

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

**If you are in any doubt as to the action you should take, you are recommended immediately to consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, or if you are in a country outside the United Kingdom, another appropriately authorised independent financial adviser.**

This document is for distribution only to persons who are Shareholders of The Black Sea Property Fund Limited (the "Fund"). If you have sold or otherwise transferred all of your Shares, please send this circular (the "Circular") together with the accompanying form of proxy at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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## **THE BLACK SEA PROPERTY FUND LIMITED**

*(a no par value company incorporated with limited liability in Jersey with registered number 89392)*

### **PROPOSALS FOR RECLASSIFICATION TO "LISTED FUND" STATUS, TERMINATION OF MANAGEMENT FUNCTION, ENTRY INTO A NEW ADMINISTRATION AGREEMENT, APPOINTMENT OF A NEW PROPERTY ADVISER, CHANGES TO INVESTMENT STRATEGY AND AMENDMENT OF ARTICLES OF ASSOCIATION**

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The Proposals described in this Circular are conditional on Shareholders' approval of the Resolution. A notice of the EGM to be held at Liberté House, 19-23 La Motte Street, St Helier, Jersey, JE2 4SY, Channel Islands on 4 March 2009 at 11 a.m. (Jersey time) is set out in Part III of this Circular.

**Shareholders are requested to complete and return the enclosed Form of Proxy for use at the EGM in accordance with the instructions printed thereon so as to be received by Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time appointed for the EGM.**

4 February 2009

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## Part I

### DEFINITIONS

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

<b>"Administrator"</b>	BNP Paribas Fund Services Jersey Limited, a company incorporated under the laws of Jersey with registration number 28732 and whose registered office is at BNP House, Anley Street, St Helier, Jersey JE2 3QE, Channel Islands
<b>"Administration Agreement"</b>	the Administration Agreement dated 21 February 2005 made between the Fund, the Administrator and the Manager
<b>"Admission Document"</b>	the admission document issued by the Fund dated 21 February 2005, as amended
<b>"Articles"</b>	the articles of association of the Fund
<b>"Board" or "Directors"</b>	the directors of the Fund
<b>"CIF Law"</b>	the Collective Investment Funds (Jersey) Law 1988, as amended
<b>"EGM" or "Extraordinary General Meeting"</b>	the extraordinary general meeting of the Fund to be held on 4 March 2009 at 11a.m. at Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY, Channel Islands, a notice of which is set out in Part III of this Circular
<b>"Form of Proxy"</b>	the form of proxy enclosed with this Circular for use in connection with the EGM
<b>"Fund"</b>	The Black Sea Property Fund Limited
<b>"Guide"</b>	The Jersey Listed Fund Guide re-issued by the JFSC in April 2008 and updated January 2009
<b>"JFSC"</b>	the Jersey Financial Services Commission
<b>"Manager"</b>	Development Capital Management (Jersey) Limited, a company incorporated under the laws of Jersey with registration number 85291 and whose registered office is at BNP House, Anley Street, St Helier, Jersey JE2 3QE, Channel Islands
<b>"Management Agreement"</b>	the Management Agreement dated 21 February 2005 made between the Fund and the Manager
<b>"New Administration Agreement"</b>	the agreement dated 4 February 2009 made between the Fund and the Administrator for the provision of administration and investment monitoring services pursuant to the Proposals, conditional upon approval of the Resolution and the issue to the Fund by the JFSC of a certificate in accordance with the Guide and the CIF Law

<b>"New Advisory Agreement"</b>	the agreement dated 3 February 2009 made between the Fund and the New Property Adviser for the provision of advisory services pursuant to the Proposals, conditional upon approval of the Resolution and the issue to the Fund by the JFSC of a certificate in accordance with the Guide and the CIF Law
<b>"New Property Adviser"</b>	BSPF Bulgaria EAD, a company incorporated under the laws of Bulgaria under registration number 200541545 with a registered office at 14 Tzar Osvoboditel Blvd, 1000 Sofia, Bulgaria
<b>"Property Adviser"</b>	Development Capital Management Bulgaria EAD, a company incorporated under the laws of Bulgaria under registration number 9100/2006 with a company file kept with Sofia City Court, BULSTAT No 103929879 and a registered office in Sofia, Sredetz region, at 14 Tzar Osvoboditel Blvd
<b>"Property Advisory Agreement"</b>	the Property Advisory Agreement dated 21 February 2005 entered into between the Fund, the Manager and the Property Adviser
<b>"Proposals"</b>	the Proposals described in the Chairman's letter in Part II of this Circular relating to the business to be considered at the EGM
<b>"Resolution"</b>	the resolution set out in the Notice of the EGM in Part III of this Circular
<b>"Shareholder"</b>	a holder of Shares registered in the register of members of the Fund
<b>"Shares"</b>	participating redeemable shares of no par value in the capital of the Fund

All references to times in this Circular are to Jersey time.

**Part II**

**LETTER TO SHAREHOLDERS**

**THE BLACK SEA PROPERTY FUND LIMITED (the "Fund")**

*(a no par value company incorporated with limited liability in Jersey with registered number 89392)*

*Directors*

John D. Chapman  
Antony R. Gardner-Hillman  
Irena Komitova  
Angelo Moskov  
Andrey Kruglykhin  
Bogdan Stanchev  
Andrew Wignall

*Registered Office*

BNP House  
Anley Street  
St Helier  
Jersey  
JE2 3QE  
Channel Islands

4 February 2009

*To Shareholders*

Dear Sir or Madam

**PROPOSALS FOR RECLASSIFICATION TO "LISTED FUND" STATUS, TERMINATION OF THE MANAGEMENT FUNCTION, ENTRY INTO A NEW ADMINISTRATION AGREEMENT, APPOINTMENT OF A NEW PROPERTY ADVISER, CHANGES TO INVESTMENT STRATEGY AND AMENDMENT OF ARTICLES OF ASSOCIATION**

**Introduction**

I am the Chairman of the Fund. I write to you on behalf of the Board which seeks your approval for the following proposals which are to be tabled at an Extraordinary General Meeting of the Fund which is to be held on 4 March 2009. Pursuant to the Proposals the Fund is seeking to be reclassified to "Listed Fund" status, terminate the management function undertaken by the Manager, appoint a New Property Adviser (which will advise the Board in connection with the Fund's property investments), enter into a new Administration Agreement between the Fund and the Administrator, and propose changes to the investment policy of the Fund and consequential amendments to the Articles. The Board expects that these Proposals will substantially reduce the Fund's operating costs, streamline its operations and create shareholder value.

The purpose of this letter is to provide you with information on the Proposals, recommend these Proposals to you, seek your approval of the related Resolution and explain what actions you should take.

The Extraordinary General Meeting to approve the Resolution is to be held at Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY, Channel Islands on 4 March 2009. The notice of the EGM containing the Resolution is set out in Part III of this Circular.

The Board unanimously recommends that you vote in favour of the Resolution. Accordingly, you should complete the Form of Proxy enclosed with this Circular and return it to Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received not later than 48 hours before the time for holding the EGM.

## **Background to and reasons for the Proposals**

In August 2007, the Fund's largest shareholder requisitioned an extraordinary general meeting of the Fund to replace several directors. That shareholder was concerned about high operating costs and underperformance. Following negotiations with the Board and approval of the JFSC, on 19 October 2007, Angelo Moskov, Andrey Kruglykhin, Antony Gardner-Hillman and I were invited to join the Board. At the same time the Board accepted resignations from two sitting directors.

To begin to address the operating costs and performance issues, the Board undertook a wide ranging examination of the Fund's cost and operational structure. It concluded that substantial savings and efficiencies could be obtained if the Fund's management was effectively undertaken by the Board, to the extent permitted by law.

The Board entered into extensive negotiations with the JFSC and the Manager to bring this to fruition. After several months of these negotiations the Board decided that the management function performed by the Manager should be terminated, the Property Advisory Agreement should be terminated and the New Property Adviser should be appointed to perform the role currently undertaken by the Property Adviser. In return for substantial savings to Shareholders, the Board agreed to assume many of the Manager's responsibilities that were permitted by law. The Administrator has agreed to assume the remainder of the Manager's responsibilities that will not be taken up by the Board, essentially a monitoring function of the Board in relation to the investment management it will undertake. Accordingly, the Fund has entered into a New Administration Agreement with the Administrator and a New Advisory Agreement with the New Property Adviser. Each of these agreements is conditional upon Shareholder approval of the Resolution and the issue to the Fund by the JFSC of a certificate in accordance with the Guide and the CIF Law.

The Proposals are explained in more detail below.

## **Reclassification of the Fund to "Listed Fund" Status**

When the Fund was incorporated in 2005, it was established as an "unclassified" fund in accordance with the CIF Law. The authorisation process for the Fund required the JFSC to review the offering document, constitutional documents and material contracts of the Fund and approve the same. The regulatory requirements for the structure of the Fund (as an "unclassified" fund) were such that a Jersey based manager was required to be appointed by the Fund to perform an investment management role and carry out the administration of the Fund (although this function was delegated to the Administrator). This provides the background to the appointment of the Manager to the Fund and the nature of its current duties under the Management Agreement.

In January 2007, the JFSC issued the "Jersey Listed Fund Guide", which was recently updated and reissued in April 2008. The purpose of the Guide was to enable a streamlined authorisation process for the establishment (or, in this case, a reclassification) of listed closed ended funds, provided that the funds comply with the requirements of the Guide.

The regulatory approach to a "listed fund" differs from the approach in relation to other unclassified funds, because it relies on certification by a Jersey based functionary that the relevant fund complies with the requirements of the Guide. In this case, the Administrator has provided the confirmation to the JFSC in respect of the Fund.

In certain cases, the Guide enables investment funds to be established without a manager, provided that a Jersey based administrator is appointed. There is more flexibility regarding investment policy and borrowing powers, providing adequate disclosure is made with the offering document of the Fund. There is a requirement for a majority of the directors of the investment fund to be independent of the manager or investment manager (if appointed).

In summary, the reclassification of the Fund to "Listed Fund" status provides a suitable regulatory framework within which the Proposals may be effected. The reclassification amounts to a change in the regulatory treatment of the Fund and, other than as set out in the Proposals, the general characteristics of the Fund (including the investment policy and objectives) will remain the same in all material respects.

**Further information in relation to the regulatory treatment of Listed Funds domiciled in Jersey may be found on the website of the JFSC at [www.jerseyfsc.org](http://www.jerseyfsc.org).**

### **Termination of the Management Function**

Under the JFSC policy which currently applies to the Fund, the Fund is required to have a separate and independent manager. However, it is now proposed that the management function conducted by the Manager will be terminated and the Directors, rather than the Manager, will carry out the majority of the day to day management of the Fund. The remainder of the management role (essentially, a duty to monitor the investment management activities of the Directors) will be undertaken by the Administrator. The New Administration Agreement between the Fund and the Administrator sets out the new rights and obligations of the Fund and the Administrator which will come into force if the Proposals are approved. The Fund will benefit from a consequent substantial saving in operating costs by taking these two courses of action.

### **Summary of Changes**

If the Proposals are approved by Shareholders, the Manager will cease to provide a management function to the Fund and, in particular, the following will occur

#### *Changes to investment management and advisory function*

- The general duty to manage the Fund's assets and to provide or arrange for the provision of Fund custody services will not be carried out by the Manager. The Manager will not be responsible for the supervision of the Administrator and secretary. These functions will be undertaken by the Board.
- The duty to provide investment advisory services to the Fund and management of the investment and reinvestment of the assets of the Fund will not be carried out by the Manager. This includes the duty to acquire, oversee, arrange financing for and manage the Fund's investment properties. The termination of the management function means that the Manager will not report to the Board concerning the status of the property portfolio and will not be responsible for organising contracts in respect of maintenance, cleaning, landscaping or service installations for the underlying properties. Instead, these activities will be carried out by the New Property Adviser, in conjunction with the Board.

#### *New functions carried out by the Administrator and the termination of Administration Agreement*

- In accordance with the requirements of the Guide, the Administrator will monitor the investment decisions of the Board to ensure that its decisions are consistent with the investment policy of the Fund set out in the Admission Document and as amended from time to time.
- The Administration Agreement is a tripartite agreement between the Fund, the Manager and the Administrator. As a result of the Manager ceasing to provide a management function and the Administrator agreeing to perform the limited investment monitoring function, it is necessary to replace the Administration Agreement. Accordingly, conditional upon the Proposals being approved by the

Shareholders and the issue to the Fund by the JFSC of a listed fund certificate in accordance with the Guide and the CIF Law, the Administration Agreement will be terminated and the New Administration Agreement will become effective. Save for the removal of references to the Manager and the additional obligation to monitor the Board in relation to its investment decisions, the New Administration Agreement is not materially different from the Administration Agreement.

#### *Remuneration of the Administrator*

- Fees paid to the Administrator by the Fund will change as a result of its responsibilities going forward. These fees and expenses are as follows:

##### **Company administration and secretarial**

Company secretarial and administration services	£10,000 fixed fee per annum
Company directorships (where required)	£5,000 fixed fee per annum

##### **Fund administration**

Dealing services	£5,500 fixed fee per annum
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##### **Fund accounting and valuation services**

Fund valuation	£45,000 per annum
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##### **Monitoring service**

Monitoring investment decisions of the Directors made on behalf of the Fund	£ 7,500 per annum
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#### *Remuneration Savings*

- The Management Agreement entitled the Manager to an annual fee of 2 per cent of the amount subscribed on the issue of Shares, together with 2 per cent. of the amount of any realised capital gains made by the Fund on the sale of underlying properties. In addition, a performance fee was payable on the sale of an underlying property or termination of the Management Agreement.
- Termination of the management function will result in significant savings by the Fund which will far outweigh any minimal additional administration fees and costs of the New Property Adviser which the Fund will incur.

#### *Retirement of the Manager and Termination of Management Agreement*

- The Management Agreement terminated on 6 September 2008. However the Manager agreed to continue to provide management services to the Fund on a month by month basis until the transfer of the management function to the Directors has been approved and is completed. The Manager will cease to provide services to the Fund if the Proposals are approved.

Shareholders should note that the Administrator has indicated to the Directors its desire to be replaced in the short term, following approval by Shareholders of the Proposals. Accordingly, the Directors will identify a suitable replacement for the Administrator and will be writing to Shareholders in due course to advise of any changes in this regard.

**This is a summary of the proposed New Administration Agreement and service provider arrangements and is not intended to be exhaustive. A copy of the New Administration Agreement, together with a comparison of the New Administration Agreement against the Administration Agreement, is on display at the offices of the Administrator at BNP House, Anley Street, St Helier, Jersey JE2 3QE, Channel Islands and will remain on display until the date of the EGM.**

## **Appointment of the New Property Adviser**

The Fund has established a new entity in Bulgaria (the New Property Adviser) and it is proposed that the New Property Adviser will provide advisory services to the Board in connection with the Fund's property portfolio. The New Property Adviser is a wholly owned subsidiary of the Fund and is based in Sofia, Bulgaria. The direct costs of establishing the New Property Adviser were less than EUR 50,000.

The Fund and the New Property Adviser have common directors (Irena Komitova and Bogdan Stanchev). In addition, Mihail Polendakov is the executive director of the New Property Adviser and has an executive service contract with that entity. The contract was executed on 10 December 2008 and provides for Mihail to receive an annual salary of EUR 60,000. The terms of the contract will be reviewed on or before June 2009.

Details of each of the directors of the New Property Adviser is set out below:

**Mr Mihail Polendakov.** Mr Polendakov holds an MBA in International Economic Relations from the University of National and World Economy, Sofia, Bulgaria. Between 1997 and 2005, Mr Polendakov worked for HeildebergCement AG and was Director of Strategy and Business Development Central Europe and CIS Countries prior to resigning in 2005. Mr Polendakov is presently a partner in a private consultancy company. Mr Polendakov is a former member of the board of directors for Bulgarian International Business Association and a former member of the board of directors for Bulgarian Association of Cement Industry.

**Irena Komitova.** Ms Komitova has a Master of Science in Management from Stanford University, CA, Graduate School of Business. Ms Komitova has worked in sales and marketing and project management since 1992. Between 2003 and 2005 Ms Komitova was general manager to the project that introduced BMW into Bulgaria. Ms Komitova is at present is the managing partner, Creative Solutions Ltd. This is a management and consulting company. Ms Komitova is also a member of the Supervisory Board of Orgachim AD, the largest Bulgarian producer of paints, insulations and professional construction materials.

**Bogdan Stanchev.** Mr Stanchev has a Master of Business Administration. Between 2005 and 2007 Mr Stanchev was executive director of Business Park Varna JSC. Presently, Mr Stanchev holds the position of General Manager, MBS – Management Business Solutions Ltd. Since 2006, Mr Stanchev has been a member of the management board for Realis Property Management JSC.

The Fund may seek to recruit certain key employees of the Property Adviser to accept new employment positions with the New Property Adviser.

The objective for establishing the New Property Adviser is to bring the property advisory function under the direct supervision of the Board, thereby streamlining the Fund's operations and improving accountability.

The New Advisory Agreement between the Fund and the New Property Adviser has been entered into conditional upon the Proposals being approved by Shareholders and the issue of a listed fund certificate to the Fund by the JFSC in accordance with the Guide and the CIF Law. The Manager is not a party to the New Advisory Agreement, but otherwise the terms of the New Advisory Agreement are not materially different from the Property Advisory Agreement.

Accordingly, once the appointment of the New Property Adviser is complete, it is proposed that the Fund will terminate the Property Advisory Agreement with immediate effect and the Property Adviser will cease to advise the Fund.

The remuneration of the New Property Adviser will be its actual cost of operations, which are budgeted at approximately EUR 450,000 per annum.

The Fund will benefit from substantial savings in operating costs by establishing and appointing the New Property Adviser.

**This is a summary of the proposed New Advisory Agreement and service provider arrangements with the New Property Adviser and is not intended to be exhaustive. A copy of the New Advisory Agreement is on display at the offices of the Administrator at BNP House, Anley Street, St Helier, Jersey JE2 3QE, Channel Islands and will remain on display until the date of the EGM.**

### **Changes to Investment Strategy**

When the Fund was established in 2005 the opportunity the promoters identified was the purchase of holiday properties from developers at an early stage of construction. These properties were to be located along the Black Sea coast (hence the Black Sea Property Fund) within one hour's transit from either the Varna or Bourgas airport. The target customer was UK based, looking to enjoy a holiday home for several weeks of the year, some rental income, and the possibility of a capital gain if the property increased in value along with the economic development of Bulgaria.

Real estate was then the favoured asset class. Three years later, the appetite for property as an asset class has changed. Property funds that once traded at premiums to their underlying assets now trade at significant discounts. Ironically, however, the situation today in Bulgaria is hardly grim. Bulgaria is now a member of the European Union and the EU is forcing changes to bring local institutions up to global standards. Bulgaria's economy is one of the fastest growing in Europe. The country has become a transit point for goods entering western Europe. Subsectors of the real estate market such as logistics facilities, commercial office space and retail shopping centres now exist. Domestic buyers are now in the market for upscale residential real estate, and the holiday home buyers tend to be the newly affluent Russians.

The changes in the Bulgarian property market and international capital markets present opportunities. These opportunities include acquiring stakes in other collective investment vehicles and in other Bulgarian property classes. Accordingly, it is proposed to widen the investment strategy of the Fund to enable the Fund to take advantage of these opportunities fully.

### **Operation of the Board of Directors**

The Board currently undertakes regular reviews of the investment strategy and risk profile of the Fund, together with investment performance of the underlying assets of the Fund. It is proposed that this will continue at not less than three monthly intervals, with the ability to call additional interim board meetings should a Director require.

The Board proposes that the New Property Adviser will prepare regular written reports, which will be reviewed by John Chapman under his executive responsibilities to the Board and the Fund. Mr Chapman will then report to the board at regular intervals and the non-executive members of the Board will then have an opportunity to review and discuss the same.

### **Amendments to the Articles**

Shareholders will note that amendments are proposed to the Articles. Essentially, these are consequential amendments which would be required to reflect the approval of the Proposals. The amendments seek to remove (a) the references to manager, where appropriate; (b) the absolute requirement for a manager to be appointed to the Fund; and (c) a provision requiring

the Fund to wind up in the absence of a manager being appointed for a period of six months or more.

### **Consequential Amendments to the Admission Document**

The Directors have resolved not to add to the expense of the Proposals by issuing a comprehensive revised offering document in respect of the Fund. The Admission Document was issued by the Fund on 21 February 2005. Investors and potential investors in the Fund should refer to all publicly available information in relation to the Fund including the Admission Document, this Circular, the New Advisory Agreement and the New Administration Agreement.

In particular, the Proposals update the information contained in relevant sections of the Admission Document detailing reference to the Property Adviser, its directors and the Property Investment Advisory Agreement (pages 10, 13, 44 to 45 and 76), the nature of the appointment of a manager, duties and responsibilities (pages 7 and 44), the extended duties of the Administrator (page 45), the fees and expenses of the Administrator (pages 8, 46 and 47), the description of the material contracts of the Fund (pages 76 to 78) and investment strategy (Part 1 of the Admission Document).

Shareholders should also note that any changes to the Fund that are contrary to the Listed Funds Guide or contrary to any of the JFSC's published policies applicable to Listed Funds will require the prior consent of the JFSC.

The Directors of the Fund who are considered independent of the Property Adviser and independent for the purposes of the Guide are John Chapman, Antony R. Gardner-Hillman, Angelo Moskov, Andrey Kruglykhin, and Andrew Wignall.

In addition, the Guide requires the following investment warning to be provided to shareholders in respect of Listed Funds:

**"This fund has been established in Jersey as a listed fund under a fast-track authorisation process. It is suitable only for professional or experienced investors, or those who have taken appropriate professional advice.**

**Regulatory requirements which may be deemed necessary for the protection of retail of inexperienced investors, do not apply to listed funds. By investing in this fund you will be deemed to be acknowledging that you are a professional or experienced investor, or have taken appropriate professional advice, and accept the reduced requirement accordingly.**

**You are wholly responsible for ensuring that all aspects of this fund are acceptable to you. Investment in listed funds 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 this fund and the potential risks inherent in this fund you should not invest in this fund."**

### **Resolution**

The Resolution which Shareholders are being asked to pass at the EGM provides for Shareholder approval of the following:

1. The Proposals in general and the reclassification of the regulatory status of the Fund to "Listed Fund" status in accordance with the Guide.
2. The appointment of the New Property Adviser and ratification of the New Advisory Agreement.

3. The termination of the Administration Agreement and ratification of the New Administration Agreement.
4. Changes to the investment strategy of the Fund.
5. The increase of the percentage of the Fund's assets which may be used to invest in land (as described on page 14 of the Fund's admission document dated 21 February 2005) from 55% to 75%.
6. Consequential amendments to the Articles.

### **Implementation of the Proposals**

The EGM has been convened for 11 a.m. on 4 March 2009 and will be held at Liberté House, 19-23 La Motte Street, St Helier, Jersey JE2 4SY, Channel Islands. The notice convening the EGM is set out in Part III of this Circular. All persons who are Shareholders at 6 p.m. on 2 March 2009 are entitled to vote on the Resolution to be proposed at the EGM, which will be proposed as a special resolution.

To be passed, the Resolution will require the approval of a majority of two thirds of the votes cast. The quorum for the EGM is two members present in person or voting by proxy. Any Shareholder may appoint a proxy to attend and, on a poll, vote on the Resolution on their behalf.

### **Action to be Taken**

Shareholders will find enclosed in this Circular a Form of Proxy for use in connection with the EGM, which must be **completed and returned to the Fund's registrar at Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 11a.m. on 2 March 2009**

The completion and return of a Form of Proxy will not prevent Shareholders from attending the EGM and voting in person if they wish.

### **Board's Recommendation**

Your Board considers that the Proposals are in the best interests of the Fund and its Shareholders and, accordingly, your Board unanimously recommends that you vote in favour of the Resolution.

Yours faithfully,

John D. Chapman  
*Chairman*

### Part III

#### THE BLACK SEA PROPERTY FUND LIMITED (the "Fund")

*(a par value company incorporated with limited liability in Jersey with registered number 89392)*

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Extraordinary General Meeting ("**EGM**") of The Black Sea Property Fund Limited will be held on 4 March 2009 at 11 a.m. at Liberté House, 19-23 La Motte Street, St Helier, Jersey, JE2 4SY, Channel Islands, for the purposes of considering and, if thought fit, passing the following resolution, to be proposed as a special resolution.

#### RESOLUTION

##### THAT:

- (a) this Meeting hereby approves the proposals described in the circular to Shareholders dated 4 February 2009 (the "**Circular**") and the reclassification of the regulatory status of the Fund to "Listed Fund" status in accordance with the Guide (as defined in the Circular);
- (b) the appointment of the New Property Adviser (as defined in the Circular) by the Fund on the terms of the New Advisory Agreement (as defined in the Circular) be and is hereby authorised, sanctioned and approved;
- (c) terms of the New Administration Agreement and the New Advisory Agreement (each as defined in the Circular) are approved and the execution of the New Administration Agreement and the New Advisory Agreement by a Director of the Fund be and is hereby ratified and approved;
- (d) any one Director of the Fund (or any two Directors, if required) be and is hereby authorised to execute any ancillary agreement, certificate, notice, form or any other document in connection with such New Administration Agreement or the New Advisory Agreement, together with all amendments as may be approved by the Director or Directors so authorised and executing such documents;
- (e) in accordance with Article 8.01 of the Articles of Association of the Fund (the "**Articles**"), the investment strategy of the Fund as set out in the paragraphs headed "Introduction", "Investment Policy", "Investment Strategy" and "Life of the Fund" in Part 1 of the Admission Document dated 21 February 2005 issued by the Fund (the "**Admission Document**") (as amended by an ordinary resolution of the Fund dated 22 June 2007) be and is hereby amended by the addition of the following:-

"The Fund may invest in, acquire or develop residential or commercial real estate located in any part of Bulgaria including, but not limited to, real estate located along the Black Sea coastline. In addition, the Fund shall also have the ability to invest in collective investment funds whose primary investment objective is property investment in the Balkan region."
- (f) the percentage of the Fund's assets (at the time of the investment) which may be used to invest in land as described on page 14 of the Admission Document be increased from 55% to 75%; and

- (g) with effect from and conditional upon the issue to the Fund by the Jersey Financial Services Commission of a certificate in accordance with the Collective Investment Funds (Jersey) Law 1988, as amended the Articles be and are hereby replaced in their entirety by new articles of association in the form found at annexure 'A' hereto.

Copies of the Circular are available during business hours on any business day up to and including the date of the EGM at BNP House, Anley Street, St. Helier, Jersey, JE2 3QE, Channel Islands.

By order of the Board  
BNP Paribas Fund Services Jersey Limited  
Secretary

4 February 2009

Registered Office  
BNP House  
Anley Street  
St. Helier  
Jersey JE2 3QE

Notes:

1. Any Shareholder entitled to attend and vote at the EGM may appoint a proxy or proxies to attend and, on a poll, vote on their behalf. A proxy need not be a member of the Fund.
2. Shareholders will find a form of proxy for use at the EGM enclosed with this document. To be valid, a form of proxy, duly completed and signed, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or other authority **must be deposited with Capita Registrars, Proxies, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not later than 48 hours before the time for holding the EGM.**
3. Completion and return of a form of proxy will not prevent a Shareholder from attending and voting at the EGM should they so wish. If a Shareholder appoints a proxy and then attends the meeting in person, the proxy appointment will automatically be terminated.
4. Pursuant to **Regulation 40(1) of the Companies (Uncertified Securities) (Jersey) Order 1999**, the Fund has specified that only those Shareholders registered in the Fund's register of members as at 6:00 p.m. (GMT) on 2 March 2009 or, if the meeting is adjourned, 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the EGM in respect of the number of shares registered in their names at that time. Changes to entries on the register of members after 6:00 p.m. (GMT) on 2 March 2009 or, if the meeting is adjourned, on the register of members 48 hours before the time fixed for the adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the EGM.

## **Annexure A**

### New Articles of Association