purchaser*", and together, the "*Initial Purchasers*") the total number of Shares specified on the signature page hereto (and as further broken down for each Account, if any, on *Schedule A*) on the terms provided for herein and in the Offering Memorandum (defined below) and to pay and deliver the subscription amount for the Shares so subscribed pursuant to the instructions to be provided by the Initial Purchasers on or before the business day preceding the Closing Date (as such term is defined in the Purchase Agreement to be entered into between the Company and the Initial Purchasers). The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands and agrees that the Initial Purchasers reserve the right to accept or reject the undersigned's and/or any Account's subscription for the Shares for any reason or for no reason, in whole or in part, at any time prior to its acceptance by the Initial Purchasers. To the extent that the actual number of Shares purchased and received by the undersigned (and/or any Account) differs from the number subscribed for, the Company and the Initial Purchasers may amend this letter to reflect the actual number of Shares purchased and received by the undersigned (and/or any Account). In the event of rejection of the entire subscription by the Initial Purchasers, the undersigned's and any Account's payment hereunder will be returned to the undersigned and this letter shall have no force or effect.

2. The undersigned represents and warrants that it is a qualified institutional buyer (a "*QIB*") under Rule 144A ("*Rule 144A*") under the Securities Act of 1933, as amended (the "*Securities Act*"), in that the undersigned satisfies the requirement of one or more of sub-paragraphs (i) through (vi) below *(check applicable box(es))*:

☐ (i) The undersigned is an entity referred to in sub-paragraphs (A) through (G) hereof and in the aggregate owned and invested on a discretionary basis, for its own account and the accounts of other QIBs, at least $100 million, calculated as provided in Rule 144A, as of the date specified on the signature page hereto.

☐ (A) *Corporation, etc*. A corporation (other than a bank, savings and loan, or similar institution referred to in (ii) below), partnership, Massachusetts or similar business trust, an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "*Code*") a small business investment company licensed by the U.S. Small Business Administration under Section 301(c) or (d) of the Small Business Investment Act of 1958, as amended, or a business development company as defined in Section 202(a) (22) of the Investment Advisers Act of 1940, as amended, (the "*Advisers Act*").

☐ (B) *Insurance Company*. An insurance company as defined in Section 2(13) of the Securities Act.

☐ (C) *ERISA Plan*. An employee benefits plan within the meaning of Title I of the Employee Retirement Income Security Act of 1974, as amended, ("*ERISA*").

☐ (D) *State or Local Plan*. A plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees.

☐ (E) *Investment Company*. An investment company registered under the Investment Company Act of 1940, as amended, (the "*1940 Act*") or any business development company as defined in Section 2(a) (48) of the 1940 Act.

☐ (F) *Investment Adviser*. An investment adviser registered under the Advisers Act.

☐ (G) *Trust Fund*. A trust fund whose trustee is a bank or trust company and whose participants are exclusively plans of the types identified in paragraphs (i)(C) and (i)(D) above, except trust funds that include as participants individual retirement accounts or H.R. 10 plans.

☐ (ii) *Bank or Savings and Loan*. The undersigned is: a bank as defined in Section 3(a)(2) of the Securities Act; a savings and loan association or other institution referenced in Section 3(a)(5)(A) of the Securities Act; or a foreign bank or savings and loan association or equivalent institution, acting for its own account and the accounts of other QIBs, that in the aggregate owned and invested on a discretionary basis at least $100 million, calculated as provided in Rule 144A, as of the date specified on the signature page hereto, and that had an audited net worth of at least $25 million as of the end of its most recent fiscal year and as demonstrated in its latest annual financial statements. (This paragraph does not include bank commingled funds.)

☐ (iii) *One of a Family of Investment Companies*. The undersigned is an investment company registered under the 1940 Act, acting for its own account or for the accounts of other QIBs, that is part of a "family of investment companies", as defined in Rule 144A, that owned in the aggregate at least $100 million, calculated as provided in Rule 144A, as of the date specified on the signature page hereto.

☐ (iv) *Dealer*. The undersigned is a dealer registered under Section 15 of the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"), acting for its own account and the accounts of other QIBs, that in the aggregate owned and invested on a discretionary basis at least $10 million, calculated as provided in Rule 144A, as of the date specified on the signature page hereto.

☐ (v) *Dealer (Riskless Principal Transaction)*. The undersigned is a dealer registered under Section 15 of the Exchange Act acting in a riskless principal transaction (as defined in Rule 144A) on behalf of a QIB.

☐ (vi) *Entity Owned by Qualified Buyers*. The undersigned is an entity, all of the equity owners of which are QIBs (each satisfying one or more of (i) through (v) above or this (vi), including, as applicable, the $100 million test), acting for its own account or for the accounts of other QIBs.

In calculating the aggregate amount of securities owned or invested on a discretionary basis by an entity, as provided in Rule 144A: (a) repurchase agreements, securities owned but subject to repurchase agreements, currency, interest rate and commodity swaps, bank deposit notes and certificates of deposit, loan participation, securities of affiliates and dealers' unsold allotments are excluded; and (b) securities are valued at cost, except they may be valued at market if they are reported in financial statements at market and no current cost information is published.

Each entity, including a parent or subsidiary, must separately meet the requirements to be a QIB under Rule 144A. Securities owned by any subsidiary are included as owned or invested by its parent entity for purposes of Rule 144A only if (1) the subsidiary is consolidated in the parent entity's financial statements prepared in accordance with generally accepted accounting principals and (2) the subsidiary's investments are managed

under the parent entity's direction (except that a subsidiary's securities are not included if the parent entity is itself a majority-owned consolidated subsidiary of another enterprise and is not a reporting company under the Exchange Act).

3. The undersigned (*check applicable box*):

☐ is purchasing Shares only on its own behalf and not for the account of any other person or entity, or

☐ is acting and purchasing (or proposes to purchase) Shares on behalf of itself and/or the persons, entities or accounts (each, an "*Account*" and collectively, "*Accounts*") set forth on *Schedule A* hereto (*provide the requested information on Schedule A*). The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that each Account is a QIB, in that it satisfies the requirement of one or more of sub-paragraphs (i) through (vi) of paragraph 2 above, as noted on *Schedule A* under "Eligibility".

4. The undersigned represents and warrants, on the undersigned's own behalf and on behalf of each Account, that it ☐ is ☐ is not (and for as long as it owns the Shares will not be) using "plan assets" of a Benefit Plan Investor. A "*Benefit Plan Investor*" includes any plan subject to Title I of the Employment Retirement Insurance Security Act of 1974 ("*ERISA*"), a plan described in Section 4975 of the Code, and any entity whose underlying assets include plan assets by reason of a plan's investment in such entity (including but not limited to an insurance company general account). If the undersigned is (or the Account is) a Benefit Plan Investor, then % of the investment by the Benefit Plan Investor constitute "plan assets" subject to Title I of ERISA or Section 4975 of the Code.

5. The undersigned further represents and warrants, on the undersigned's own behalf and on behalf of each Account, that the purchase and holding of Shares by the undersigned and/or each such Account either does not constitute a prohibited transaction under Section 406 of ERISA, Section 4975 of the Code or any similar law, or is eligible for coverage under one or more statutory or administrative exemptions from the prohibited transaction rules of ERISA and the Code; and agrees, on the undersigned's own behalf and on behalf of each Account, to provide to the Company and the Initial Purchasers, promptly upon request, all additional information that either the Company or the Initial Purchasers determine to be reasonably necessary in order to determine whether the undersigned and each such Account meets the suitability standards for ownership of the Shares. The undersigned further represents and warrants, on the undersigned's own behalf and on behalf of each Account) that, in addition to any other transfer restrictions described herein, it will not transfer or assign its interest in the Shares to any person (including any change in the source of funds that is a result of a transfer to an affiliate or a different account) that is, or is acting on behalf of, a Benefit Plan Investor or person who has discretionary authority or control with respect to the Company's assets or who provides investment advice for a fee (direct or indirect) with respect to such assets.

6. The undersigned acknowledges that it has received a copy of the approved offering memorandum, dated June 11, 2008, relating to the offering of Shares and will receive a Pricing Statement relating to the pricing of the Shares (together, the "*Offering Memorandum*"), and the undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands and agrees that the Offering Memorandum speaks only as of its date and that the information contained in the Offering Memorandum may not be correct or complete as of any time subsequent to that date.

7. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands that the Shares are being offered in a transaction not involving any public offering within the United States within the meaning of the Securities Act and that the Shares have not been registered under the Securities Act or any other law of the United States and, unless so registered, may not be sold except as permitted in the following sentence. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees that, if in the future the undersigned or any Account decides to offer, resell, pledge or otherwise transfer such Shares, prior to the date that is one year after the later of the date of original issue and the last date on which the

Company or any affiliate of the Company (or any predecessor thereto) was the owner of such Shares (the "*Resale Restriction Termination Date*"), such Shares may be offered, resold, pledged or otherwise transferred only: (a) to the Company or a subsidiary thereof, or (b) pursuant to offers and sales to non-U.S. persons[2] that occur outside the United States within the meaning of and in accordance with Regulation S under the Securities Act, subject in each of the foregoing cases to any requirement of law that the disposition of the undersigned's property or the property of any such Account be at all times within the undersigned's or such Account's control and subject to compliance with any applicable securities laws of any jurisdiction. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands that the transfer agent for the Shares will not be required to accept for registration of transfer any Shares acquired by the undersigned or any Account, except upon presentation of evidence satisfactory to the Company and the transfer agent that the foregoing restrictions on transfer have been complied with. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Company and the Initial Purchasers reserve the right prior to any offer, sale or other transfer of the Shares pursuant to clause (b) above prior to the end of the Resale Restriction Termination Date to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to the Company and the Initial Purchasers. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees not to engage in hedging transactions with regard to the Shares unless in compliance with the Securities Act. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, further understands that any certificates representing Shares acquired by the undersigned or any Account will bear a legend reflecting the substance of this paragraph.

8. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, hereby makes the representations, warranties, covenants and agreements deemed to have been made by each investor under the sections of the Offering Memorandum relating to the Shares entitled "Notice to Investors—Transfer Restrictions" "Notice to Investors—Investor Restrictions" and agrees to be bound by the restrictions set forth in each such section.

9. The undersigned acknowledges that it has received such information as the undersigned deems necessary in order to make an investment decision on the undersigned's own behalf and on behalf of each Account, if any, with respect to the Shares. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, understands that the undersigned, each Account and their professional adviser(s), if any, have the right to ask questions of and receive answers from the Company and its officers and directors, and to obtain such information concerning the terms and conditions of the offering of the Shares to the extent that the Company possesses the same or could acquire it without unreasonable effort or expense, as the undersigned, any such Account and any professional adviser(s) deem necessary to verify the accuracy of the information referred to in the Offering Memorandum pursuant to which the Shares are being offered. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and agrees that the undersigned and the undersigned's professional adviser(s), if any, have asked such questions, received such answers and obtained such information as the undersigned and the undersigned's professional adviser(s), if any, deem necessary to verify the accuracy (a) of the information referred to in the Offering Memorandum and (b) of any other information that the undersigned and the undersigned's professional adviser(s), if any, deem relevant to making an investment decision with respect to the Shares.

10. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that (a) the undersigned and each Account, if any, became aware of this offering of the Shares, and the Shares were offered to the undersigned and each Account, solely by means of the Offering Memorandum and/or by direct contact between the undersigned and/or each such Account and the Company or the Initial Purchasers,

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[2] In order to qualify as a non-U.S. person under Regulation S, the proposed transferee must (a) have his, her or its principal address outside the United States, (b) be located outside the United States at the time any offer to buy the Shares was made to the proposed transferee and at the time that the buy order was originated by the proposed transferee, and (c) not be a "U.S. person" (as defined in Rule 902(k) under the Securities Act).

and not by any other means, including, by any form of general solicitation or general advertising, (b) the undersigned and each Account, if any, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Shares and is aware that there are substantial risks incident to the purchase of the Shares, including those summarized under "Risk Factors" in the Offering Memorandum, (c) in making the decision to purchase the Shares for the undersigned and each Account, if any, the undersigned has relied solely upon the Offering Memorandum and independent investigation made by the undersigned, and (d) alone, or together with any professional adviser(s), the undersigned has adequately analyzed the risks of an investment in the Shares and determined that the Shares are a suitable investment for the undersigned and for each Account, if any, and that the undersigned and each such Account is able at this time and in the foreseeable future to bear the economic risk of a total loss of the undersigned's or such Account's investment in the Shares; the undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges such a possibility.

11. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that (a) the undersigned is acquiring the Shares for the undersigned's and each such Account's own account (and not for the account of others) for investment purposes and not with a view to, or for offer or sale in connection with, any distribution in violation of the Securities Act, (b) neither the undersigned nor any Account was formed for the specific purpose of acquiring the Shares, (c) the undersigned and each Account, if any, understands that there is no established market for the Shares and that no public market for the Shares may develop and that no federal or state agency has passed upon the Shares or the Offering Memorandum, or made any findings or determination as to the fairness of an investment in the Shares, and (d) the undersigned and each Account, if any, is aware of the restrictions on transfer contained in the Company's Memorandum and Articles of Association. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges and agrees that the Initial Purchasers did not make any representations, declarations or warranties to the undersigned or any Account regarding the Shares, the Company or the Company's offering of the Shares.

12. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that neither the undersigned nor any Account, nor, to the undersigned's knowledge, any person or entity controlling, controlled by or under common control with the undersigned or any Account, nor any person or entity having a beneficial interest in the undersigned or any Account, nor any other person or entity on whose behalf the undersigned is acting: (a) is a person or entity listed in the annex to Executive Order No. 13224 (2001) issued by the President of the United States (Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism); (b) is named on the List of Specially Designated Nationals and Blocked Persons maintained by the U.S. Office of Foreign Assets Control (OFAC); (c) is a Designated National as defined in the Cuban Assets Control Regulations, 31 C.F.R. Part 515; (d) is a non-U.S. shell bank or is providing banking services indirectly to a non-U.S. shell bank; (e) is a current or former senior non-U.S. political figure or an immediate family member or close associate of such figure or any entity owned or controlled by or organized for the benefit of such a figure; or (f) is otherwise prohibited from investing in the Company pursuant to applicable U.S. anti-money laundering, antiterrorist and asset control laws, regulations, rules or orders (categories (a) through (f) collectively, a "*Prohibited Investor*"). The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees to provide the Company, promptly upon request, all information that the Company reasonably deems necessary or appropriate to comply with applicable U.S. anti-money laundering, antiterrorist and asset control laws, regulations, rules and orders. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, consents to the disclosure to U.S. regulators and law enforcement authorities by the Company and its affiliates and agents of such information about the undersigned and each such Account as the Company reasonably deems necessary or appropriate to comply with applicable U.S. anti-money laundering, antiterrorist and asset control laws, regulations, rules and orders, if the undersigned or any Account is a financial institution that is subject to the PATRIOT Act, Public Law No. 107-56 (Oct. 26, 2001) (the "*Patriot Act*"), the undersigned, on the undersigned's own behalf and on behalf of each such Account, represents that the undersigned and each such Account has met all of its respective obligations under the Patriot Act. If the undersigned or any Account is a financial institution that is subject to the Bank Secrecy Act, as amended (31 U.S.C. Section 5311 et seq.), and its implementing regulations (collectively,

the "*Bank Secrecy Act*"), the undersigned, on the undersigned's own behalf and on behalf of each such Account, if any, represents that the undersigned and each such Account has met and will continue to meet all of its respective obligations under the Bank Secrecy Act. The undersigned, on the undersigned's own behalf and on behalf of each Account, further represents and warrants that to the undersigned's knowledge, the funds used to purchase the Shares were legally derived. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that if, following the investment in the Shares by the undersigned and/or any Account, the Company reasonably believes that the undersigned or any Account is a Prohibited Investor or is otherwise engaged in illegal or suspicious activity or refuses to provide promptly information that the Company requests, the Company has the right or may be obligated to prohibit additional investments, segregate the assets constituting the investment in accordance with applicable regulations or immediately require the undersigned or any such Account to transfer the Shares. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, further acknowledges that neither the undersigned nor any Account will have any claim against the Company or any of its affiliates or agents for any form of damages as a result of any of the foregoing actions.

13. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees to indemnify and hold harmless the Company and the Initial Purchasers, their respective directors, executive officers and each other person, if any, who controls or is controlled by the Company or the Initial Purchasers, within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act, from and against any and all loss, liability, claim, damage and expense whatsoever (including, without limitation, any and all expenses whatsoever reasonably incurred in investigating, preparing or defending against any litigation commenced or threatened or any claim whatsoever) arising out of or based upon (a) any false, misleading or incomplete representation, declaration or warranty or breach or failure by the undersigned or any such Account to comply with any covenant or agreement made by the undersigned, on the undersigned's own behalf and on behalf of each such Account, in this letter or in any other document furnished by the undersigned or any such Account to any of the foregoing in connection with this transaction or (b) any action for securities law violations by the undersigned or any such Account.

14. The Company and the Initial Purchasers may request from the undersigned and/or any Account such additional information as the Company or the Initial Purchasers may deem necessary to evaluate the eligibility of the undersigned or any Account to acquire the Shares, and may request from time to time such information as the Company or the Initial Purchasers may deem necessary to determine the eligibility of the undersigned or any Account to hold the Shares or to enable the Company to determine the Company's compliance with applicable regulatory requirements or tax status, and the undersigned and each Account shall provide such information as may reasonably be requested.

15. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Initial Purchasers, the Company and others will rely on the acknowledgments, understandings, agreements, representations and warranties contained in this letter. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees to promptly notify the Initial Purchasers and the Company if any of the acknowledgments, understandings, agreements, representations and warranties set forth herein change or are no longer accurate. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, agrees that each purchase by the undersigned or any Account of Shares from the Company or from or through the Initial Purchasers within six months from the date of this letter will constitute a reaffirmation of the acknowledgments, understandings, agreements, representations and warranties herein (as modified by any such notice) by the undersigned and any such Account as of the time of such purchase, including with respect to the Shares then purchased.

16. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Initial Purchasers are not making any representation to any purchaser of the Shares regarding the legality, or appropriateness of an investment in the Shares under any laws or regulations and that it should not consider any information contained in the Offering \Memorandum to be legal, business or tax advice. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, further acknowledges that it should consult its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Shares.

17. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Shares have not been recommended, approved or disapproved by the SEC or any other U.S. federal or state securities commission or regulatory authority, nor has any such commission or regulatory authority passed upon the accuracy or determined the adequacy of the Offering Memorandum, and that any representation to the contrary is a criminal offense.

18. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the offer of Shares may be withdrawn at any time before the closing, either in whole or in part, and is specifically made subject to the terms described in the Offering Memorandum and in the Purchase Agreement between the Initial Purchasers and the Company.

19. If the undersigned is acting on behalf of an Account, the undersigned represents and warrants that: (a) the undersigned is acting as the authorized agent on behalf of each Account and has full discretionary authority to make investment decisions on behalf of each Account; (b) the undersigned has direct knowledge of the identity of each Account and has made reasonable, recent (within six months prior to the date hereof) inquiry as to the eligibility of each Account to purchase the Shares pursuant to the terms set forth in the Offering Memorandum and based thereon, each Account is eligible to purchase the number of Shares set forth opposite such Account's name on *Schedule A* pursuant to the terms set forth in the Offering Memorandum; and (c) the undersigned is duly authorized and empowered by each Account to act for and legally bind such Account and to execute this letter and make and enter into the acknowledgments, understandings, agreements, representations and warranties contained herein, including, without limitation, the binding commitment to purchase the Shares, on behalf of such Account, and such acknowledgments, understandings, agreements, representations and warranties constitute legal, valid and binding obligations of each such Account, enforceable against each such Account in accordance with the terms hereof, to the same extent as if made and entered into directly by each such Account.

20. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, represents and warrants that the execution, delivery and performance of this letter by the undersigned, on the undersigned's own behalf and on behalf of each Account, if any, are within the powers of the undersigned, have been duly authorized and will not constitute or result in a breach or default under or conflict with any order, ruling or regulation of any court or other tribunal or of any governmental commission or agency, or any agreement or other undertaking, to which the undersigned or any Account is a party or by which the undersigned or any Account is bound, and, if the undersigned or any Account is not an individual, will not violate any provisions of such entity's charter documents, including, without limitation, its incorporation or formation papers, bylaws, indenture of trust or partnership or operating agreement, as may be applicable. The signature on this letter is genuine, and the signatory, if the undersigned is an individual, has legal competence and capacity to execute the same, or, if the undersigned is not an individual, the signatory has been duly authorized to execute the same, and this letter constitutes a legal, valid and binding obligation of the undersigned and each Account, if any, enforceable in accordance with its terms.

21. Neither this letter nor any rights that may accrue to the undersigned or any Account hereunder may be transferred or assigned.

22. The undersigned, on the undersigned's own behalf and on behalf of each Account, if any, acknowledges that the Initial Purchasers, the Company and others are relying on the exemptions from the provisions of Section 5 of the Securities Act provided by Rule 144A.

23. The Initial Purchasers and the Company are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

24. The undersigned agrees to notify you of any change in the certification herein.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THAT WOULD OTHERWISE REQUIRE THE APPLICATION OF THE LAW OF ANY OTHER STATE.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the undersigned, on the undersigned's own behalf and on behalf of each Account, if any, has caused this Purchaser's Letter to be executed as of the date set forth below.

This Purchaser's Letter must be signed by the undersigned's chief financial officer or another executive officer, except that if the undersigned is a member of a "family of investment companies," this Purchaser's Letter must be signed by an executive officer of the undersigned's investment adviser.

By: _____

Name: _____

Company Name: _____

Title: _____

Date: _____

Address: _____

_____

_____

Telephone No.: _____

Email: _____

Total Number of Shares subscribed for: _____

Subscription Amount: $ _____

(The subscription amount for the Shares shall be paid pursuant to the instructions to be provided by the Initial Purchasers. To the extent the actual number of Shares purchased and received by the undersigned (and/or any Account) is different from the number subscribed for, the Company and the Initial Purchasers may amend this letter to reflect the actual number of Shares purchased and received by the undersigned (and/or any Account)).

SCHEDULE A ACCOUNTS

(if any)

Account Name, Principal Place of Business and Type of Entity	Eligibility[1]	Number of Shares Subscribed For[2] (#)	Subscription Amount[2] ($)

(1) Indicate, using the sub-paragraph letters from paragraph 2 above (e.g., 2(i)(A), 2(i)(B), 2(ii), 2(iii) etc.), the category of QIB under which each Account is qualified to purchase Shares.

(2) To the extent that the actual number of Shares purchased and received by the undersigned (and/or any Account) differs from the number subscribed for, the Company and the Initial Purchasers may amend this letter to reflect the actual subscription amount and the actual number of Shares purchased and received by the undersigned (and/or any Account).

No dealer, salesperson or other individual has been authorized to give any information or to make any representation other than those contained in this offering memorandum and, if given or made, such information or representations must not be relied upon as having been authorized by us or the initial purchasers. This offering memorandum does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction in which such an offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation. Neither the delivery of this offering memorandum nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in our affairs or that information contained herein is correct as of any time subsequent to the date hereof.

15,000,000 Ordinary Shares

GLENNSTARS LIMITED

OFFERING MEMORANDUM

FRIEDMAN BILLINGS RAMSEY

FOX-PITT, KELTON LTD

June 11, 2008