

Real Estate Fund in Prague

Executive Summary



The Fund will capitalize with EUR 10.0 million and invest into residential properties in the Czech Republic that require light refurbishment or are ready to lease out for income. The investment criterion diversifies the portfolio of properties by location, size, construction quality and rental yields.

Nothing in this document constitutes an offer or solicitation to anyone in any jurisdiction in which any offer or solicitation is not lawful or to anyone to whom it is unlawful to make such offer or solicitation. This document is an attempt to summarise the offering within the Private Placement Memorandum Prospectus for the Fund. Only information contained in this separate Private Placement Memorandum Prospectus should be relied upon when considering the purchase of shares referenced herein.

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Solid Investment Returns

EU Entry Sparks Great Interest in Czech Market: Property purchases in the Czech Republic as an investment before entering the EU are increasing rapidly.

Strong Growth In Asset Value: Valuations of residential properties in Prague are achieving steady growth rates with much room for further growth in the long-run due to the predicted long-term shortage of supply.

Cash Flow Yields: Strong demand for rental housing provides for higher rental yields than Western Europe.

Secure Investment in Real Estate Assets

Stable investment in Real Estate Assets: 90%+ of PIPF's invested capital is put into residential real estate assets.

Conservative Acquisition Criteria: The properties acquired will be of high quality and mostly ready to rent out with minimal speculation on properties that are not likely to yield operating cash flow within a predictable time frame.

Guaranteed Transfer of Profits: Transferability of profits outside the Czech Republic is guaranteed by Czech law.

Why Invest Through PIPF vs. Acquiring Directly?

Diversification and Economies of Scale: Investors have their risks and fixed costs spread out through many properties.

Elimination of Property Management and Marketing Issues: Investors don't have to deal with broken pipes and unruly tenants. PIPF has trained in-house maintenance and marketing teams to keep properties properly maintained and occupied with quality tenants.

Professional Acquisition Team: PIPF leverages its superior knowledge of the market and uses a disciplined and objective approach to acquisitions.

Executive Summary

Through extensive research and presence in the market, the management of the Property In Prague Fund, [PIPF] have identified trends that make investment into residential real estate within Prague, and the Czech Republic in general, an attractive opportunity for both cash flow and long-term capital growth. This trend is demonstrated by rapidly increasing sales of apartments and other residential properties. Furthermore, the Czech Statistical Office predicts a long term shortage of supply of housing for the next 7-10 years.

The Fund will capitalize with EUR 10.0 million and invest into residential properties in the Czech Republic where value can be added through light refurbishment, are ready to lease for income, or are discounted “off-plan” developments. Investment criteria diversify the portfolio of properties by price, location, size, age, construction quality, growth potential and rental yields.

Properties are subsequently managed to produce rental income, developed to maximise their value, or harvested for their capital gain potentials at the right time. Profits are distributed to shareholders as dividends.

High Returns

EU Entry Sparks Strong Growth Expectations

The Czech Republic’s slated entry in to the EU as of May 2004 has sparked a wide interest in the residential real estate sector. The number of people purchasing properties in the Czech Republic as an investment before entering the EU is increasing and pushing demand, such that valuations of properties in many developing areas of Prague are achieving unprecedented annual growth rates. Housing prices are still relatively cheap compared to the Czech Republic’s Western neighbours. A severe shortage of quality housing ensures demand will exceed supply for at least the next 10 years to come.

Target annual asset (capital) appreciation is around 15-20% on properties acquired for the Fund. Thus, the value of the assets in the portfolio would be expected to double within about 5 years.

Strong Cash-Flow Yields

One can expect strong cash flows from their investments in housing. Good demand for rental housing provides for 7-12% gross yields on investment along with a high expected occupancy. This is particularly true within the lower income/rental sector. A relatively good expatriate market requiring upper scale housing still exists and is expected to pick up as free migration, resulting from EU integration, begins to take place.



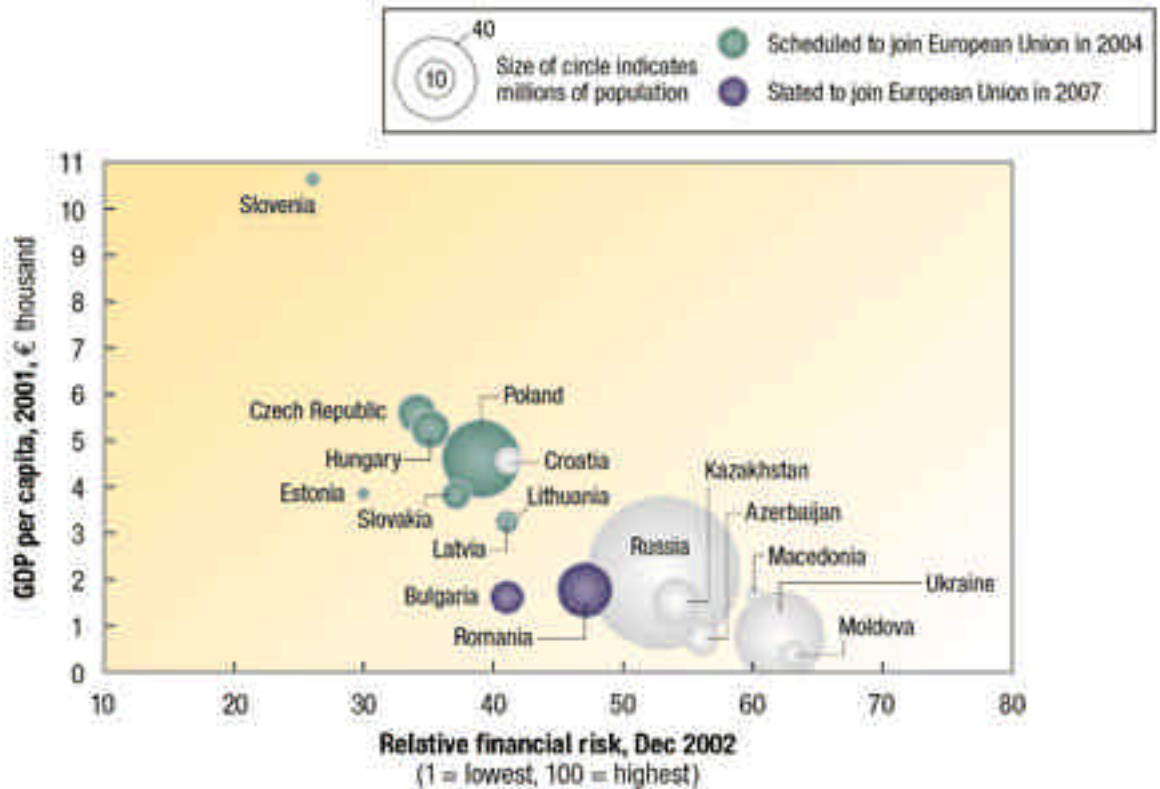
Secure Investment

Stable investment in Residential Real Estate Assets

The vast majority of all capital employed at PIPF is invested into residential real estate assets. The shares of PIPF represent ownership of this underlying asset group.

Investments in real estate in general are typically non-volatile when compared to other investments such as equities. Historically, residential real estate valuations have proven even less volatile and sustainable than commercial property investments over the long-term.

Residential properties are generally characterised by shorter-term unit leases (typically not exceeding three years) and a large number of individual leases per portfolio. Compared to other segments of the real estate market, the rental sector of the residential properties segment has certain benefits, including the following: a) cash flow is generated by a large number of tenants and, accordingly, the loss of any single tenant has little effect on the overall property income; b) demand for residential property tends to be more stable than demand for commercial property; and c) leases tend to have shorter terms thereby allowing rental rates to be adjusted to prevailing mar-



Source: Economist Intelligence Unit; International Monetary Fund; Vienna Institute for International Economic Studies (WIIW); McKinsey analysis

ket rates on a more regular basis.

Low usage of debt

PIPF plans to add EUR 5.0 Million of capital in the form of debt (i.e. ~35% debt/assets) to finance additional property acquisitions; bringing the Fund’s total capitalisation to approximately EUR 15.0 Million. This amount allows the Fund to take better advantage of the Czech Republic’s growth market without sacrificing dividend payments as is the case with highly leveraged Funds where most if not all cash flow is used to service debt payments to banks as opposed to shareholders.

To ensure the Fund’s ability to service the debt is completely secure, debt would still not be used until a later stage (approximately 2005) of the Fund when there are properties generating stabilised income existing in the Fund’s portfolio. This strategy also allows us to negotiate superior interest rates with the banks over what an individual alone could achieve.

Open Stable Economy

13 year old open economy of the Czech Republic’s now and certain future entry into the EU

provides for a positive outlook throughout the long-term. Transfer of profits out of the Czech Republic is guaranteed according to Czech law. Long-term demand for housing is expected to sustain and grow.

Supply/Demand

The Czech Republic still lags behind its European neighbours with regard to residential developments with only 2.7 to 2.9 apartments per 1,000 inhabitants being constructed per year in comparison to an average of between 6 to 7 apartments per 1,000 inhabitants elsewhere in Western Europe. The Czech Statistical office predicts that the current feverish pace of housing unit construction and refurbishment needs to continue for at least 10 years before supply begins to meet demand.

Conservative Acquisition Criteria

The majority of properties purchased will be ready to rent out for cash flow. This strategy eliminates “time-line” risks associated with uncertainties behind complex developments.

Additionally, PIPF’s disciplined approach to the acquisition process requires that candidate proper-

ties meet strict predefined investment yield criteria.

Advantages of Owning Real Estate through PIPF

Diversification

A single small investor with EUR 100,000 can buy one or two small flats. If one of these flats turns out to be a bad choice for whatever reason (i.e. area, hidden construction flaws, etc.) the entire investment is at risk. Also, if one of the tenant relationships goes sour, the entire rental income is at risk.

The Fund’s Mission:
Use capital collectively
from investors to buy
residential properties
for rentals and value-
added refurbishments;
then add further value
by employing
significant buyer power
and efficiencies related
to scale.

Via a real estate investment and holding company with a portfolio of many properties, a single small investor could invest the same amount and achieve roughly the same expected return with significantly reduced negative effects if any one (or more) of the properties or tenant relationships turns sour.

Elimination of Property Management and Marketing Issues

An individual owner is subjected to the responsibility of directly managing the properties and tenants. Through PIPF, the investor need not worry about dealing with broken pipes and surly tenants. In the Czech Republic, property management services exist only for larger commercial and top-end apartment blocks. Consequentially, PIPF incorporates its own internal asset management infrastructure to directly manage and maintain the properties it owns. In addition, PIPF has both organised and efficient strategies to market its portfolio to maximize occupancy.

Experienced Management Team

PIPF is managed by an experienced and dynamic team with extensive knowledge and presence

within the Czech Republic. The team is led by an American with long-term presence in the Czech Republic

Erik Dempsey, 35, has 10-years continuous presence in the Czech Republic and over 7-years active experience in the Real Estate market of Prague including 3-years within the investments department of the international real estate company, Jones Lang LaSalle. Mr. Dempsey also served 3-years as CFO of an internet and hotel franchise company with extensive international scope where he amassed a great deal of experience with intercorporate financing, multinational corporate structure and transfer pricing issues. He is currently a partner with Property In Prague, s.r.o. and is in charge of investments. Mr. Dempsey also holds a Bachelors Degree (B.S.) in Marketing from Florida State University and an MBA from the prestigious University of Chicago’s Graduate School of Business.

Professional Acquisition Team

The acquisitions process is managed by an experienced team with resources and background to find, select and perform due diligence on prospective real estate investments. Thus, by investing through a fund, the typical investor avoids the pitfalls of being at an early stage on the learning curve.

The real estate market in Prague is fast moving. Good deals come and go quickly, so only agile buyers succeed in getting the prime purchases. The professional and disciplined processes behind decisions to acquire specific properties can be performed with great efficiency. This gives PIPF a competitive advantage over individuals or even companies that must outsource each of the tasks behind a real estate purchase leading to a slower process.

PIPF has also developed its own proprietary research systems that provide current data on virtually every neighbourhood in Prague. These systems aid in quantifying and substantiating price adjustments for specific property attributes such as the difference in rent potential for a flat on the 5th floor with and without a lift for example.

Discounts from Financial Strength and “Bulk Purchasing”

The majority of residential property investors rely heavily on debt financing to pay for their prop-

erties. Because of PIPF's strong cash position, it can negotiate stronger terms based on its ability to quickly and reliably commit funds towards a purchase.

PIPF can achieve substantial discounting from certain developers that are selling multiple apartment units from their projects. Additionally, many deals come to the market in packages via blocks sold off at auction, city tenders, etc.

Low Overhead/Economies of Scale

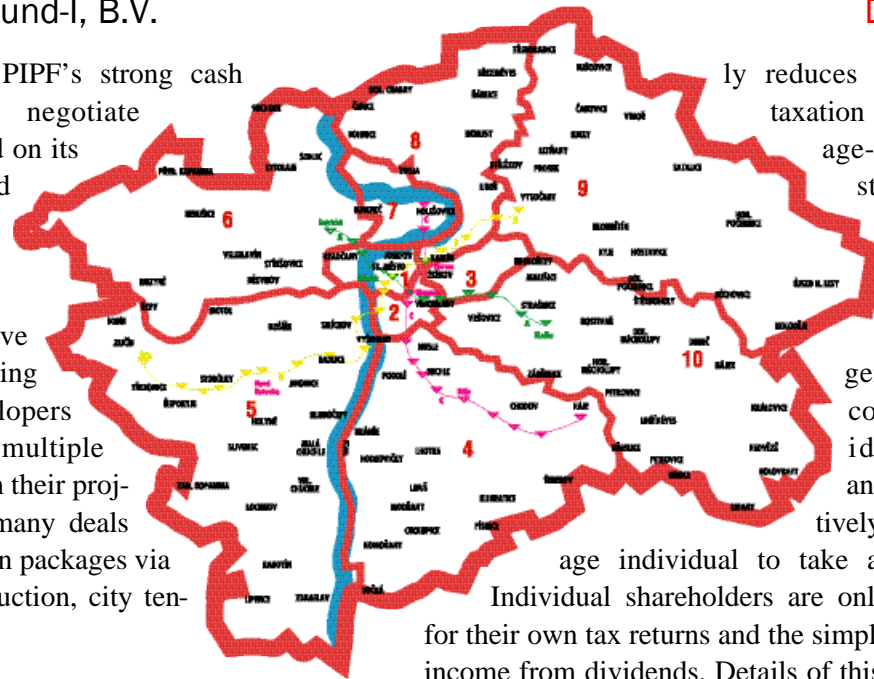
Because of the relatively large number of flats in its portfolio, maintenance and management costs on a per apartment unit basis is kept extremely low. No individual property owner could match the cost structure of PIPF's organised and efficient approach. PIPF also benefits from the overall low costs in the Czech Republic compared to Western Europe or the USA.

Per unit marketing costs are kept to a minimum by having its own internal marketing systems. By managing leasing efforts internally, PIPF avoids the costly 1-2 month real estate commissions charged by local agents that do little more than place advertisements in local classifieds and wait by the telephone. Additionally, PIPF does not charge tenants a commission. This policy dramatically increases the Fund's competitive position vs. the agents that charge commissions from both sides (i.e. the landlord and the tenant).

Since the management are also shareholders in PIPF, there are no "service" charges common with managed assets. The investment is structured so that the Management makes its money only after investors achieve their minimum given return.

Tax Advantages

The "offshore" ownership structure using the Netherlands' Antilles drastical-



ly reduces the effective taxation level percentage-wise. Such structures are only worthwhile for larger holdings and are generally too complex, both ideologically and administratively, for the average individual to take advantage of.

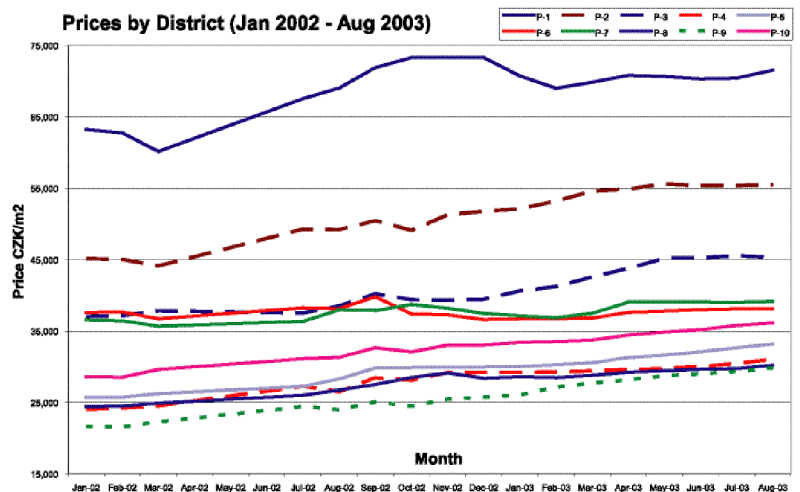
Individual shareholders are only responsible for their own tax returns and the simple reporting of income from dividends. Details of this structure are in a separate document available upon request ("See Legal and Corporate Ownership Structure").

In Summary

The real estate market in the Czech Republic is expected to maintain long-term growth in anticipation of EU entry.

PIPF has a dynamic and experienced management structure in place to take maximum advantage of the low overhead/high discount opportunities available to those able to finance such bulk purchases.

Overall, the expected cash-on-cash annualised Internal Rate of Return [IRR] of the Fund's Series A Preference Shares combining cash flows from both capital appreciation and the minimum 4% preference dividend from rental income over 5 years is expected to range between 16-20%.



Source: REALIT Magazine, January 2002 to September 2003

The Housing Market of Prague

Overview

The strength of interest in the Czech residential property market, particularly in Prague, has recently escalated to new heights. Positive trends are demonstrated by rapidly increasing sales of new houses, apartments and ground plots. This phenomenon is commonly attributed to many factors including EU membership, the overall Czech economy compared to its neighbours, strong growth within the Czech middle class, overall lack of quality housing supply relevant to demand, low interest rates and the ever increasing availability of mortgage financing.

Rapid growth of the Czech middle class wealth from savings combined with a relative severe shortage of housing forecast over the next 10 years provides optimism that long-term growth in real estate prices will continue at a steady yet rapid pace.



Finally, anticipation of EU entry has very positively affected the market's optimism of future growth prospects of real estate in general.

Long-Term Projected Undersupply of Housing

Government system changes after 1989 led to the abolition of State subsidies for housing construction. This meant that housing starts and constructions in progress were suddenly interrupted. The number of dwellings finished in 1993 decreased by more than 50 percent to a level of less than 3 dwellings per 1,000 inhabitants (West European countries have app. 6-7 dwellings completed annually per 1,000 inhabitants). In Europe one third of the building industry is targeted to residential housing construction. In the Czech Republic it comprises less than 10 percent.

A young and growing middle class that is moving

away from their parents' rent-controlled flat is creating greater and greater demand pressure for modern, quality, yet affordable housing. The portion of disposable income spent on non-regulated rental housing by Czechs is not disproportionate to that of other European nations which average about 30%. However, it is common to see Czechs spending 50%+ of their net incomes on mortgage payments.

In response to this increasing demand, new construction starts have been increasing astronomically since about 2000. The number of new construction projects has been particularly strong in multi-unit buildings which increased by 155.1% during 2002.

Despite this rapid growth, the Czech statistical office estimates that there is a need to finish approximately 50,000 dwellings annually until 2010 (i.e. to reach a level of approximately 5 dwellings per 1,000 inhabitants). Other estimates show 20,000 dwellings a year will be removed from the housing market (due to age and deteriorated condition). Still, only 23,700 permits for the construction of apartment units were issued from Jan.-Nov. 2002. Apartment buildings accounted for 28.8% of new dwellings (new apartment buildings - 21.7%, enlargement and reconstruction - 7.1%).

Combining the weak supply expected over the next 7 years, the strong growth within the Czech middle class, low interest rates and the ever increasing availability of mortgage financing; the facts indicate continuous strong demand pressures overriding supply for the long-term.

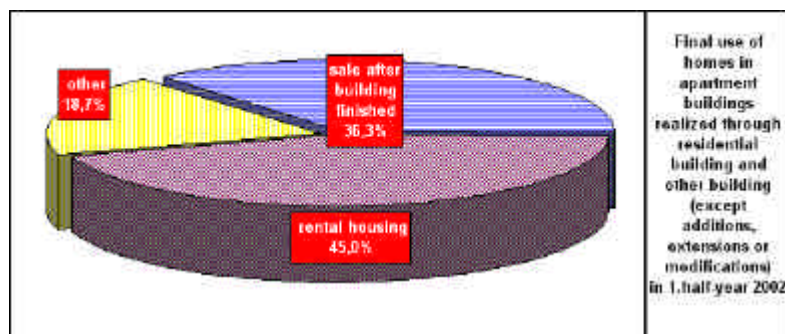
Demand Forecasts

The overall housing industry in the Czech Republic presents enormous opportunities. A grow-



ing middle class has created an increasing demand for modern, comfortable, housing. This increasing demand, along with improvements in the legislative environment and the financial sector, should allow for steadily improving market conditions.

The demand side of the Czech housing market is in its expansion stage - especially in Prague. This trend is demonstrated by rapidly increasing sales of new houses, apartments and ground plots by many developers. Around 50% of offered family houses and apartments are sold before beginning of their construction. 40% are sold during construction and only some 10% after construction is completed.



Source: Housing Building in the Czech Republic in 1.half-year 2002, Czech Statistical Office, Prague

Trends in Czech Tastes for Housing

Beginning in about 2001, new methods and styles of housing construction that are more responsive to the current economic situation and public demand began developing.

The current trend is away from stark high-rise buildings (often referred to as "Panelaks") to attractive structures with fewer levels (typically less than 6). Our internal research shows that, on average, Panelaks sell and rent at a discount of 33% and 25% respectively compared to "low-rise" apartment complexes. The lower discounting of panelak rentals vs. panelak sales gives rise to potentially higher investment yields from rental income from panelak units. However, the higher yields in the short-term will likely come at the expense of expected long-term capital growth.

In comparison with most developed countries in Europe, dwellings in the Czech Republic have fewer rooms and less total living space. However, the public is demanding increased efficient use of living space, parking facilities, low price and convenient community services, such as shops and access to public transportation systems. Great attention is currently being paid to flexible interior arrangements in

small and medium-sized dwellings, as well as flexibility for connecting units. In addition, it is possible to purchase dwellings with unfinished interiors at reduced prices. This allows individuals to purchase a home and then complete the interior on their own.

During 1995-1998 there were both larger and smaller flats coming onto the market. However, at present the number of people interested in large apartments is decreasing (this target group has already bought or built a larger flat). Current customers prefer smaller flats and these are currently the best selling projects. Developers, who over-dimension shares of large flats in their projects, usually need more time to sell them.

A recent survey by a market research firm indicated that a majority of respondents showed interest in mainly medium and smaller flats. The most demanded sizes of flats are 2+1 [1 Bedroom, 1 Living-room + Kitchen] (38% of respondents) and 3+1 [2 Bedrooms, 1 Living-room + Kitchen] (37% respondents). In the centre of Prague, where prices are higher per m², demand is also heavy for smaller flats (1+1) [1 room serving as Bedroom/Living-room + Kitchen].

It follows that flats from 51-75 m² in size are in highest demand (38%), followed by flats from 31-50 m² (28%) and then flats between 76-100 m² (24%). The share of the smallest flats (under 30 m²) and the largest ones (over 100 m²) is lowest (4.5%).

When analyzing the larger categories, the overall demand is divided evenly among size categories 76-100 m², 101-125 m² and 126-150 m². From a regional point of view, Prague citizens prefer the largest category (34%, 126-150 m²), while South Bohemians prefer both smaller ones.

As for the preferred locations of flats, suburban parts of town have proven to be the dominant choice for 48% of respondents from the Prague area as the first choice for apartment location. The second position is occupied by urban parts of Prague except the city centre (33% preference). The third position is the historical city centre (13%). Interest in apartments outside Prague is rather low. 20% of those aspiring for a flat in Prague would prefer the Prague 6 district, Prague 4 (16%), Prague 2 (14%) and Prague 10 (11 %).

Most of the Czech population interested in housing prefer the purchase of a reconstructed flat, often refurbished panel blocks or extensions (prices are cca 20-30% lower than new constructions). Current

prices of old flats, compared with newly built flats, are slightly decreasing in some cases. This is usually due to the uncertainty of the older buildings' expected lifespan and structural condition.

The Effect of EU Entry

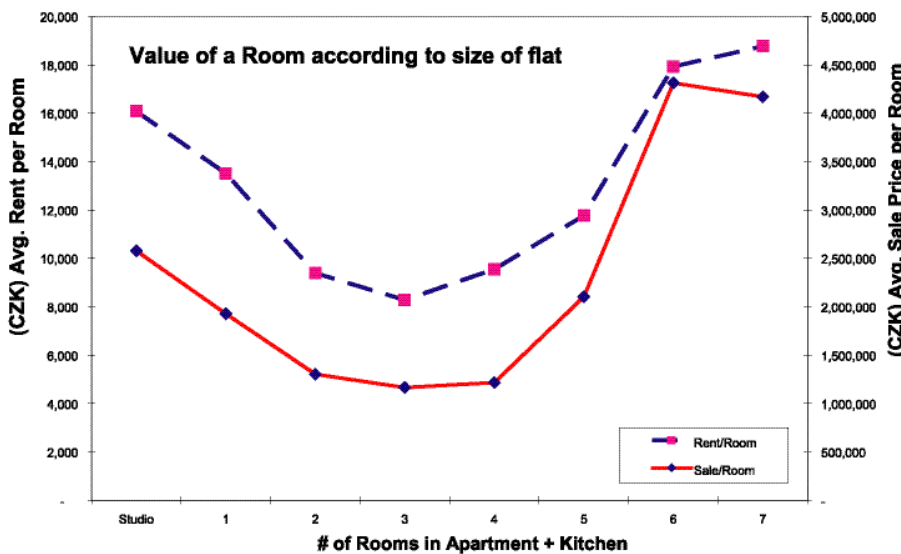
The number of people purchasing properties in the Czech Republic as an investment before entering the EU is increasing exponentially under the expectations of higher demand for a variety of reasons.

The Management of this Fund take the position that the value associated with EU entry has already been factored in to the aggregate valuations we are

low risk and the presumptive price growth in anticipation of entry to the EU.

In previous years people used to buy properties mainly in order to solve their own housing situation. Nowadays more and more people are purchasing houses or plots of land as an investment for the future. It is also becoming popular for Czechs to purchase multiple apartment units for the purpose of leasing to tenants.

Investing in residential real estate property for leasing purposes has not been popular with large investors because of the overshadowing interest in the office and industrial sectors. In 1994, leasing of commercial and residential properties made up only



Source: Property In Prague Internal Research September 2003

seeing now. This means there will not at all be a "sudden spike" in prices come May 2004. The real danger for the market was that EU entry might have been rejected by Czech voters in the June 2003 referendum. Had entry not been passed one would have seen a collapse of real estate prices as all of the EU's anticipated value would have suddenly been nullified.

It is widely believed that the EU will create economic prosperity for the Czech Republic. Foreign interest is likely to fuel strong steady growth in residential property prices into the future. The greatest appeal is towards foreigners looking for greater yields than their homelands are able to offer.

Investing for Leasing Purposes

The core attractions for investment into the Czech property market are: high profit, relatively

2.37% of the total volume of leasing operations in the Czech Republic. However, as of 2002, the real estate market and supply for office space has largely been saturated and rents have only begun to stabilise after many years of downward valuation trends. However, large institutional investment activity in the residential sector is likely to be many years away.

About 29% of housing in the Czech Republic is rented, according to the Regional Development Ministry. More than half the rental units are publicly owned, and nine out of 10 have regulated rents. New builds and any properties that are the subject of this fund are not subject to any sort of rent controls.

Conclusion

The strength of interest in the Czech residential property market, particularly in Prague, has recently escalated to new heights. This phenomenon is commonly attributed to many factors including EU membership, the overall Czech economy compared to its neighbours, strong growth within the Czech middle class, overall lack of quality housing supply relevant to demand, low interest rates and the ever increasing availability of mortgage financing. These factors combined with a relative severe shortage of housing forecast over the next 7 to 10 years provides optimism that long-term growth in real estate prices will continue at a steady yet rapid pace.

Investment Attributes Summary

Notes

- (1) “Transferable only on the books of the corporation” means that a purchaser of the shares from the holder named on the certificate will not be recognised as the new owner until the change of ownership is recorded in the stock records of the Fund.
- (2) Only designated members of the management team are able to buy common shares.
- (3) Series A Preferred Shares carry additional material rights over common shares.
- (4) Represents a result net of all fees and expenses.
- (5) The Fund may from time to time invest into properties that are still under development or require some level of refurbishment before they would be suitable for letting. Such projects tend to be riskier by their own nature and do not typically yield immediate cash flows due to the timelines required for repairs.
- (6) These returns have been estimated on the basis of simulated portfolio holdings using best efforts to obtain accurate information for inputs.
- (7) The “First Round” of financing targets the first drawdown of committed funds as of the 31-October, 2003. The Fund’s shares are deposited and held in escrow until the MINIMUM AMOUNT of EUR 500,000 or 400,000 shares are sold. If the minimum amount is not sold by February 28, 2004, then all of the money collected will be returned promptly to its sources.
- (8) Series A Preferred Shareholders carry the rights to receive a preferred return of 4% annually, which is cumulative.

Ownership & Legal Nature

<i>Legal Venue:</i>	The Netherlands’ Antilles
<i>Parent Company Corporate Type:</i>	Incorporated Tax Exempt Mutual Fund (Open End) “B.V”
<i>Share Transferrability:</i>	Freely transferable only on the books of the corporation (1)

Share Capital Attributes

<i>Share Classes:</i>	Series A Preferred (8) and Common (2)
<i>Currency Denomination:</i>	“Euro” [EUR]
<i>Authorised Capital:</i>	EUR 20.0 Million
<i>1st Round (7) Equity Capitalisation:</i>	EUR 10,000,200
<i>Series A Preferred Ownership After 1st Round Capitalisation (3, 7):</i>	80%
<i>Common Share Ownership After 1st Round:</i>	20%

Series A Preferred Shares

<i>Series A Preferred Shares Issued 1st Round (7):</i>	80,000
<i>Funds Raised from 1st Round Sale of Series A Preferred Shares:</i>	EUR 10,000,000
<i>1st Round Series A Preferred Price Per Series A Preferred Share:</i>	EUR 125.00
<i>Minimum Series A Preferred Share Block Purchase:</i>	EUR 50,000 (400 shares)
<i>Minimum Annual Preference Dividend:</i>	EUR 5.00 per share (4%)
<i>Profits Participation Rights:</i>	Yes (12)

Common Shares

<i>Common Shares Issued First Round (2):</i>	20,000
<i>Common Price per Share:</i>	EUR 0.01
<i>Funds Raised from 1st Round Sale of Common Shares to Management:</i>	EUR 200.00

Entry and Management Fees

<i>One-Time Entry Fee:</i>	Up to 3% deducted from investment proceeds to cover brokerage commissions.
<i>Annual Fund Management Fees, etc.:</i>	None
<i>Operating and Property Overhead Costs:</i>	Passed through at cost as incurred. Annual overhead is expected to be approximately 3.2% of total paid-in investor capital.
<i>One-Time Exit Fee:</i>	Up to 1% of the value of shares redeemed may be withheld to cover administrative expenses associated with the redemption process. Such fees would be distributed to the Fund for the benefit of the remaining shareholders.

Investment Attributes Summary (continued)

Notes

- (9) Debt might also be used to (i) cash out shareholders requesting early redemption as an alternative to disposing properties early; (ii) for operating purposes in the event of unexpected circumstances in which the Fund's cash resources become insufficient for the maintenance and repair of its properties or for the protection or replacement of assets; (iii) in order to finance improvement of properties, when the Investment Manager deems such improvements to be necessary or appropriate to protect the capital previously invested in the properties, to protect the value of the Fund's investment in a particular property, or to make a particular property more attractive for sale or lease; (iv) To achieve the minimum dividend distribution required for the Preferred Shareholders. See the Fund's Prospectus for more details.
- (10) The minimum holding period for Series A Preferred Shares is three (3) years from the date of commencement. At the election of the holders of up to 10% of the Preferred, the Fund shall redeem 1/3 of the Preferred Shares held by an individual shareholder at a redemption price equal to 80%, 85% and 90% of the Net Asset Value NAV per share on the third, fourth and fifth anniversaries of the individual's share purchase date minus the amount of any dividends previously paid to the holder of Preferred during the fiscal period of redemption.
- (11) At the election of any holders of any of the Preferred, the Fund shall redeem up to all of the individual's Preferred shareholdings on the sixth anniversary of a given shareholder's Share Purchase Date at a redemption price equal to 100% the Net Asset Value NAV per share minus the amount of any dividends previously paid to holders of Preferred during the fiscal period of redemption.
- (12) Upon satisfaction of the Liquidation Preference and exercised Rights of Redemption, Series A Preferred shares shall participate in the remaining profits declared and distributable pro rata on a per share basis. A Preferred share shall equal one Common share.

Expected Annual Returns (6)

<i>Minimum Annual Dividend on Series A Preference Shares(8):</i>	4% (EUR 5.00 per share)
<i>Expected Gross Annual Rental Income</i>	
<i>Yield on Capital Expenditures:</i>	10% (ranging between 5-14%)
<i>Expected Net Annual Cash Dividend</i>	
<i>Yield on Equity Investment (4,8):</i>	4-7%
<i>Expected Range of Annual Capital Growth on Stabilized Rental Properties:</i>	15% (ranging between 5-25%)
<i>Total Annualized Expected Range of Series A Share Equity IRR over 5 years (5):</i>	~16-20%

Key Investment Policies

<i>Dividend Payout Ratio:</i>	90-99% of free cash flow (4)
<i>% Total Capital Invested in Real Estate:</i>	90+%
<i>% of operating income derived from rents:</i>	99%
<i>Investment Focus:</i>	Residential Properties in Prague
<i>Diversification Strategy:</i>	Condition, Location, Size, Construction Quality, Age, Building Type, Price Level, Potential for Capital Growth and Cash Flow from Rental Yields.
<i>Use of Mortgage Debt to Acquire Properties:</i>	The Fund will not borrow money in the early stages to acquire the Fund's properties. Mortgage debt will likely be used in 2005 when there are stabilised income producing properties that can serve to reinforce the debt servicing in the event of an unfavourable market.
<i>Gearing (Debt usage) Limit (9):</i>	The Fund expects to leverage approximately 30-35% of the Fund's existing assets (measured at cost). The aggregate amount of the Fund's borrowings at any given time may not exceed 45% of the market value of all of its properties.

Expected Timelines

<i>Commencement Date for Drawdown of Funds:</i>	31-October, 2003
<i>Expected Length of Acquisition Phase:</i>	6-12 months
<i>Months Till Income Stabilization:</i>	12-18 months after fund capitalisation
<i>Expected 1st Dividend Payout:</i>	18-24 months after fund capitalisation
<i>Earliest Time Period for partial Redemption of Shares with penalty (10):</i>	3 years
<i>Earliest Time Period for Full Redemption of Shares without penalty (11):</i>	6 years

Investment Overview

The Property In Prague Fund-I, B.V. [PIPF] is a mutual fund incorporated and domiciled in Curaçao, the Netherlands' Antilles. The Netherlands' Antilles is widely regarded as the birthplace of the Hedge Fund and still remains an attractive location for international funds.

The Fund's structure takes advantage of the international tax treaties between the Netherlands' Antilles, the Netherlands and the Czech Republic such that the tax burden on profits is minimized through completely legal and transparent channels. The full details of this structure are contained in a separate document "Legal and Corporate Ownership Structure," which is available free upon request.

Proceeds from the purchase of shares in the Fund are used to purchase real estate assets or shares of special purpose companies whose assets are comprised primarily of real estate. Those assets are subsequently managed to produce rental income, developed to maximise their value and eventually harvested for their capital gain potentials when the timing is right. Profits from these activities are routinely distributed to the Fund's Shareholders in the form of dividends.

The Fund's Administrator

Amicorp Fund Services has been engaged to assist in determining the structure, providing administration and attending to other details of the fund. Amicorp provides administrative, financial, corporate, legal and management services to a variety of international mutual funds. Their services include the complete set up of a fund, incorporating the legal entity, obtaining licenses or regula-

tory approval as required in each circumstance, drafting the prospectus and all related agreements, establishing broker and bank relationships, calculating Net Asset Values [NAV] on a regular basis, keeping the shareholders' register and performing all other tasks necessary to keep the Fund in good standing under applicable laws and regulations.

The NAV calculation includes independent verification of all security balances and prices where available. Funds such as Property In Prague Fund-I present pricing challenges that require independent real estate valuations. All fund assets, liabilities, revenues and expenses are scrutinised in detail in NAV calculations prepared by Amicorp Fund Services. This underscores the fiduciary duty towards shareholders inherent in the administration relationship with the fund. The administrator also ensures that the following tasks are completed:

- Sending shareholder value statements on a periodic basis.
- Confirmation of details of shareholder transactions to shareholders as well as to fund sponsors or managers.
- Ensuring compliance with legal requirements in the fund vehicle's domicile.
- Reviewing portfolio transactions and balances to ensure compliance with investment restrictions.
- Coordinating and assisting with the annual audit of the fund.
- Maintaining the shareholders' register.

Amicorp's Fund services are provided for Property In Prague primarily through their offices in Curaçao, and Luxembourg. For more information on Amicorp, please visit their website at www.amicorp.com.

This document contains

PROPRIETARY AND CONFIDENTIAL INFORMATION

It is hereby stated that the information contained herein is confidential and is set out as a general outline of the investment opportunity contemplated. All descriptions, references to terms and conditions and other details are given in good faith, as is external market information that has been gathered by Property In Prague or is believed by Property In Prague to have derived from reputable and reliable sources. All opinions and judgments, plus all financial forecasts and projections contained in this document are necessarily of a subjective nature and subject to uncertainty. The analysis is based on sources believed to be correct and reliable and represents the opinion of Property In Prague as at the date of this document. None of the sources quoted or relied upon assume any responsibility for any direct or indirect damage or loss suffered due to reliance on these projections. The information contained herein, including any part thereof, may not be reproduced or quoted to third parties outside of the entity of the intended recipient without the prior written, faxed or e-mailed permission of Property In Prague and/or the sources quoted or expressly relied upon herein.

Nothing in this document constitutes an offer or solicitation to anyone in any jurisdiction in which any offer or solicitation is not lawful or to anyone to whom it is unlawful to make such offer or solicitation. This document is an attempt to summarise the offering within the Private Placement Memorandum Prospectus for the Fund. Only information contained in this separate Private Placement Memorandum Prospectus should be relied upon when considering the purchase of shares referenced herein.

Prepared By: Erik Webb Dempsey
September 2003

General Terms of the Stock

The Fund is initially capitalised with 2 classes of stock: Series A Preferred and Common.

The Series A Preferred shares represent the vast majority of paid in capital. Ownership of the Common shares is generally exclusive to the Fund's management team. A special purpose company, PIP Fund Management, Ltd. [PIPFM] (a), owned 100% by the Fund's management has been set up exclusively for the fund and will own the vast majority if not 100% of the Common shares.

The initial proceeds from the first round sale of the Fund's shares will be deposited and held in escrow in the Fund's bank account administered by a third-party Administrator until the MINIMUM AMOUNT of EUR 500,000 or 4,000 shares are reached. If the minimum amount is not sold by 28, February 2004, then all of the monies collected will be returned promptly to its sources.

After the minimum amount has been reached, the money will be released to commence the acquisition phase of the Fund. The Series A Preferred shares may continue to be sold indefinitely at the greater of EUR 125.00 or NAV per share until an additional 76,000 shares or EUR 9,500,000 has been reached.

The remaining 80,000 authorised shares of Series A Preferred shall be distributed at a future price to be determined by the Net Asset Value of the Fund (defined below) plus a premium; the total price of which in principal should never be less than the original EUR 125.00 per share.

No stock offered under this Plan shall be issued on the exercise of a stock right, stock warrant, or stock option.

Dividend Policies in General

As a guideline, the dividends distributed should constitute approximately 90-99% of the "After Tax Free Free Cash Flow after satisfactions of Redemption Rights. (d)". Series A Preferred Shares carry a cumulative 4% [EUR 5.00 per share] annual preference dividend.

Profits shall be distributed only in the form of Dividends from the parent company in the Netherlands' Antilles. The amount, frequency and dates of distribution are to be determined solely by the board of directors, but are likely to be between one to two times per year. More frequent distribu-

tions would lead to excessive administrative costs.

Series A Preferred

Share Prices and Fees

Shares Issued and Price per Share

The first round offering of Series A Preferred is comprised of 80,000 shares. The "Offering Price" per share is EUR 125.00.

Minimum and Maximum Purchase

The minimum purchase is blocks of 400 shares in consideration of EUR 50,000. There is no maximum limit on the number of shares purchased by any single shareholder.

Fees Associated with the Purchase of Shares

Fees amounting to a maximum of 3.0% of the invested amount may be used to pay commissions of up to 3.0% of the gross offering proceeds to other broker-dealers participating in the offering of our shares.

Rights and Conditions of Series A Preferred Shares

First Right of Refusal

Existing Series A Preferred shareholders have the first right of refusal to purchase shares in future rounds to maintain their current proportional shareholding within the Fund. However, such rights do not give preference towards any discount to the price of the new shares.

Redemption Rights

Requests to redeem Series A Preferred Shares may be filed after a period of 3-years (36-months) from the Purchase Date by the original shareholder. Upon such request, up to 1/3 of a given shareholder's shares will be redeemed each year at 80%, 85% and 90% of the net asset value (NAV) per share in years 3, 4 and 5 respectively. After the 6th anniversary of the Purchase date and thereafter shares may

be redeemed at 100% of their NAV without discounts to the NAV per share or restrictions on proportions redeemed.

There are other additional terms, issues and restrictions that will apply to this redemption program. Please see the Fund's prospectus for full and decisive details.

The price per share is determined by the Net Asset Value per share determined by the Fund's independent administrator and declared by the board approved financial statements of the prior fiscal year. The Fund's board of directors has the right to suspend all share redemptions under certain circumstances where such redemptions would generally be harmful to the remaining shareholders due to poor timing, etc.

Liquidation Preference

In the event of any liquidation (c), dissolution or winding up of the Fund, the holders of Preferred Shares shall be entitled to receive in preference to the holders of Common Stock the amount of EUR 125.00 (the original investment) per share of Series A Preferred Stock. If the funds to be distributed to holders of the Preferred Shares are not sufficient to permit payment in full of the foregoing liquidation preference, then all available funds shall be distributed ratably among the holders of the Preferred Shares in proportion to the preferential amount each holder is otherwise entitled to receive. After payments of such amounts, the holders of both the Common and the Preferred Shares will share pro rata in the remaining proceeds (on an as converted basis).

Profits Participation on Liquidation

Upon satisfaction of the Liquidation Preference and exercised Rights of Redemption, Series A Preferred shares shall participate in the remaining profits declared are distributable pro rata on a per share basis. Such rights apply to Liquidation scenarios as well. For the purposes of calculating "pro rata"; one Series A Preferred share shall equal one Common share.

Dividend Preference

Series A Preferred shareholders will receive EUR 5.00 per share (4% return on equity) preferred dividend, cumulative on an annual basis and will be paid out to Series A Preferred shareholders before distributions to any other investors. Subsequently, other investors will receive a distributed return to catch up with the Series A Preferred Shareholders. Thereafter, Series A Preferred Shareholders and other investors will share on an equal per-share basis in all remaining distributions.

In the event whereby in any one year such distribution of Preferred returns do not fully take place, in the next following year these shall be first distributed the amount of deficiency of the dividend(s) over the previous year(s) prior to the dividend of the next following year. Other investors will not receive any profit until the Series A Preferred shareholders have received all their due proceeds.

Series A Preferred shareholders have the right to receive dividends within 90-days after declaration. Dividends are expected to be paid at least once per year.

Voting

The holder of Series A Preferred shares shall be entitled to 1 vote for each share held. Voting is not segmented according to classes of shares. Therefore, the Series A Preferred Shares shall represent a total of 80% of the voting stock of the Fund.

Transferability

Holders of Series A Preferred shares are entitled to transfer their shares at any time and at any price according to their own will and subject only to the will of the market to purchase and applicable law. This does not by any means guarantee any form of liquidity since the shares are not expected to be traded on any public exchanges.

PROPERTY IN PRAGUE

Investments · Buyer Representation · Due Diligence · Property & Asset Management

Sales of Series A Preferred Shares may be restricted in certain jurisdictions where registration of securities is required. Therefore, investors should consider their Series A Preferred shares as “non-liquid” and should further assume that the only means for exit is through the Fund’s Share Redemption program.

Common Stock

Ownership of the Common shares is generally exclusive to the Fund’s management team. Common Stock of the Fund shall initially be available and issued only to the management company, PIP Fund Management, Ltd [PIPFM] (a).

The first round offering of Common Stock is comprised of 20,000 shares sold exclusively to the management a price per share of EUR 0.01 for a total equity contribution of EUR 200. The Management has a right to purchase Common shares at a price of EUR 0.01 per share in order to maintain a 20% holding of the Fund on a share bases. Incremental shares that would put the Management’s share ownership over 20% would be sold at the Common share’s Net Asset Value (NAV) per share (see “Antidilution” under “Rights, Conditions and Restrictions of Common Shares”).

Rights, Conditions and Restrictions of Common Shares

Antidilution

In the event of subsequent issues of additional Preferred class shares, PIPFM shall within its shareholder agreement have rights to acquire additional Common shares at the price of EUR 0.01 per share such that it maintains its 20% ownership in terms of shares (b). Incremental shares that would put the Management’s share ownership over 20% would be sold at the Common share’s Net Asset Value (NAV) per share (see “Antidilution” under “Rights, Conditions and Restrictions of Common Shares”).

Dividends

Common Shares shall be entitled to receive dividends only after obligations to the minimum Preferred returns of EUR 5.00 per share to the Series A Preferred shareholders have been satisfied. Thereafter, the Common shares are allowed to

“catch up” by receive remaining dividends up to EUR 5.00 per share. Any excess funds remaining after the “catch up” distribution to Common shareholders is distributed on an equal per share basis to both Preferred and Common shareholders.

Such restriction also applies in the event of liquidation of the fund or sale of a substantial portion of the assets (c).

Voting

The holder of Common shares are entitled to one [1] vote for each share held.

Form most issues concerning the Fund, voting is not segmented according to classes of shares. The main exception being elections of the Fund’s board of directors. Therefore, the Common Shares represent a total of 20% of the voting stock of the Fund.

Notes

- (a) This is the management company the shareholders of Property In Prague, s.r.o. have set up between themselves for the purposes of owning and controlling the Common Shares of the Fund as a single voice.
- (b) Based on shares owned of the company without regards to paid consideration or share class. Share ownership is not necessarily a proportional equivalent to ownership of profit/asset distributions of the Fund.
- (c) Substantial portion is equal to 51% of the total assets of the Fund including consolidated holdings of subsidiaries.
- (d) After Tax Free Cash Flow after satisfactions of Redemption Rights shall be defined as the Net After-tax income + (Add) Depreciation and Amortisation - (Less) Provisions for working capital - (Less) Cash Flow from Capital Purchases + (Add) Cash Flow from Capital Disposals - (Less) Cash Flow Required to satisfy other periodic debt, note and/or liabilities.

More Information

To request more information about this Fund including detailed planning documents please contact:

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Potential Risks of the Investment

Devaluation of the CZK vs. EUR

A material devaluation of the Czech Crown [CZK] vs. the Euro [EUR] would subsequently devalue the assets which are generally held in CZK denominations. This can be hedged to an extent by denominating the rents into EUR; a practice that has been used historically by investors with EUR denominated debt service requirements and during periods of uncertainty regarding the CZK future values. In the long-run, however, those contracts that pegged rent to the EUR lost revenues in terms of equivalent nominal CZK collected.

Higher than expected Vacancy/Lower Rents

The assumed vacancy rate presented in the financial assumptions is 5%. If this variable is assumed to be 25%, the expected IRR to the investor would drop by about 1%. The natural combatant against high vacancy is to lower rents. This strategy will in turn result in lower rental and hence dividend yields on the investments.

Anticipated Market Growth Fails to Materialize

The assumed overall market growth presented in the financial assumptions is 15% per annum. Although properties in certain areas of Prague are growing between 20-50%, there is no guarantee that this substantial growth will be maintained in the future. Additionally, there is always the chance for negative growth, which would result in capital losses if/when the properties are sold.

Czech Republic Entry to EU is Delayed or Cancelled

Much of the property prices today are high in anticipation of EU entry scheduled for May 2004. A substantial delay with would likely lead to an immediate drop in prices for housing. In the short-term (i.e. 1-3 years) this would lead to negative overall return to the fund. However, the strategy of the fund

is to hold the properties for at least 5-years. It could be expected (but not guaranteed) that the prices would correct themselves within this time period with no capital loss. However, it is likely the anticipated capital growth of the properties would fail to materialize. It should be noted that the Czech's approved their entry into the EU via public referendum held in June 2003.

Liquidity

As a non-public fund with few expected investors, it is highly unlikely that a liquid market will exist for investors to easily sell their shares prior to maturity of redemption rights. The only reasonable chance of early exit would be through existing shareholders that may wish to buy out other shareholders.

It should be noted that the shares are freely transferable without restriction arising from the Fund's bylaws, etc. Sales of Series A Preferred Shares may be restricted in certain jurisdictions where registration of securities with applicable authorities is required for such sales. You are limited in your ability to sell your shares pursuant to the Fund's share redemption program.

Even though the Fund's share redemption program provides you with the opportunity to redeem your shares for 80% of the Net Asset Value [NAV] per share after you have held them for a period of three years, you should be fully aware that the Fund's share redemption program contains certain restrictions and limitations.

The Fund's board of directors reserve the right to amend or terminate the share redemption program at any time. In addition, the board of directors has delegated authority to the Fund's officers to reject any request for redemption for any reason at any time. Therefore, in making a decision to purchase shares of the PROPERTY IN PRAGUE Fund, you should not assume that you will be able to sell any of your shares back to the Fund pursuant to the Fund's share redemption program. (See the Prospectus Section "Description of Shares - Share Redemption Program.")

Changes in Czech Law

Czech Law has, in the past, passed changes to the tax code that are enforced retroactively. This has not happened in many years, and the Czech Republic's alignment with EU legal standards will likely dissuade such practices in the future.

Management Incompetence

There is the risk that the management structure of the Fund proves inadequate towards handling the specified number of properties. The Fund is structured such that the management team can be replaced at the will of the board of directors of the Fund's parent corporation. However, such a situation leading up to termination of the management is undoubtedly negative and would certainly have adverse effects on the Fund's performance.

Competition for investments may increase costs and reduce returns.

The Investment Manager will experience competition for real property investments from individuals, corporations and bank and insurance company investment accounts, as well as other real estate limited partnerships, real estate investment trusts, pension plans and other entities engaged in real estate investment activities. The Investment Manager competes against other potential purchasers of properties in the residential real estate sector of the real property investment market. Since the Fund does not borrow money to acquire properties, the source of funding for acquisitions is limited to the amount of money actually raised from the Fund's Shareholders and available for investment in properties, and the Investment Manager's ability to form joint ventures with affiliated entities. The residential sector has numerous competitors who operate on a local, regional and national basis, including real estate agencies, developers, companies and investors in residential real estate. Competition for investments may have the effect of increasing costs and reducing your returns.

Delays in acquisitions of properties may adversely affect your investment.

Delays the Investment Manager may encounter

in the selection, acquisition and development of properties could adversely affect the returns of the shares invested. When the Investment Manager acquires properties prior to the start of construction or during the early stages of construction, it will typically take several months to complete construction and rent available space. Therefore, you could suffer delays in the distribution of cash.

General Economic Downturns

Employment rates may fall, interest rates may rise, etc. causing purchasing power decreases en masse, which may affect the demand for properties and could lead to a downward pressure on prices. There is no solid protection from inflation.

Other Potential Risks

The Fund is a newly incorporated company with no operating history, assets or liabilities.

Only risks described in the Fund's Prospectus should be relied upon as comprehensive with regards to the Property In Prague Fund-I.

To request more information about this Fund including a prospectus please contact:
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