SCOTLAND:
Investment Strategy Report

Pictured: A view north from Quartermile to Edinburgh Castle

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I. Executive Summary

Who We Are

I represent Rock Star Worldwide (RSW), the international arm of Famous & Foolish, LLC (F & F). Our division of the company is in its nascent stage, but our core business is real estate investment. We share offices with our parent company in Los Angeles and New York City, but will be opening up an international headquarters in Edinburgh Scotland. We represent a consortium of Hollywood's elite, who like to dabble in real estate but don't like to worry about the details of property management or actually getting their hands dirty. Our clients have the burden of making so much money that they don't know what to do with all of it. So when they aren't throwing million dollar parties for each other or swimming in Cristal filled swimming pools they still have enough money to invest in real estate. They understand the potential that real estate investments can offer. Most of our clientele already own multiple mansions, ranches, penthouse condos and sprawling compounds around the United States.

However, our clients like the flair and prestige associated with being international business people, especially when all they have to do is sign a check. They wish to be able to continue living their opulent lifestyles forever, and want their money to work for them. Most of them realize there may come a day when the party is over. No one will want to see their movies or watch them perform in concert. They'll be old and washed-up. They are going to need a steady stream of income for their declining years, and this investment opportunity is their insurance policy.

Investment Objectives

All of our previous real estate investment experience has taken place in the U.S. This is our first foray into the international real estate market, and we thought it would be safer to start someplace we could visit relatively easily and understand the language. Scotland is a developed country that offers a stable government, a high degree of transparency, and great potential for growth and regeneration for decades to come. Our clients have left it up to us as to how, when, where, and in what their combined funds will be invested.

This investment pool of funds will be long-term in nature. It should produce an annual dividend for its investors, who will be able to sell their individual interests at their own discretion. We intend to diversely invest these funds to hedge real estate location and market sector risks. If we find a high risk opportunity, which we believe could be investment worthy; we will solicit the collective sentiments of our clients and weigh their opinions. The composition of the actual portfolio may change over time, but in general, the risk/return strategy will be maintained. Our company reserves the right to maneuver, buy, sell, trade, and exchange properties and interest in properties to that end.

Approach

The purpose of this report is to advise our company of the best method to invest One-Hundred Million Dollars ($100,000,000.00) in Scotland's real estate market. Researching real estate in Scotland is complicated because relevant data is commonly included and intermeshed with comprehensive studies of England and/or the United Kingdom. It can be rather difficult to find information that treats Scotland as an international market unto itself. The Scotland Act 1998 altered Scotland's status of government. While not independent of U.K. rule and still operating under the same common law, Scotland has devolved from the U.K. for intra-national matters. The newly reformed parliament of Scotland has since enacted the Abolition of Feudal Tenure (Scotland Act 2003), which contains most of the changes to Scottish property law. So it is a recent development that Scottish land no longer operates under the feudal system.

The major development sites in metropolitan areas today are mostly based on public-private governance alliances, which favor aspects of economic development and global competitiveness. Working with Scottish Development International, Scottish Enterprise, and local governmental authorities will allow us to establish the relationships in our determined areas of interest with local businesses and knowledgeable resources, which will be beneficial to our investment process and aid us in yielding the greatest return for our clients. We expect, in turn, that this will be equally beneficial to our Scottish residents, tenants, consumers, neighbors, and patrons.

Scotland is renowned for its educational system, a fact which has enabled it to lead the way in several knowledge-based industries including biotechnology, research & development, electronics, financial services, creative industries and design. The Scottish people and workforce are famous for their integrity, inventiveness, tenacity and spirit. This, when partnered with economic opportunities, means Scotland is a key destination for businesses seeking to expand and develop their commercial activities. Scotland is definitely a viable nation in which to invest $100,000,000 in real estate. The history, culture, businesses, people, and the natural beauty that Scotland has to offer is reason enough to validate this consideration. However, many facets of risk need to be explored to determine how to allocate our investment funds.

II. Scotland Overview

Before we begin our analysis, it will be important to align our risk tolerance to the cities and market segments that meet our expected return requirements. In doing so, we may realize it may be of merit to invest directly in situations we feel are part of our business's core competency or we may decide that an indirect investment would allow us to yield a satisfactory return without having to deal with day-to-day oversight and management. The next section is provided for insight into Scotland, its economy, and real estate issues and information that will affect our method of investment.

Demographics[1]

The population of Scotland in the 2001 census was 5,062,011. This has raised to 5,094,800 according to July 2005 estimates. This would make Scotland the 112th largest country by population if it were a sovereign state. Although Edinburgh is the capital of Scotland it is not the largest city. With a population of 629,501, this honor falls to Glasgow. Indeed, the Greater Glasgow metropolitan area, with a population of up to 2.2 million, is home to almost half of Scotland's population.

The Central Belt is where most of the main towns and cities are located. Glasgow is to the west while the other three main cities of Edinburgh, Dundee and Aberdeen lie on the east coast. The Highlands are sparsely populated although the city of Inverness has experienced rapid growth in recent years. In general only the more accessible and larger islands retain human populations and fewer than 90 are currently inhabited. The Southern Uplands are essentially rural in nature and dominated by agriculture and forestry.

[1] Source: http://www.gro-scotland.gov.uk/ (General Register Office for Scotland)

Due to immigration since World War II, Glasgow, Edinburgh and Dundee have significant ethnically Asian populations. Since the recent enlargement of the European Union there have been an increased number of people from Central and Eastern Europe moving to Scotland, and it is estimated that between 40,000 and 50,000 Poles are now living in the country. As of 2001, there were 16,315 ethnic Chinese residents in Scotland.

Scotland has three officially recognized languages: English, Scots and Scottish Gaelic. Almost all Scots speak Scottish Standard English, and in 1996 the General Register Office for Scotland estimated that 30% of the population is fluent in Scots. Gaelic is mostly spoken in the Western Isles, where a majority of people still speak it, however nationally its use is confined to just 1% of the population.

The Church of Scotland, also sometimes popularly known as The Kirk, is the national church and has a Presbyterian system of church government. Islam is the largest non-Christian religion in Scotland (estimated population, 50,000). There are also significant Jewish and Sikh communities, especially in Glasgow. Twenty-eight percent of the population regard themselves as belonging to 'no religion'.

Education & Labor

The excellent international reputation of Scotland's workforce is supported by the statistics: 27% of the population of working age has been to university and 33% of young people aged 18 to 30 hold a university degree. Scotland has 13 universities, six specialist higher education facilities and 46 colleges of further education. The student population has swelled to more than 500,000 and with more than 60,000 pupils leaving school each year; labor is not in short supply. Also, international schools offer teaching in several languages, including Japanese and Finnish.

Scotland's labor market regulations, in line with the UK's, are the most flexible in Europe and yet staffing costs remain competitive, particularly when compared to the rest of the UK and many areas of mainland Europe.

Four of Scotland's universities have achieved the highest level for the quality of research in a particular subject: Glasgow for computer science and electrical and electronic engineering; Strathclyde for electrical and electronic engineering; Edinburgh for computer sciences, electrical and electronic engineering, and physics; and St Andrews for computer sciences and physics.

The regulation governing who can work in Scotland is the same as for the rest of the UK. Citizens of the European Union, Iceland, Liechtenstein, Norway and Switzerland have permanent work rights in the UK. Citizens of Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, or Slovenia may need to register under the Worker Registration Scheme. Generally, the citizens of other countries will require a visa to work for more than six months in the UK. However, the UK has low unemployment, making it easier for those with specialist skills to gain working visas. A general shortage of skilled labor in the health sector means the British health service actively recruits abroad, making it easier for those with specialist health care skills to work in the UK. The Scottish Executive is also keen to attract immigrants to Scotland to plug a perceived declining population.

The UK does operate a working holiday program, for citizens of Commonwealth countries which allow residency and limited work rights for 2 years.

Government Role & Transparency

The public sector, in Scotland, has a significant impact upon the economy and comprises central government departments, local government, and public corporations. In quarter 3 of 2005, there were 577,300 people employed in the public sector, which accounts for 23.4% of employment in Scotland - this includes all medical professionals employed within the National Health Service in Scotland, those employed in the emergency services and those employed in the state education and higher education sector. This is in addition to employees of the government in the civil service and in local government as well as public bodies and corporations.

There is a clear separation of responsibility of the powers of both the UK government and the devolved Scottish Executive in relation to the formulation and execution of national economic policy as it affects Scotland - this is set out under Section 5 of the Scotland Act 1998.

The UK Government along with the Parliament of the United Kingdom retains full control over Scotland's fiscal environment, in relation to taxation (including tax rates and tax collection) and the overall share of central government expenditure apportioned to Scotland, in the form of an annual block grant.

The Scottish Executive does however have control over Economic Development policy, and controls, funds and regulates the national Economic development Agency - Scottish Enterprise. In 2006, for example, the budget of the Scottish Executive was around £25bn, which the Scottish Executive can spend on the areas under its jurisdiction such as education, healthcare, transport, the environment and justice.

The 32 unitary authorities in Scotland have the ability to levy a local tax, called the Council Tax which is used to pay for local services such as refuse collection, street lighting, roads, pavements, public parks and museums. The value of residential property is the base for the tax, with each dwelling allocated to one of eight bands coded by letters A through H (H being the highest) on the basis of its assumed capital value. Each local authority sets a tax rate expressed as the annual levy on a B and D property inhabited by two liable adults. The budget of local authorities is supplemented by direct grants from the Scottish Executive.

Tax / Structures

Investment incentives and the tax regime particularly favor large companies wishing to invest in research and development and the government has targeted discretionary funding for R&D projects. The government also offers grants to support training and job creation, in addition to public investment funds in certain industries.

Landownership

Because of the persistence of feudalism and the land enclosures of the 19th century the ownership of most land is concentrated in relatively few hands (some 350 people own about half the land). In 2003, as a result, the Scottish Parliament passed a land reform act that empowered tenant farmers and communities to purchase land even if the landlord did not want to sell.

Access, Transportation, and Infrastructure

Infrastructure in Scotland is varied in its provision and its quality. The densest network of roads, railways and motorways is concentrated in the Central Lowlands of the country where around 70% of the population live. The motorway and trunk road network is principally centered on the cities of Edinburgh and Glasgow and connecting them to other major concentrations of population, and is vitally important to the economy of Scotland.

Key routes include the M8 motorway, which is one of the busiest and most important major routes in Scotland, with other primary routes such as the A9 connecting the Highlands to the Central Belt, and the A90/M90 connecting Edinburgh and Aberdeen in the east. The M74 and A1, in the west and east of the country, respectively, provide the main road corridors from Scotland to England. The Scottish Executive has stated that it intends to spend £3bn on a capital investment scheme to improve Scotland's road and rail system, over the next decade, with the setting up of a national agency in January 2006 - Transport Scotland to oversee this. Many roads in the Highlands are single track, with passing places.

In 2004, 22.6 million passengers used Scotland's airports, with their being 514,000 aircraft movements with Scottish airports being amongst the fastest growing in the United Kingdom in terms of passenger numbers. Plans have been published by the major airport operator BAA plc to facilitate the expansion of capacity at the major international airports of Glasgow, Edinburgh and Aberdeen, including new terminals and runways to cope with a large forecasted rise in passenger use. Prestwick Airport also has large air freight operations and cargo handling facilities. Scotland is well-served by many airlines and has an expanding international route network, with recent long-haul services to Dubai, New York, Atlanta and Pakistan.

- *Aberdeen Airport*- 8 miles north west of the city, has direct flights from Alicante, Amsterdam, Barcelona, Bergen, Copenhagen, Dublin, Esbjerg, Faro, Groningen, Kristiansand, Malaga, Murcia, Oslo, Palma, Paphos, Paris, Stavanger and Tenerife.
- *Edinburgh Airport*- 10 miles west of the city, has direct flights from Alicante, Amsterdam, Atlanta, Barcelona, Bergen, Bergerac, Brussels, Cologne, Copenhagen, Cork, Dublin, Faro, Frankfurt, Galway, Gdansk, Geneva, Hamburg, Helsinki, Ibiza, Katowice, Madrid, Mahon, Malaga, Milan, Munich, Murcia, New York, Nice, Oslo, Palma de Mallorca, Paris, Pisa, Prague, Pula, Rome, Shannon, Stockholm, Tenerife, Toronto, Warsaw and Zurich.
- *Glasgow International Airport*- 12 miles west of the city, has direct flights from Alicante, Amsterdam, Athens, Barcelona, Belfast, Berlin, Bourgas, Calgary, Copenhagen, Dominican Republic, Dubai, Dublin, Faro, Geneva, Halifax, Heraklion, Islamabad, Karachi, Lahore, Las Vegas, Malta, New York, Nice, Orlando, Ottawa, Paris, Philadelphia, Prague, Pula, Reykjavík, Tenerife, Toronto and Vancouver.
- *Glasgow Prestwick International Airport*- situated 40 miles south west of Glasgow, is a hub of budget airline Ryan Air with domestic flights to London Stansted and Bournemouth; and international flights to Brussels, Bergamo, Dublin, Dusseldorf, Frankfurt, Girona, Gothenburg, Hamburg, Krakow, Oslo, Murcia, Paris, Pisa, Rome, Shannon and Stockholm. There is an additional train journey of up to an hour form this airport into Glasgow city centre. Aer Arann flys twice weekly from Donegal International Airport into Prestwick.
- *Inverness Airport*- situated 7 miles north east of the city, has direct flights from Dublin.

The country's air transport sector has grown and its four main airports serve destinations across Europe, North America and beyond. There are more than 115 flights a day to London from Scotland. Major deep-water port facilities exist at Aberdeen, Grangemouth, Greenock, Peterhead, Scapa Flow and Sullom Voe. Scotland is connected to mainland Europe by a dedicated ferry service between Rosyth (near Edinburgh) and Zeebrugge in Belgium. In addition to this, many remote island communities on Scotland's western seaboard are served by lifeline ferry services operated by the state-owned company Caledonian MacBrayne, which carry tourists as well as freight and are vital to the economies of these islands.

Urban planning and infrastructure projects range from high-speed internet access, to the creation of new technology institutes at a cost of €653m over three years. These new institutes will cover life sciences, energy and media technologies. Other major projects include Glasgow's public-private investment co-ordination in its financial services district, which could involve the creation of up to 20,000 jobs. Scotland leads Europe in many of its urban regeneration projects consisting of science and technology parks, biotech facilities, and dedicated media districts, which has transformed the city of Glasgow over the past decade[2] The private healthcare system is also thriving. There are four private hospitals and more than 40 public hospitals offering private practices.

Economic Conditions

In Scotland, the macro economic drivers of the Gross Domestic Product (GDP) are oil, tourism, and financial services. On a small scale there are consumer foods: fishing and whisky, but these are small pieces of the economy. Annual GDP growth has been over two per cent for seven successive quarters now. Gross Domestic Product in Scotland rose by 2.6 per cent annually in 2006 and grew by 0.6 per cent in the fourth quarter of 2006 according to provisional estimates released by the Scottish Executive. The track record of strength and stability in the Scottish economy has delivered more jobs for the people of Scotland over the past year than ever before. Not coincidentally, unemployment is at its

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2 http://www.fdimagazine.com/news/fullstory.php/aid/886/European_region_of_the_Future_2004_5:_Scotland.html

lowest rate since records began. The outlook for the Scottish economy remains positive. The focus will be on ensuring that these conditions for economic growth continue. Additional findings reported as of December 2006 are:[3]

- In 2006, annual output in the Scottish service sector grew by 2.9 per cent, compared with a 0.2 per cent decrease in the production sector and a 6.4 per cent rise in construction.
- In the fourth quarter of 2006, the service sector grew by 1.0 per cent and the construction and production sectors both declined by 0.4 per cent.
- In comparison to the UK figures:
    - The UK figures show that GDP rose by 2.7 per cent annually in 2006 and by 0.7 per cent over the fourth quarter; and
    - In 2006, the UK experienced a 3.7 per cent growth in services, a 0.1 per cent growth in production and the construction sector grew by 1.1 per cent.

Industry Analysis:

- Over quarter 4 of 2006, the service sector in Scotland grew by 1.0 per cent. Within this sector real estate & business services (+3.4 per cent) was the main driver of the quarterly increase, followed by financial services (+2.7 per cent), communications (+7.7 per cent) and transport (+1.3 per cent). Public admin, education & health (-0.3 per cent), hotels and catering (-2.2 per cent) and other services (-2.6 per cent) declined over the quarter;

- Output in the production sector declined by 0.4 per cent over the quarter. Within production, the electricity, gas and water supply sector declined by 7.1 per cent and mining and quarrying industries declined by 0.2 per cent. This decline was partially offset by growth of 0.9 per cent in the manufacturing industries; and

- Within manufacturing the main industry showing growth over the quarter was engineering and allied industries (+2.3 per cent). Metals and metal products (+1.0

[3] Source: Scottish Executive Statistics

per cent) and food, drink and tobacco (+1.9 per cent) also grew over the quarter. The growth was partially offset by decline in chemicals and man made fibers (-0.9 per cent), refined petroleum products and nuclear fuels (-0.7 per cent), textiles, footwear and leather (-3.2 per cent), and other manufacturing (-0.9 per cent).

International Commerce

Scotland is endowed with some of the best energy resources in Europe, and is a net exporter of electricity, with a generating capacity of 10.1GW primarily from coal, oil, gas and nuclear generation. With prevailing international concern over the use of fossil fuels in power generation, Scotland has been identified as having significant potential for the development of renewable energy sources, with abundant wave, tidal and wind power.

There have also been major developments in harnessing the wave and tidal potential around the Scottish Coast, with the LIMPET (Land Installed Marine Power Energy Transformer) energy converter being installed off the island of Islay, which produces power for the national grid. LIMPET, developed in Scotland, is the world's first commercial scale wave-energy device.

Excluding intra-UK trade, the United States and the EU constitute the largest markets for Scotland's exports. As part of the United Kingdom and the European Union, Scotland fully participates in the Single Market and Free Trade Area which exists across all EU member states and regions. Recently with the high rates of growth in many emerging economies of South East Asia such as China, Thailand and Singapore there has been a drive towards marketing Scottish products and manufactures in these countries.

Top 20 export destinations1 (£million), 2002 - 2005[4]

Rank	2002 Destination	2002 Total Exports	2003 Destination	2003 Total Exports	2004 Destination	2004 Total Exports	2005 Destination	2005 Total Exports
1	USA	2,165	USA	2,105	USA	2,595	USA	2,095
2	Germany	2,110	Germany	1,710	Germany	1,730	Netherlands	1,650
3	France	1,710	Netherlands	1,480	Netherlands	1,595	Germany	1,380
4	Netherlands	1,555	France	1,265	France	1,295	France	1,225
5	Italy	1,020	Norway	1,045	Spain	860	Spain	800
6	Spain	820	Spain	885	Eire	660	Eire	690
7	Eire	735	Eire	765	Belgium	590	Canada	675
8	Norway	620	Italy	690	Italy	580	Italy	605
9	Sweden	520	Belgium	605	Singapore	475	Belgium	585
10	Belgium	490	Switzerland	480	Sweden	440	Finland	485
11	Switzerland	415	Japan	405	Norway	355	South Korea	470
12	Denmark	410	Sweden	385	Finland	335	Sweden	405
13	Canada	390	Denmark	380	Japan	310	China	320
14	Japan	390	Canada	370	Denmark	300	Denmark	315
15	Russia	375	Finland	305	Canada	295	Singapore	280
16	Korea	275	Singapore	255	Korea	255	Norway	275
17	Australia	275	UAE	240	Australia	225	Malaysia	270
18	South Africa	265	Malaysia	225	Switzerland	215	South Africa	265
19	UAE	250	Korea	225	India	195	Saudi Arabia	260
20	Israel	215	SouthAfrica	215	UAE	185	Japan	250

Exchange Rate & Currency Risk

The currency exchange rate as of Monday, February 19, 2007:

1.000 USD = .513 GBP
1.000 GBP = 1.948 USD

There is a currency risk associated investing internationally, which in recent history has been particularly disadvantageous when investing with U.S dollars into British Pounds. Investment markets, including currency exchange rates, can go down as well as up and market conditions can change rapidly. The value of your investment and any income from it can fall as well as rise and you may not get back the amount invested.

Currencies are hedged primarily through forward and futures contracts. The cost to a U.S. investor of hedging foreign currencies through forward and futures contracts is approximately equal to the difference between interest rates in the United

[4] Source: Scottish Executive, Office of the Chief Economic Adviser, in collaboration with Scottish Development International; http://www.scotland.gov.uk

States and the particular foreign country over the contract period. For example, if interest rates in the United Kingdom are 6% for a one-year certificate of deposit versus 3% for a one-year certificate of deposit in the United States, the cost of selling $1,000,000 worth of pounds forward for delivery in one year will be close to the difference between the one year interest rate in Britain, 6%, and the one year rate in the U.S., 3%, or a 3% cost, which would be $30,000 on the hedging of $1,000,000 worth of pounds. When considering the cost of hedging, it is important to remember that an investor whose net worth is counted in U.S. dollars really has only two investment alternatives: to be un-hedged or to be hedged. The "cost" of being hedged should only be considered in comparison to the investment results, *after the fact,* of having been un-hedged. The only way that an un-hedged U.S. investor in British stocks can earn the same percentage return as the British owner of the same stocks is if the U.S. dollar/United Kingdom currency exchange rate is unchanged - which seldom happens.

Rock Star Worldwide invests for the long term, and we count our net worth in U.S. dollars. So we hedge what we believe to be our portfolio's exposure to foreign currencies back into U.S. dollars. While this presents an additional cost to investing abroad, the cost over long periods is not so great as to negate the investment values we see.

Availability of Financing

Scotland is one of Europe's leading financial centers and the UK's second largest financial services hub after London. Some of the world's foremost financial services companies have global headquarters in Scotland, servicing worldwide markets and utilizing the benefits of easy access to the key London and European markets. Scotland has a strong and dynamic financial services industry:

- It makes a major contribution to the life and economy of Scotland, generating £7 billion (over seven per cent) of Scottish GDP
- It accounts for around one in ten Scottish jobs. Scotland's share of financial services employment in Great Britain has risen from 8.8 per cent to 10 per cent since 2000
- It is one of the fastest growing sectors of the Scottish economy. Since the beginning of 2000, the financial services industry in Scotland has grown by 55 per cent while the UK financial services industry grew by 44 per cent

Scotland has a long history of innovation and excellence in financial services. Today Scotland has particular strengths in banking, life assurance and pensions, investment management and asset servicing. It also has vibrant general insurance, corporate finance and broking services sectors, and a strong community of professional advisors and suppliers.

Occupier Market

The country has one of the largest and most active investment promotion networks, which has successfully targeted high-value-added sectors, such as microelectronics, life sciences and financial services. Recent investments include: Raytheon's investment in Glenrothes to build missile guidance systems for the Harrier, Tornado and Eurofighter planes; JPMorgan's investment in a systems centre in Glasgow responsible for developing its global technology; and Johnson & Johnson-owned life sciences company Inverness Medical's expansion of its research and development activities in Inverness, creating more than 400 jobs. Besides life sciences, microelectronics, communication technologies and financial services, other areas attracting significant foreign participation include the food and drink sector, the energy sector and creative industries. Other big investors include IBM, Morgan Stanley Dean Witter and Hutchinson 3G.

Legal Issues to Consider

- Relevance of international law to real estate in Scotland- no relevance as regards to title holding, title transfer, conditions of title or security over title, but EU laws can apply in relation to use of property, e.g. EU environmental laws.
- Ownership of Real Estate- there is no restriction on ownership by non-residents in Scotland.
- Much of Scottish land law is statutory, the main provisions being contained in:
    - Tenements (Scotland) Act 2004 - ownership and maintenance liabilities of owners of parts of multiple-party ownership buildings.
    - Title Conditions (Scotland) Act 2003 - title conditions and servitudes.
    - Land Reform (Scotland) Act 2003 - includes the community right to buy and freedom of access to rural land.
    - Abolition of Feudal Tenure etc. (Scotland) Act 2000 - abolishes the historic system of feudal landholding.
    - Land Registration (Scotland) Act 1979 - set up the Land Register of Scotland and rules for its operation.
    - Common law impacts on real estate to the extent of providing interpretation of statutory provisions.

Permits (Warrants) for Development

- For works, a local authority building warrant will often be required and in many cases planning permission will be needed. If a building is listed as being of historic or architectural interest, then listed building consent may also be required. Special consent is needed for demolition of a building in a Conservation Area.

- If planning permission should have been obtained for works or use but was not, or the terms of a permission have been breached, then after 4 years (works) or 10 years (use and breach of a condition) the planning authority loses the right to enforce the requirement and can be asked to provide a certificate of lawfulness of use or development. The obligation to obtain building or conservation area consent or a building warrant never expires.

Leasing Provisions[5]

- Codified lease form by statute: No
- Usual rent payment frequency: Quarterly
- Usual length of lease: FRI leases - 25 years, other leases depend on negotiation.
- Statutory right to renew: No
- Rent review: 5 yearly to Open Market Rent.
- Rent deposits: None normally- covenant driven.
- Alienation of lease: Assignation of part is prohibited. Assignation of whole is permitted subject to fairly standard covenant requirement. Sub-letting of part-depends on size of property – and subletting of whole is permitted subject to a diluted covenant requirement.
- Repair: By common law, the Landlord is responsible for the structure, but the importation of FRI leases means that this is displaced. As such, the Tenant is responsible (either directly or indirectly through service charge) for structural and internal repairs.
- Insurance: Landlord insures.
- Alterations: Structural is prohibited without consent. Internal is prohibited without consent, which is not to be unreasonably withheld. At expiry, tenant reinstates: no compensation.
- Termination: At term expiry on either party giving 40 clear days' notice to the other.

Acquisition Costs and Ownership[6]

- Stamp Duty/Transfer Tax: 1 to 4% and scale for leases
- Legal Costs (and Notary): 0.25% to 0.5% of value; 5% rent but is negotiable.
- Surveyor's or Agent's Fees: 0.5% - 1%

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[5] Source: DLA Piper/FIABCI: International Real Estate- Your practical guide to dealing with real estate throughout the world (pg. 50, September 2006)

[6] Source: DLA Piper/FIABCI: International Real Estate- Your practical guide to dealing with real estate throughout the world (pg. 51, September 2006)

- Restrictions on Foreign Ownership: No
- VAT (Value-Added Tax): 17.5%
- Notary: No

Investment Proposal I:

THE SEAN CONNERY REAL ESTATE INVESTMENT FUND

III. Sub-Market Overview:

Office Market

As a result of the growing independence of Scotland, the capital, Edinburgh, has gained in importance so that private, as well as public institutions, have settled in the urban region increasing the desirability and demand for office space. Edinburgh and Glasgow have succeeded in attracting major interest from financial and businesses service companies during the last few years. Scotland's rent levels can be seen on the exhibit map above. Current incentives are available (such as rent-free periods), but vary by location and usually require a 10-year lease minimum.

In 2006, the cities of Edinburgh and Glasgow recorded significant decreases in office availability of 11% and 12%, respectively. Scottish cites such as Edinburgh, Glasgow and Aberdeen performed better than their European counterparts in a comparison of prime office rents last year. Scotland's capital city, Edinburgh, had a premium rate of £27 per sq ft for Grade A office space, outperforming key international cities such as Frankfurt, Madrid, Toronto, Washington D.C., Sydney, Amsterdam and Singapore. Glasgow and Aberdeen also performed well with rates of £24 per sq ft and £22 per sq ft, respectively.

Table 1- (Source: King Sturge: Global Industrial and Office Rents Survey Q4 2006)[7]

IN TOWN OFFICE PROPERTY					As Quoted Locally			Total Occupation Cost		
Country/State	City	Currency	ft^2/m^2	p.a./p.m	RENT	Service Charges	Local Taxes	Local	euro m^2 p.a.	US$ ft^2 p.a.
UK	Edinburgh	£	ft^2	p.a.	27.00	5.00	9.00	41.00	655.02	80.24
UK	Glasgow	£	ft^2	p.a.	26.00	5.50	11.25	42.75	682.98	83.67
UK	London, West End	£	ft^2	p.a.	97.50	7.50	18.00	123.00	1,965.07	240.73
UK	London, City	£	ft^2	p.a.	57.50	7.50	14.00	79.00	1,262.12	154.61
Germany	Frankfurt	euro	m^2	p.m.	34.50	5.50	-	40.00	480.00	58.80
Spain	Madrid	euro	m^2	p.a	372.00	54.00	-	426.00	426.00	52.19
Canada	Toronto	CDN$	ft^2	p.a.	30.25	11.84	17.20	59.29	415.90	50.95
Columbia	Washington	US$	ft^2	p.a.	29.85	8.50	5.00	43.35	353.87	43.35
Australia	Sydney	As$	m^2	p.a.	520.00	90.00	-	610.00	364.62	44.67
Netherlands	Amsterdam	euro	m^2	p.a.	300.00	-	-	300.00	300.00	36.75
Singapore	Singapore	S$	ft^2	p.m.	5.50	1.10	0.10	6.70	427.76	52.40

[7] Rents quoted refer to headline rents in high quality buildings situated in prime locations. Incentives such as rent free periods are not taken into account. Exchange rates are fixed as at Dec 2006. Total Occupation Costs- All rents have been quoted according to local practice. The total occupation cost is derived by accumulating the net rent, service charges (occupational costs), and local taxes. For ease of comparison, all total occupation costs have been converted to euros m^2 p.a., and US$ ft^2 p.a.

The economic growth experienced in Scotland in 2006, together with a combination of improving occupier demand and the limited availability of prime space, has sparked an increase in rental rates and improved take-up levels in cities such as Edinburgh. As Scotland and the rest of the UK continue to experience a booming investment market, strong investment in regional cities continues to drive prime yields.

Glasgow

The Information and Communication Technology (ICT) sector was very active in the office market during 2005 and contributed to a record take-up level of 964,443 sq ft (89,597 m2). The city also saw its vacancy rate fall to 9.1%, even despite the completion of a number of projects last year.

Unlike the other regional cities, Glasgow does benefit from a proportionally higher level of Grade A space, which could partly explain this increase in take-up as occupiers locate where quality offices are available. Prime rents have remained steady at £23.00 per sq ft (£247.58 per m2), although with vacancy levels at a low, it is anticipated that these will start to move upwards. It is however expected that some of this rental pressure will be eased slightly, with the completion of as much as 800,000 sq ft (74,320 m2) of office space.

The Glasgow 2005 take-up mirrored Edinburgh in 2004, however the latter was unable to sustain this high demand and last year saw take-up fall by 63%. Due to the proximity of the two centers, it is possible that the same might occur in the Glasgow market this year. If this does happen, it might considerably ease the pressure and demand on Grade A space, especially for large space requirements such as those desired by the ICT sector.

Edinburgh

In 2005 the Edinburgh office market saw low demand, with take-up down 63% on the previous year at 330,000 sq ft (30,657 m2). The financial sector, which contributed to the high level of take-up in 2004, remained dormant and was one of the major reasons for the poor demand last year. There was a small decrease in the supply level to 1.95m sq ft (181,572 m2), which resulted in a marginal fall in the vacancy rate to 9.7%. Prime rents have shown some movement, increasing from £27.00 per sq ft (£290.64 per m2) at the end of 2004 to £27.50 per sq ft (£296.02 per m2). With supply and demand expected to strike a balance in the near future, rents are expected to be on an upward trend. Due to low levels of take-up in 2005, a crisis of undersupply has been averted.

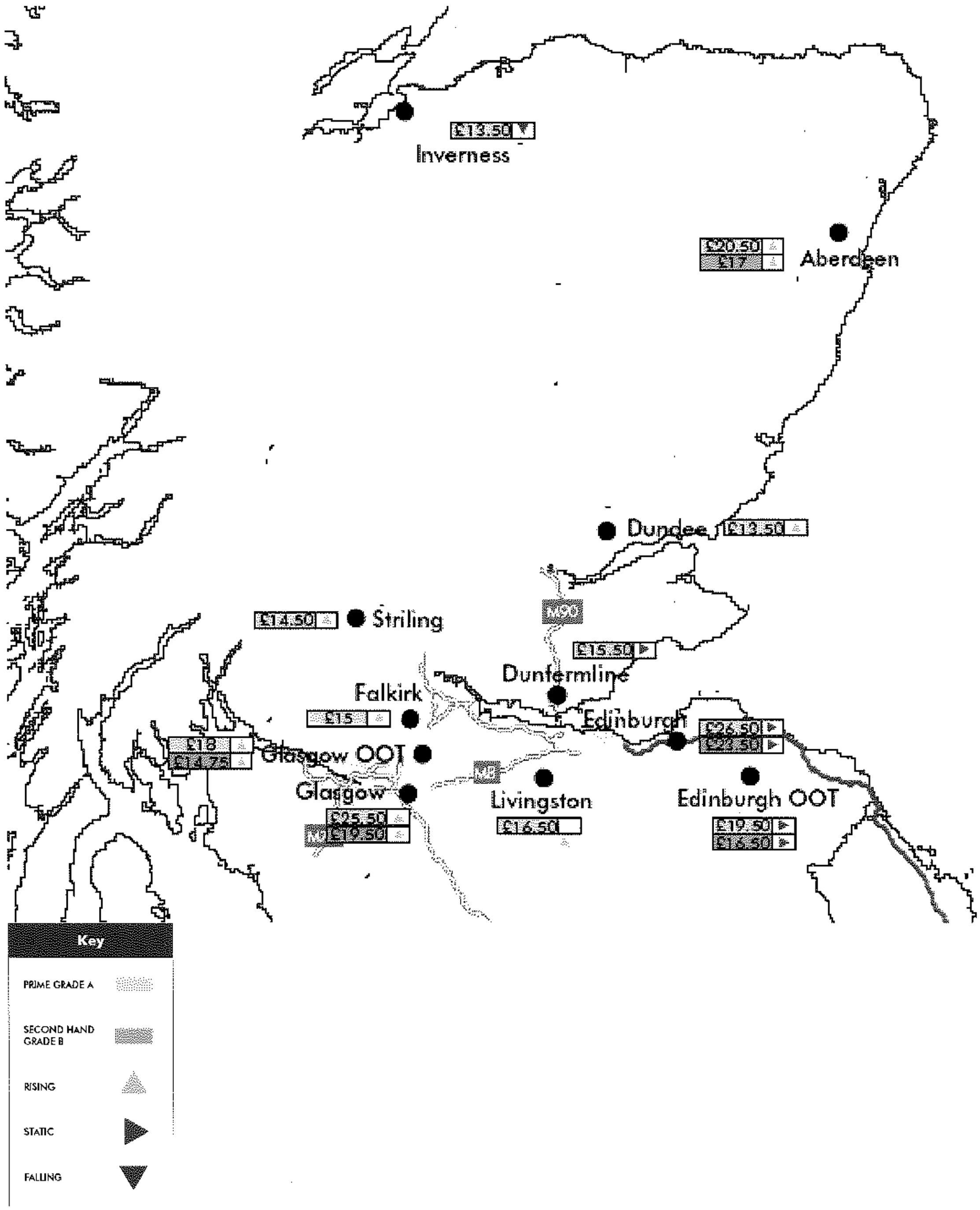
The entertainment/media sector, which is currently underrepresented in Edinburgh, is starting to take an interest with a number of companies setting up offices to explore the market. This is mainly driven by the expanding service sector and could lead to increased take-up of office space. It is anticipated that there will be some shift in the office market away from the city center to the waterfront area, where a number of new developments projects have completed and more are in progress.

Recent Office Transactions and Yields in Edinburgh & Glasgow:

	Investor	Size (sq ft)	Price (£)	Net Inital Yield (%)
Edinburgh				
Gyle Square	Private	148,000	41,100,000	6.73
South Gyle Park	Dunedin	157,000	37,000,000	6.90
Deutsche Bank House	Henderson Global Investors	109,000	31,500,000	6.75
One Morrison Street	Hermes	57,000	31,350,000	5.85
Erskine House	Blue Capital	84,350	27,868,000	6.60
40 Torphichen St	Oppenheim	55,750	20,500,000	6.20
4/5 Lochside View	Redevco UK Ltd	53,000	16,210,000	6.10
Wallace House	Private	33,000	15,000,000	6.25
Clarendon House	Royal London Asset Management	35,100	14,180,000	5.99
Citypoint	Kenmore Group	42,500	11,300,000	2.18
Westwood House	Private	34,670	7,050,000	7.54
Glasgow				
150 Broomielaw	Standard Life Investments	97,000	37,000,000	5.50
191 West George Street	NFU	81,800	30,000,000	5.58
Brittanic Court	Redevco UK Ltd	90,000	22,300,000	6.81
Atrium Court	Citigroup	105,000	22,050,000	4.11
Exchange House	Miller Developments	116,100	21,000,000	6.75
Dalmore House	Channel Islands Overseas Trust	29,500	20,250,000	6.89
Westergate	Marcoll Group	87,000	20,000,000	7.00
SMG	AXA	59,700	19,500,000	6.70
Scottish Legal Life Bldg	Deramore	63,250	19,500,000	4.65
Princes House	M&F Finance	57,640	18,350,000	5.97
Eagle Building	LBIMMOInvest GMBH	69,250	16,500,000	5.95
Pacific House	Catalyst Capital	53,600	11,200,000	6.75
1 Pacific Quay	Private	29,600	8,462,000	5.20
Wellington House	Private Irish	37,000	6,700,000	6.80
Orbital House	Kenmore Group	75,390	6,630,000	1.07

Source: Knight Frank

Rent Levels for Class A and Secondhand B Space:[8]

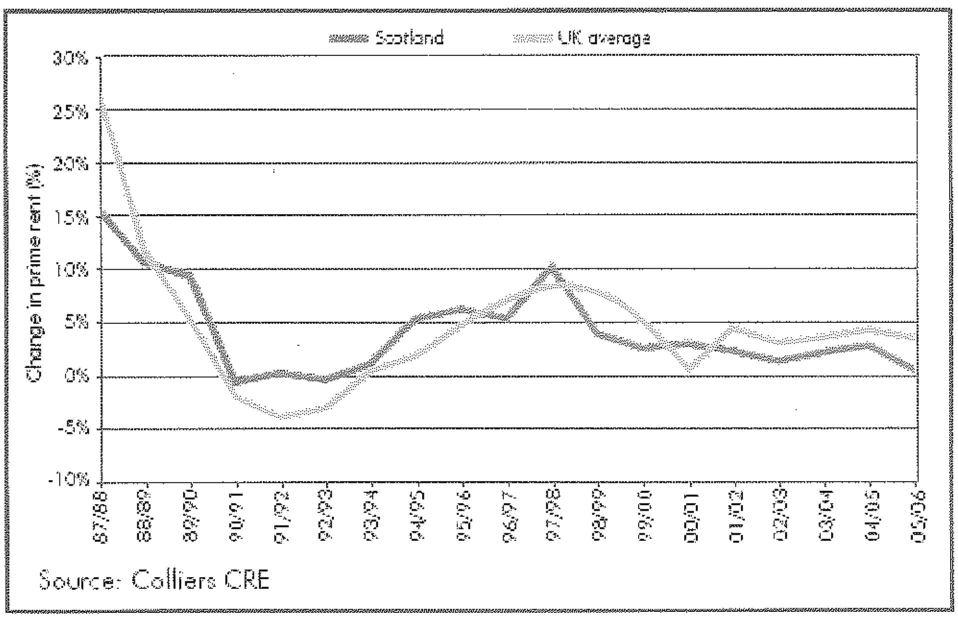


[8] Information and map source: Colliers CRE "Global/Local '06 Research Offices Rents"

Retail

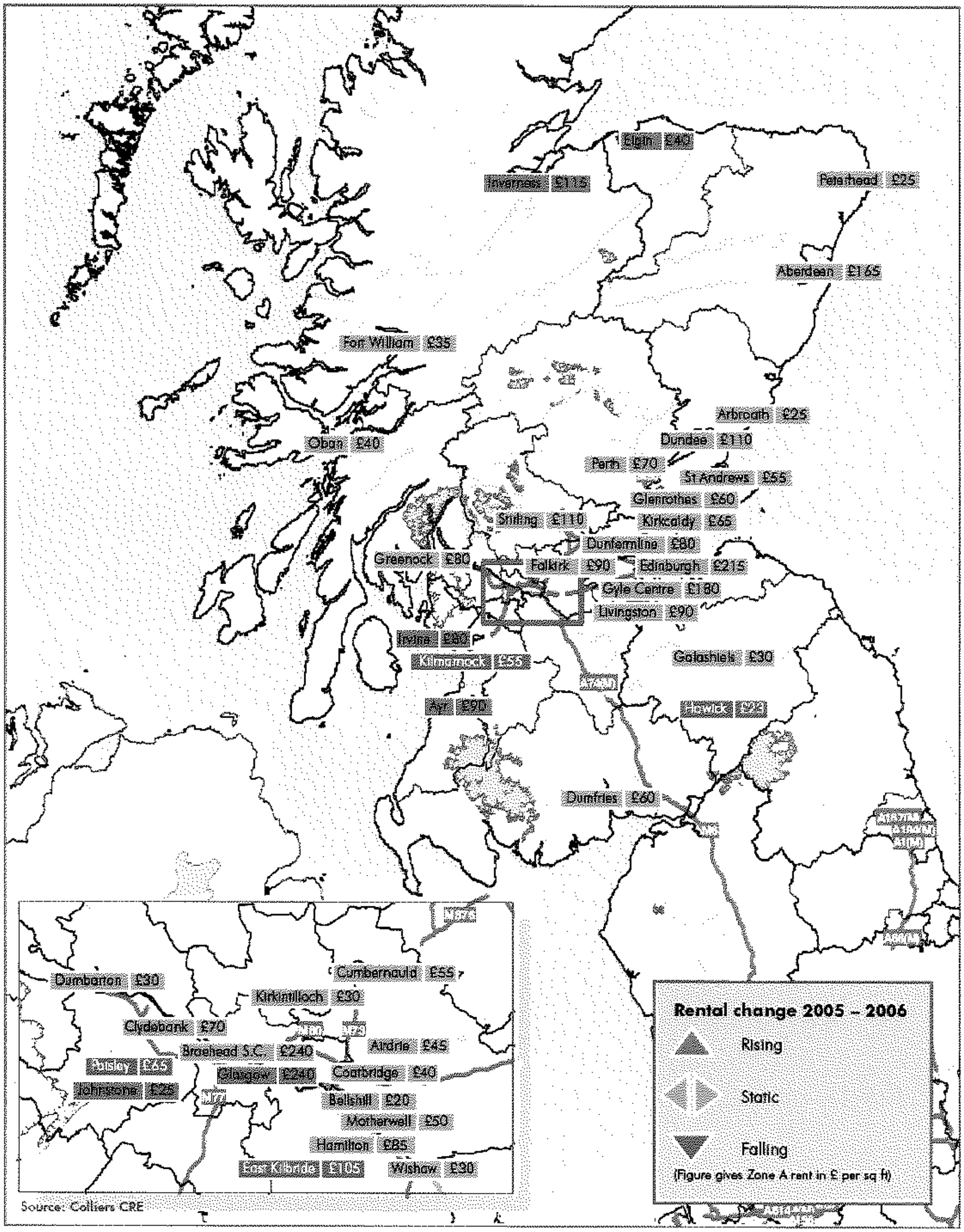
Scotland's rental performance has broadly mirrored the UK average over the years, although the region marginally outperformed the UK during most of 1990s and has underperformed since. An analysis of the cumulative prime rental growth since 1987 confirms that Scotland has under-performed the UK benchmark over this period by about 5%.

Annual growth in average in-town prime rents: Scotland vs. UK (May 1987 to May 2006)



The Scottish retail market experienced a successful year in 2006, with Glasgow beating retail hotspots Paris and Milan to in the retail rankings. The success of Scotland's improving retail property market is attributed to increased consumer confidence with improvements showing in consumers' expectations and employment security. Scotland's diverse retail sector of traditional shopping centers, a retail warehouse sector and an increasing presence of mixed-use schemes combining retail and leisure elements, is opening up new market opportunities. However, there are fears that rising interest rates may begin to slow consumer spending in some markets.

Prime retail rents in Scotland (as at May 2006)[9]



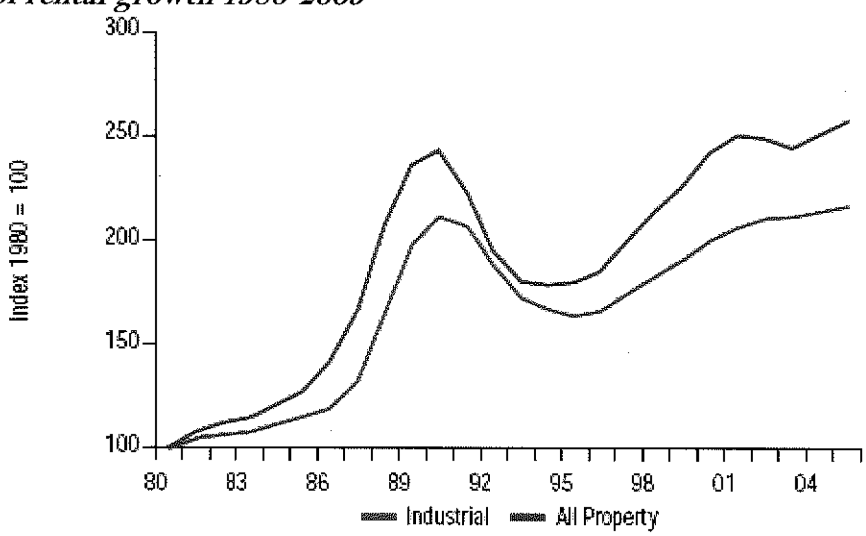
9 Source: http//:www.collierscre.com

The Scottish retail market is growing in momentum with influences from across Europe driving the sector. Globalization is shaping the city streets and Scottish shopping centers, which increasingly reflect international trends and tastes. New retailers such as Whole Foods Market, Abercrombie and Fitch, Jysk, CoS, Jack and Jones and Uniqlo are expected to push the market forward by applying their successful, domestic business models to new Scottish markets. The UK offers a stable, strong, English speaking economy which is proving attractive to retailers.

Industrial Overview[10]

Industrial rents have not kept pace with the all-property average, which includes retail and office property, as well as industrial. From 1980 to 2005 the all-property index rose to 257, an annualized growth of 3.8%. On the other hand, industrial property rose to 216, an annualized growth of 3.1%.

Index of rental growth 1980-2005[11]



Available floor space at the end of September was just 2% higher than the level recorded a year earlier, and was close to the 3-year average. The number of available units

[10] Source: Scottish Property Network: Bulletin No. 22- December 2006
[11] http://www.atisreal.co.uk/

(2,027) is currently close to the 3-year average, having increased from the lowest level recorded at the end of 2005. Edge-of-town locations such as the A1 Industrial Estate and Edinburgh Distribution Park at Newbridge continue to achieve £5.00 to £6.00 per sq ft, with Livingston reporting levels between £3.50 to £5.00 per sq ft.

This past year the recorded absorption of industrial floor space across Scotland was over 515,000 sq m, in 1,051 transactions through the month of September. This was 16% below the level recorded in the previous year and 12% below the 3-year average. However, Scotland's Industrial sector also demonstrated some strength within the global marketplace, as Glasgow ranked 8th in Knight Frank's comparison of European Industrial property markets above Madrid, Paris, Milan, Amsterdam, Lisbon, Frankfurt, Berlin, Brussels and Munich, highlighting further confidence in Scotland's commercial property industry.

Table 2-(Source: King Sturge: Global Industrial and Office Rents Survey Q4 2006)

SMALL INDUSTRIAL PROPERTY					As Quoted Locally			Total Occupation Cost		
Country/State	City	Currency	ft²/m²	p.a./p.m	RENT	Service Charges	Local Taxes	Local	euro m² p.a.	US$ ft² p.a.
UK	Edinburgh	£	ft²	p.a.	7.00	0.25	3.00	10.25	163.76	20.06
UK	Glasgow	£	ft²	p.a.	6.00	0.25	2.75	9.00	143.79	17.61
UK	Leeds	£	ft²	p.a.	6.00	0.30	3.00	9.30	148.58	18.20
UK	London, Heathrow	£	ft²	p.a.	14.00	0.30	3.20	17.50	279.58	34.25
UK	Manchester	£	ft²	p.a.	6.25	-	2.50	8.75	139.78	17.12
Georgia	Atlanta	US$	ft²	p.a.	4.50	0.40	0.50	5.40	44.08	5.40
Illinois	Chicago	US$	ft²	p.a.	5.75	0.40	1.50	7.65	62.45	7.65
Maryland	Baltimore	US$	ft²	p.a.	8.00	2.00	1.00	11.00	89.79	11.00
Minnesota	Minneapolis	US$	ft²	p.a.	4.25	1.00	1.50	6.75	55.10	6.75
Missouri	Kansas City	US$	ft²	p.a.	6.50	1.00	1.00	8.50	69.39	8.50
New York	New York	US$	ft²	p.a.	11.40	3.60	3.00	18.00	146.94	18.00
Texas	Houston	US$	ft²	p.a.	9.25	0.70	1.25	11.20	91.43	11.20
France	Paris	euro	m²	p.a.	100.00	10.00	15.24	125.24	125.24	15.34
France	Lyon	euro	m²	p.a.	65.00	6.50	-	71.50	71.50	8.76
France	Marseille/Aix-en-Provence	euro	m²	p.a.	70.00	8.00	-	78.00	78.00	9.56
Germany	Frankfurt	euro	m²	p.m.	6.00	1.50	-	7.50	90.00	11.03
Italy	Milan	euro	m²	p.a.	85.00	-	-	85.00	85.00	10.41
Italy	Rome	euro	m²	p.a.	80.00	-	-	80.00	80.00	9.80
Australia	Sydney	A$$	m²	p.a.	125.00	25.00	-	150.00	89.66	10.98
China	Hong Kong	HK$	ft²	p.m.	8.00	1.00	0.40	9.40	118.40	14.50
China	Shanghai	US$	m²	p.m.	5.00	0.20	-	5.20	47.32	5.80
Japan	Tokyo	Yen	tsubo	p.m.	8,000	-	-	8,000	185.15	22.68

LARGE INDUSTRIAL PROPERTY					As Quoted Locally			Total Occupation Cost		
Country/State	City	Currency	ft²/m²	p.a./p.m	RENT	Service Charges	Local Taxes	Local	euro m² p.a.	US$ ft² p.a
UK	Edinburgh	£	ft²	p.a.	6.00	0.25	2.50	8.75	139.79	17.12
UK	Glasgow	£	ft²	p.a.	5.50	0.20	2.75	8.45	135.00	16.54
UK	Leeds	£	ft²	p.a.	5.25	0.30	2.50	8.05	128.61	15.75
UK	London, Heathrow	£	ft²	p.a.	14.00	0.30	3.20	17.50	279.58	34.25
UK	Manchester	£	ft²	p.a.	4.50	-	2.50	7.00	111.83	13.70
Georgia	Atlanta	US$	ft²	p.a.	3.50	0.30	0.40	4.20	34.28	4.20
Illinois	Chicago	US$	ft²	p.a.	4.75	0.40	1.50	6.65	54.28	6.65
Maryland	Baltimore	US$	ft²	p.a.	5.00	2.00	1.00	8.00	65.30	8.00
Minnesota	Minneapolis	US$	ft²	p.a.	4.25	1.00	1.50	6.75	55.10	6.75
Missouri	Kansas City	US$	ft²	p.a.	3.25	0.25	0.90	4.40	35.92	4.40
New York	New York	US$	ft²	p.a.	11.40	3.60	3.00	18.00	146.94	18.00
Texas	Houston	US$	ft²	p.a.	4.20	0.60	1.00	5.80	47.35	5.80
France	Paris	euro	m²	p.a.	54.00	5.40	16.20	75.60	75.60	9.26
France	Lyon	euro	m²	p.a.	51.00	5.10	-	56.10	56.10	6.87
France	Marseille/Aix-en-Provence	euro	m²	p.a.	47.00	4.70	-	51.70	51.70	6.33
Germany	Frankfurt	euro	m²	p.m.	6.00	1.50	-	7.50	90.00	11.03
Italy	Milan	euro	m²	p.a.	65.00	-	-	65.00	65.00	7.96
Italy	Rome	euro	m²	p.a.	60.00	-	-	60.00	60.00	7.35
Australia	Sydney	As$	m²	p.a.	110.00	25.00	-	135.00	80.69	9.89
China	Hong Kong	HK$	ft²	p.m.	6.00	1.00	0.30	7.30	91.95	11.26
China	Shanghai	US$	m²	p.m.	4.00	0.20	-	4.20	38.22	4.68
Indonesia	Jakarta	RP	m²	p.m.	5,500	830	633	6,963	7.05	0.87
Japan	Tokyo	Yen	tsubo	p.m.	5,250	-	-	5,250	121.50	14.88

As the UK produces less of its own goods and increasingly imports from other countries, there is a greater need for warehousing property to meet the needs of distributors and retailers, which has driven an unprecedented demand for Grade A stock, which is driving rents and cementing market confidence.[12]

Hotel Overview[13]

Hotel sales across all levels in Scotland have continued the recent trend for increasing values driven by a lack of supply of quality businesses and an influx of purchasers into the market. At the corporate end, the traditional business model of hotels owned and operated by the same company has continued to diminish with a large number of investors, both commercial and private equity, entering the sector for the first time. The level of yields now being accepted by investors has added to the upward pressure on freehold prices to a point that may be difficult to justify without the utilization of the REIT structure.

[12] Source: www.knightfrank.com- "M8 Corridor Report 2005"

[13] Source: Knight Frank- "UK Hotel Review 2006"

Residential Overview

Residential land values in Edinburgh have risen much more sharply than in any other part of Scotland. From 1995 to 2005 the average value of residential land rose by 200-300%, depending on the size of site being considered. Sites suitable for flatted development have risen from around £2.8 m per hectare to around £7m per hectare. The average house price in Scotland broke through the £100,000 barrier for the first time in the opening quarter of 2005 and was the last region of the UK to reach this landmark. In fact, prices increased by 84% from £57,399 in the first quarter of 1995 to £105,397 in 2005. With regard to property type, flats and maisonettes have seen the strongest price growth over that period, increasing by 139% from £41,801 in 1995 to the most recent valuation of £99,861.[14] Scottish country house properties experienced a rise of over 8% in the first half of 2006. A possible explanation is that many west central towns, particularly those with good links into Glasgow, have undergone an increase in population due to 'commuter drift'. In addition, there has been a substantial rise in newly built properties going on the market at prices far above existing properties in the area.

Investment Strategy Analysis

The volume of capital targeting the sector has continued to push yields down, with prime yields now standing at between 4-6% in most major European markets. Prime yields have tightened by around one percentage point since mid-2005 in London, and in Madrid prime yields are down to just 3.75%. Yields in Central and Eastern Europe are increasingly converging on those of Western Europe. The increasing weight of money in

[14] Source: Land Registry/Bank of Scotland

the market has led to a continued hardening of yields across all sectors, with prime office yields down from 6.0% to 5.5% and prime industrials down from 6.5% to 6.0%. Private investors from the UK and Ireland remain significant buyers, and funds from across mainland Europe have also emerged to become major buyers in the regional office and industrial M8 market. Regardless of the cap rate compression in these sub-markets, these should be the primary focus for our funds investments from the start.

Edinburgh is the European Union's fourth financial centre and is second only to London in the UK. Edinburgh, the fastest growing city in Scotland, is a prime business location. The resident population is young, well-educated and highly productive, with disposable income 28% above the UK average. Fifty-five percent of Edinburgh's population is between the ages of 18 and 44 years old. Fifty-six percent of the population is ABC1.

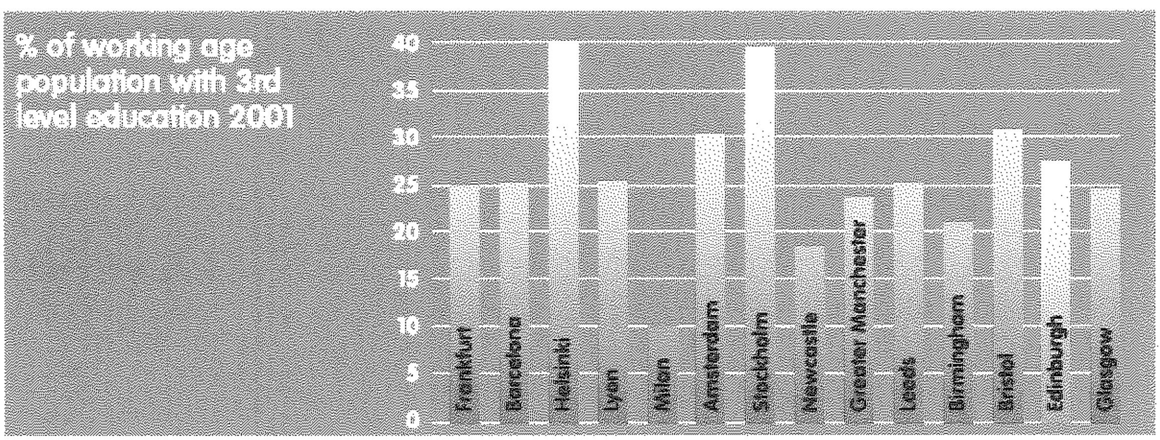


Figure 1 shows the proportion of the working age population qualified to degree level or above. Edinburgh is in line with many European cities and ahead of all the English Core Cities except Bristol.
Source: Eurostat: Region: Statistical Yearbook 2003.

Edinburgh's productivity is ranked 4th in the UK (gross value added per head of population). High-growth services account for 70% of GDP and growth prospects over the next 10 years are excellent. Key industries in the city are financial services, biotechnology, optoelectronics, microelectronics, software, creative industries, government, tourism and education and training.

Edinburgh's culture is as vibrant as its economy, with its international festival, historical sites and stunning scenery attracting visitors from all over the world.

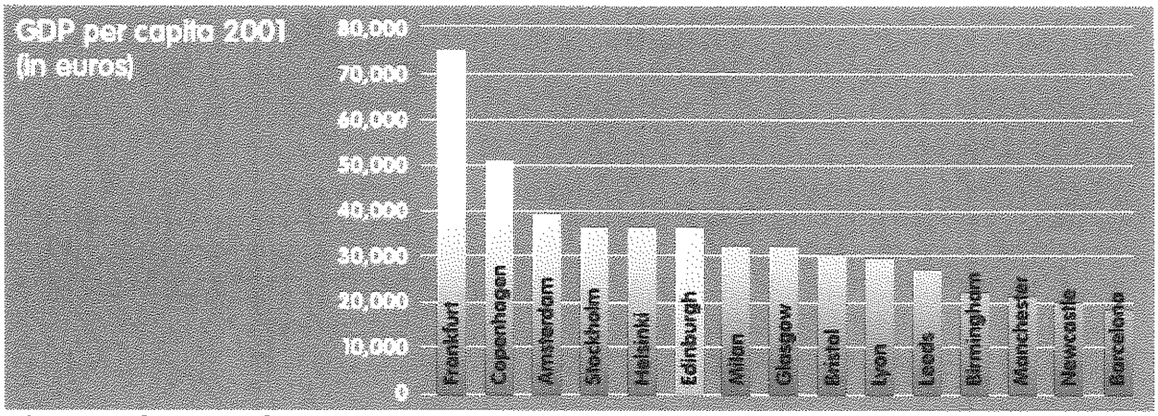


Figure 2 shows productivity across Europe, with Edinburgh out-performing all English Core Cities and earning a place among Europe's best.
Source: Barclays Private Clients 2003.

Edinburgh's commercial property market is presently at the embryonic stage of the development cycle, with all the signals suggesting that 2007 will herald a marked uptake in activity. The chief market dynamic for the year ahead is likely to be a lack of stock. 2007 started with a noticeable rise in demand for offices throughout most the market, from the smallest up to the considerable 50,000 sq ft space. However, demand has yet to materialize for the very largest prime city centre office accommodation.

While Edinburgh's development cycle is currently on the runway, ready for take-off, Glasgow's development cycle has been flying high over the last few years, having benefited from the ready availability of office stock together with a strong level of take up. Indeed, Glasgow has delivered some peak rents over the last few years whilst Edinburgh has yet to attain either the £28.50 sq ft peak rents for city centre Grade A office space or the £23.50 - £24 per sq ft peak rents for an out of town development such as Edinburgh Park.

That said, demand for out of town office space is on the rise. Much of the second hand space at Edinburgh Park, for example, has been reoccupied by sitting tenants while second hand and new space at the Gyle, available at rents of around £20 per sq ft, has been snapped up.

Ample evidence of the rise in development activity can be found in the properties currently under construction at Lochrin Basin, Edinburgh Quay II and at Fountainbridge in The Exchange district. Commercial development activity is also expected to get underway at Haymarket later this year. Additionally, there is also the potential that Scottish Widows will commit to building a new property, and further development next to the EICC this year.

The proposed redevelopment of St James House and the much-maligned St James Shopping Centre may be the most exciting development on the horizon. Ambitious plans include a combination of towers, domes and glass-fronted extensions to transform the rooftop appearance of the east end of Princes Street as well as new pedestrian walkways linking Leith Walk, Princes Street and St Andrew Square.

The developers propose to demolish the existing St James House office block and break up the other buildings on site to create a flagship shopping complex and a series of restaurants, leisure outlets and affordable flats. It is hoped that the £200 million redevelopment will help restore the Capital's position as an elite shopping destination. Work on site might be unlikely to begin this year, but the plans for St James House and Shopping Centre provide further evidence that the Capital's commercial property sector is set for take off.

Until an office is established in Scotland, all investments will be made indirectly. It is nearly impossible to develop real estate remotely. Once an office has been established and is up and running, the firm will have a better level of control and enable our firm to expand into other parts of the international scene. Rock Star Worldwide will base its investment decision on the merits of each project considered. The allocation will be geared to fit a primary diversification strategy. Proposed allocation of $100,000,000:

- 45% Commercial- Class A commercial buildings that would be well located, i.e. buildings in AAA locations like Glasgow or Edinburgh or Aberdeen.
- 30% Residential- development to attract and serve the workers of the financial service firms. Most likely a residential allocation would accompany an investment opportunity in a mixed-use development.
- 25% Tourism- We may utilize existing relationships from our U.S. operations to develop a 5-star hotel, possibly with a casino if the license could be obtained. Introducing a JV with Steve Wynn or the Maloof brothers could make it interesting.

No more than 20% of each investment would be equity. We expect to leverage our position and take full advantage of what Scotland has to offer, and what makes Scotland, Scotland. By this I mean, basing our investments on the macro economic drivers of the GDP. In Scotland, they are oil, tourism, and financial services. On a small scale they are consumer foods: fishing and whisky, but these are smaller pieces of the economy.

So, for oil, Aberdeen would be an area of concentration. For example, the new Shell Head Quarters being built in Aberdeen on the Hills of Rubislaw campus. The Hills of Rubislaw campus is the local HQ for all of the major oil companies in Scotland. The campus has been around for about 20-30yrs, but the new Shell HQ is being built by a Canadian company. That is an interesting deal. Alternatively, the overall Hills of

Rubislaw campus was for sale recently. That could be a potential for our investment funds. The luxury housing market around Aberdeen could be interesting. To put it into local (Washington, D. C) context, this area is like a mini-Potomac, Maryland.

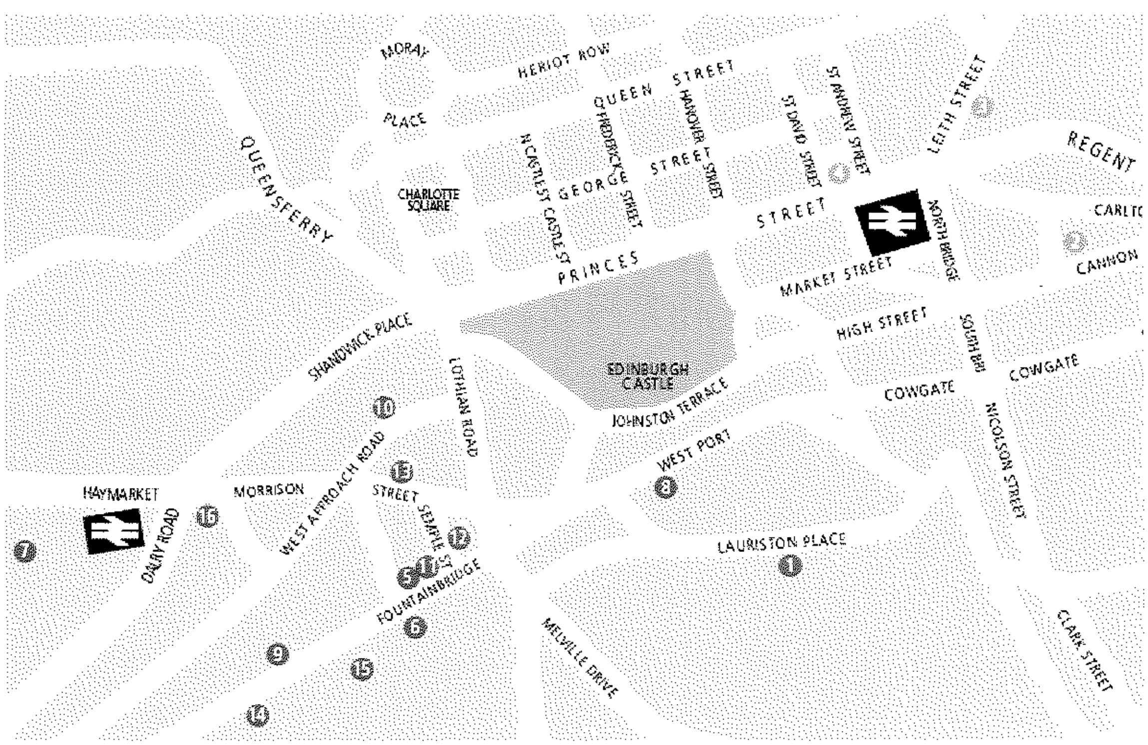
Continuing with the macro economic drivers as the guiding force behind our investment reasoning, for Financial Services, we could look at the activities of the Royal Bank of Scotland, the Halifax Bank of Scotland, or some of the insurance companies: i.e. Scottish Widows. These firms are massive, growing, and their businesses are scalable. Since I believe that either better use of IT and/or India's cheap labor will pull low-value back-office work away from the office space of the developed world, I think the first derivative effect will be less demand overall for office space. The second derivative effect, I think, will be the pushing up of demand and rents for offices which house high-value workers, such as head office functions.

Case in point are hedge funds. Why are rents in Mayfair and St James's the highest in the world? Why are rents in some small towns in Connecticut the same as Mid-town Manhattan? From the answer supplied above, therefore, we will invest in (re)developing strategic, well located office buildings in the AAA locations in Glasgow or Edinburgh. Like Aberdeen, we will explore where the workers at these financial services firms will live. We'll determine if the housing sufficient and of good enough quality. If not, Rock Star Worldwide will build it.

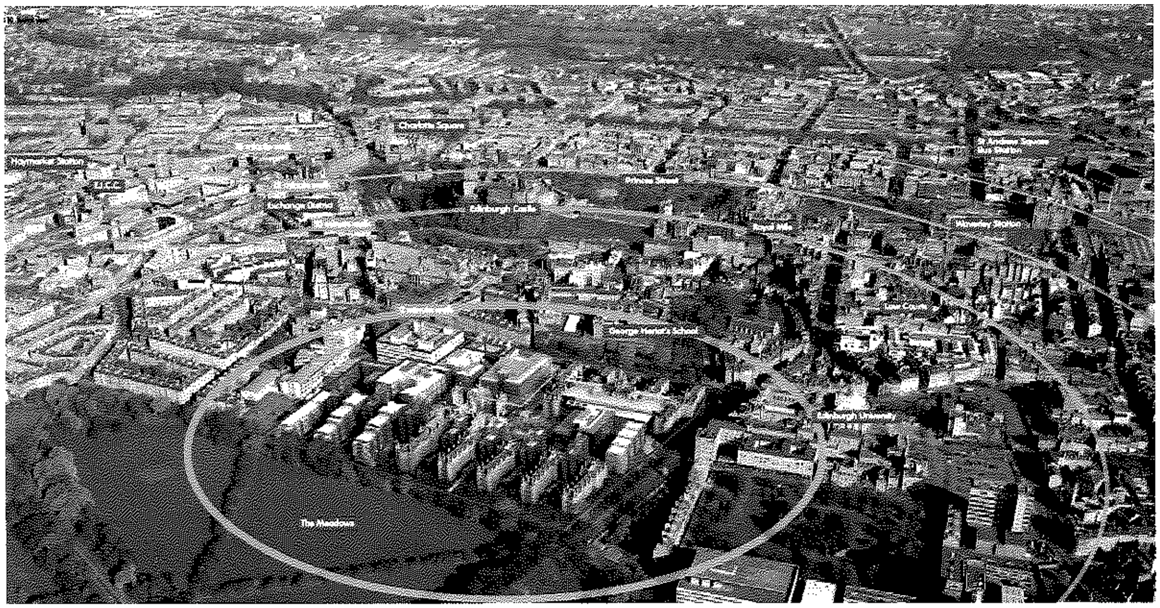
In Edinburgh and Glasgow, the following projects are in the pipeline and may even offer investment opportunities for us to consider:

Table 3- Edinburgh Development Pipeline (Source:www.driversjonas.com/research)

Scheme NO.	Name/Address	Comments	Developer/Funder	Completion	sq ft	Space available to let sq ft
	Edinburgh City Centre - Under Construction					
1	Quartermile, Lauriston Place	First phase of 350,000 sq ft scheme	Gladedale Capital Group	Q1 2008	100,000	50,000
				[illegible]	[illegible]	[illegible]
	Edinburgh City Centre - Potential Schemes					
2	Carlton Gate, New Street	Adjacent to new Council HQ. Pre-let sought	Mountgrange		120,000	120,000
3	Leith Street	Subject to planning	Kilmartin		80,000	80,000
4	3-6 St Andrew Square	Subject to planning	ING		100,000	100,000
				[illegible]	[illegible]	[illegible]
	Edinburgh Exchange/Haymarket - Under Construction					
5	Lochrin Square, Fountainbridge	60,000 sq ft behind retained façade and 30,000 sq ft new build linked by courtyard	Gladedale Capital Group / Credit Suisse	Q4 2007	90,000	72,000
6	Edinburgh Quay Phase II, Fountainbridge		British Waterways / Miller Developments	Q1 2007	57,800	57,800
7	Interpoint	Office development	HBG	Q4 2007	46,500	46,500
8	West Port	Office scheme	Kenmore / HBoS	Q4 2007/ Q1 2008	90,000	90,000
9	Fountain North	Mixed-use site - outline planning achieved for 160,000 sq ft of offices and 650 residential units	AMA / Grosvenor	Q4 2007/ Q1 2008	160,000	160,000
				[illegible]	[illegible]	[illegible]
	Edinburgh Exchange/Haymarket - Potential Schemes					
10	Former Scottish Power Site	Infrastructure issues to be resolved	Hines		400,000	400,000
11	Exchange Place, Semple Street	Two buildings of 110,000 sq ft and 60,000 sq ft	Scottish Widows Investment Partnership	Q4 2008/ Q1 2009	200,000	200,000
12	Semple Street	Pre-let required	PPG		35,000	35,000
13	Site H1, Morrison Street	Mixed-use development comprising extension to the conference centre and 190,000 sq ft of offices	AWG / Cala	Q4 2008/ Q1 2009	190,000	190,000
14	Fountain South	Pre-planning discussions at present	AMA / Grosvenor		20 acres	20 acres
15	New Freer Street	Predominantly residential scheme	Buredi		55,000	55,000
16	Morrison Street Goods Yard	Sold to Tiger Developments Q3 2006 320,000 sq ft offices 50,000 sq ft retail and two hotels	Tiger Developments		320,000	320,000
				[illegible]	[illegible]	[illegible]

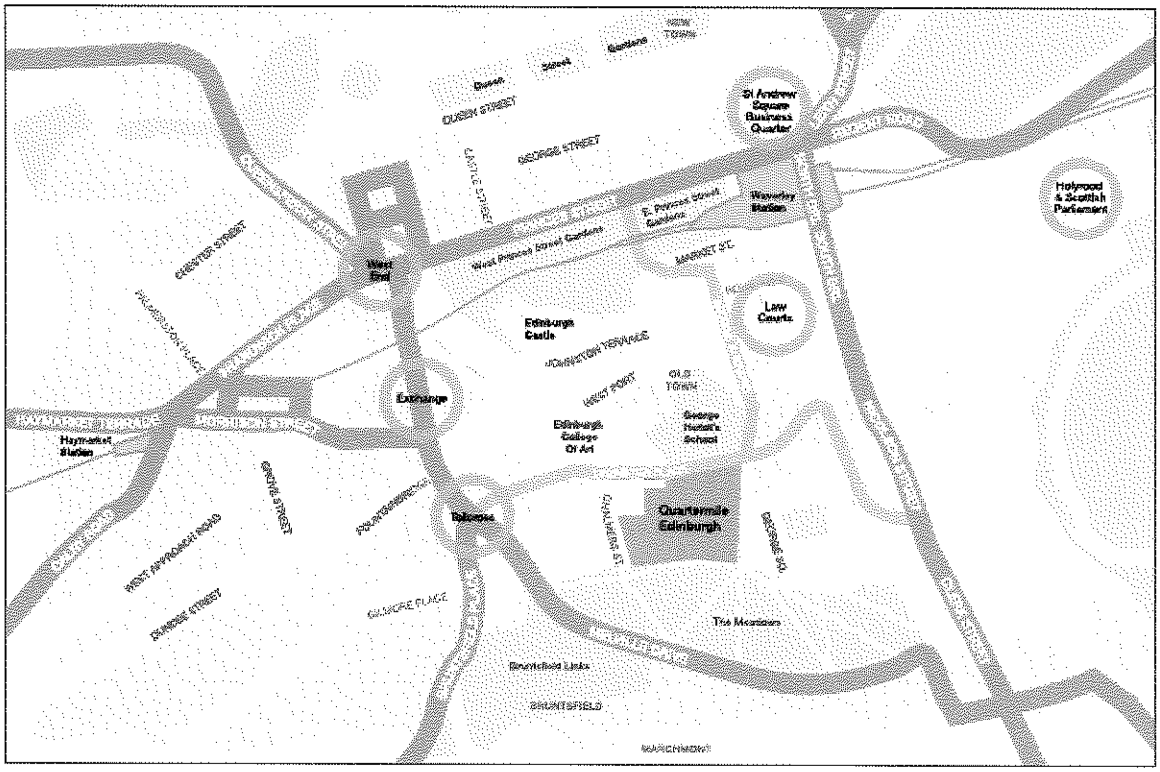


Quartermile (Edinburgh)

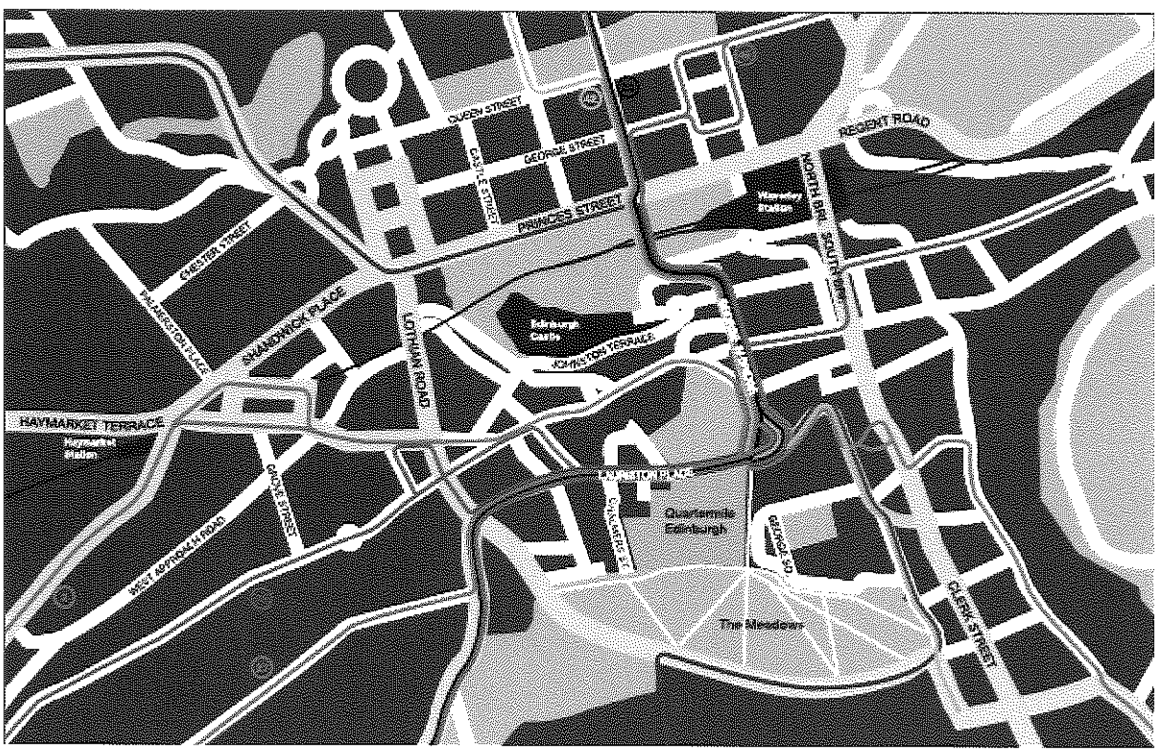


Description: Site of the former Royal Infirmary, Quartermile is a new, self-contained urban quarter of mixed-use development. Quartermile is a new master-planned business district for the city that utilizes the old buildings of the site and fuses them into new ones, creating a neighborhood of office, residential, retail and leisure facilities. The Castle is a few minutes' walk away and Edinburgh's most popular parkland, the Meadows, is next door. The city's business districts, financial institutions, universities and courts are close by and the HQs of leading international companies are in the vicinity. The master plan will provide 30,000 sq m of premium office space, 8,000 sq m of retail space and more than 650 apartments. This creates a wonderful opportunity for any world-class business to base international headquarters.

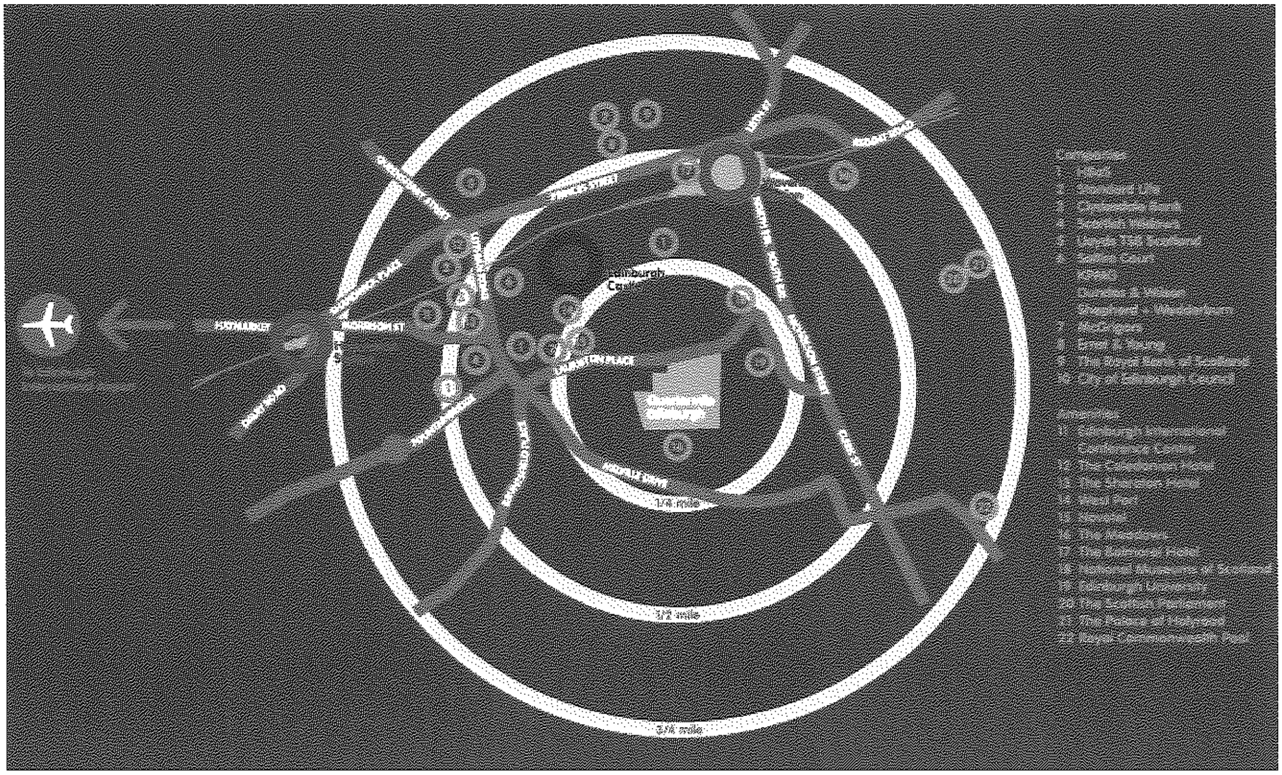
Edinburgh street map



Edinburgh bus routes



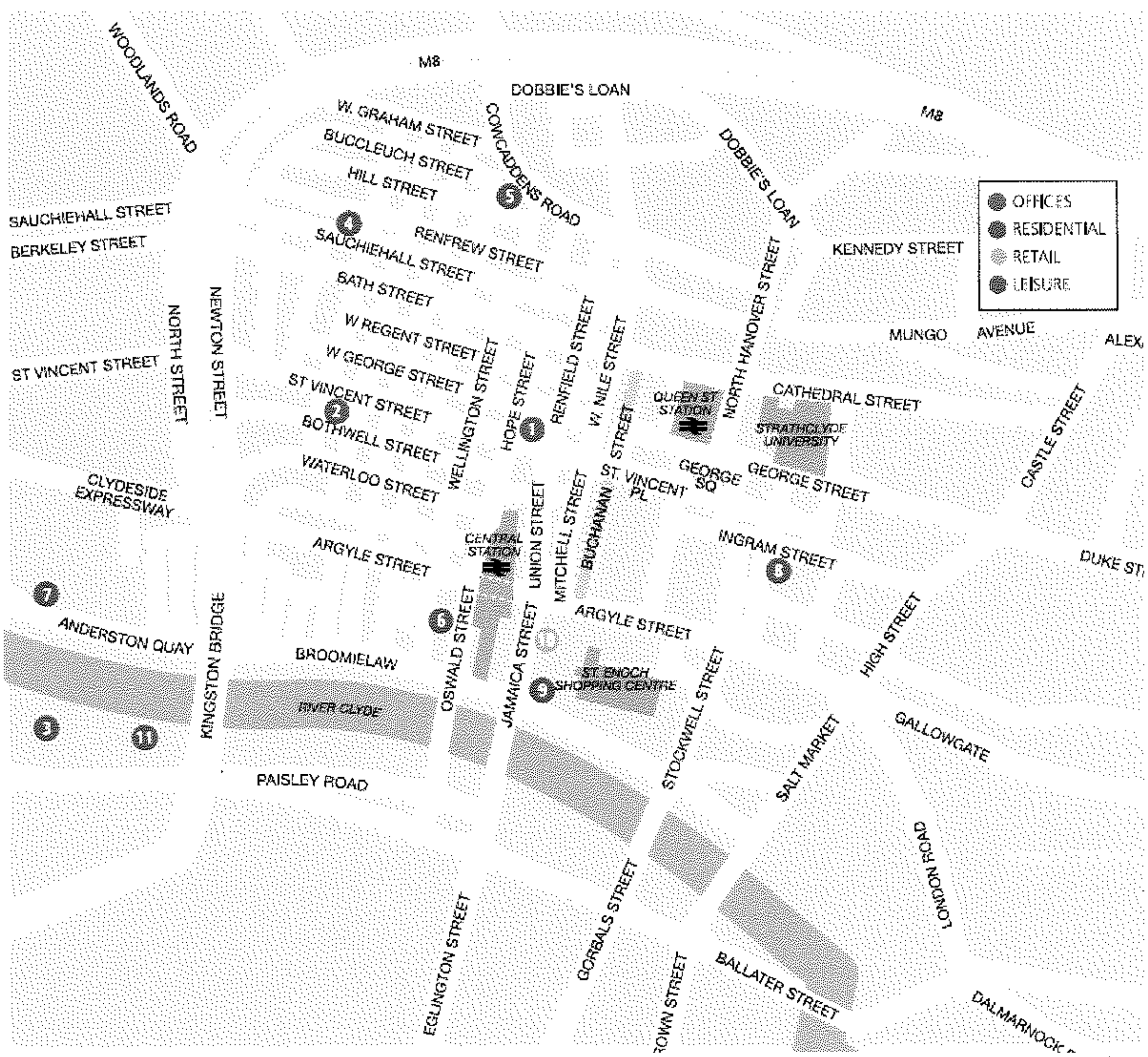
Major transport connections, corporate neighbors and other amenities



Quartermile is perfectly positioned for business. Buses pass along its perimeter, Waverley and Haymarket stations are a short walk away, and the airport is less than eight miles by road. Car drivers will find Quartermile accessible from anywhere in and around the city and some will find a parking space beneath their place of work. Walking to work will be particularly pleasant and scenic.

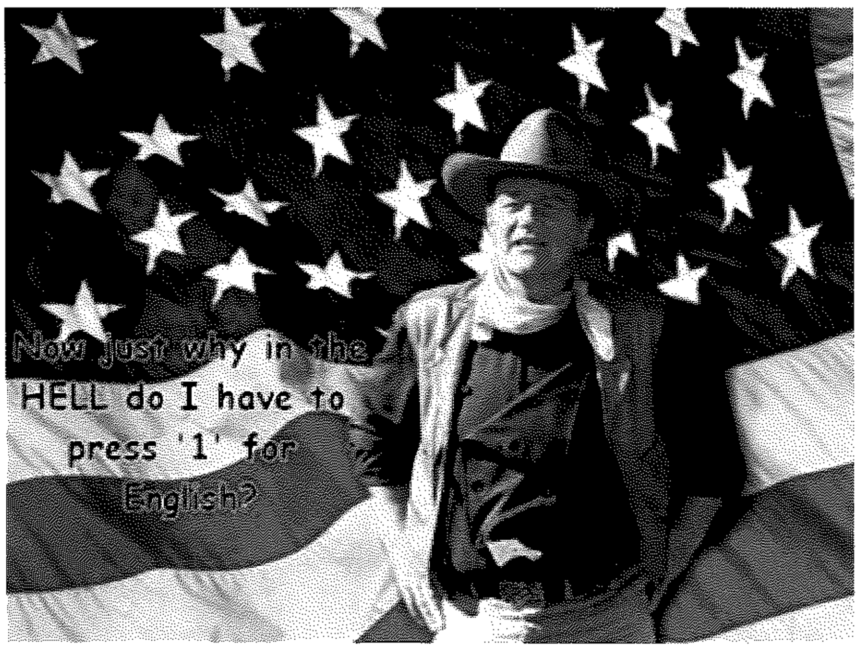
Table 4- Glasgow Development Pipeline (Source: www.driversjonas.com/research)

OFFICE								
1	110 ST VINCENT STREET	OFFICE	SCARBOROUGH			7,739	83,300	2007
2	AURORA, BOTHWELL STREET	OFFICE	COMMERCIAL ESTATES MANAGEMENT			16,258	175,000	2006
3	PACIFIC QUAY	OFFICE	PACIFIC QUAY DEVELOPMENTS		BBC / SMG	32,515 5,945	350,000 64,000	2006
RESIDENTIAL								
4	THE BERESFORD, SAUCHIEHALL STREET	RESIDENTIAL				112 UNITS		2006
5	THE METRO, COWCADDENS RD	RESIDENTIAL	QUALITY STREET			46 UNITS		2006
6	FUSION, OSWALD STREET	RESIDENTIAL	OGILVIE			201 UNITS		2006 / 2007
7	GH20, GLASGOW HARBOUR	RESIDENTIAL	DANDARA			187 UNITS		2006 / 2007
8	SHERIFF COURT, PALAZZO	RESIDENTIAL	MANOR KINGDOM			62 UNITS		2006 / 2007
9	DIXON STREET	RESIDENTIAL				24 UNITS		2006
RETAIL								
10	JAMAICA STREET	RETAIL			CURRYS, MATALAN	112 UNITS		2006
LEISURE								
11	RENDEVOUS CASINO, SPRINGFIELD QUAY	LEISURE	LONDON CLUBS INTERNATIONAL					2007



Finally, tourism. Scotland is a popular tourist destination, but has limited 5-star hotel offerings. Spas, golf, castles, are all a part of this mix. They need to be well located, well appointed, offer luxurious accommodations with great services, a one-of-a-kind golf experience, and we will have a profitable investment. These will all be long term investments, which are to provide a steady dividend, similar to a REIT. Following clearance approval in the budget in March 2006, UK REITs went live on the 1st of January 2007. This will enable the UK to catch up with the US, Australia and other Continental countries, such as the Netherlands and France, which already have a statutory REIT structure in place and enjoy the 'benefits' which include amongst others, tax breaks; transparency; and heightened liquidity. The emergence of REITs in the UK will have significant consequences for the future evolution of UK property investment, and will revolutionize the listed sector and create multiple opportunities arising from portfolio re-engineering. Effectively, it will provide an equal footing for investors to compete on the open market.

Investment Proposal II:



THE JOHN WAYNE ALL-AMERICAN REAL ESTATE FUND

Scottish Investment in U.S. Market

The United States of America is a land of opportunity, indeed. The country has, to date, managed to maintain its record of strong growth coupled with low inflation. Despite the steep rise in prices, houses are still quite affordable – relative to income, U.S. property prices are only about half the level of those in the UK. Many investors still believe the American real estate market to be the most dependable investment play given a diversified investment allocation.

Unemployment is low as new jobs are being generated. The U.S. still has a successful, entrepreneurial economy with lots of opportunities. Capital continues to be reinvested back into the economy, as the value of consumers' assets continues to grow as fast as the pace of borrowing. America's affluent consumers like to spend – and that is reflected in its record trade deficit. While some economists believe this makes its economy vulnerable to economic shocks, others believe the US economy to be strong enough that financing the trade deficit is not as worrisome as people suggest.

The investment structure for Scottish investment into the U.S. market would be based on a set of criteria which would provide a dual benefit. By this I mean, the fund would be allocated and diversified, as to be profitable, while also serving a Scottish interest in the United States that would produce additional value to the Scottish community. Official bilateral links already exist at all levels of government. In the wake of devolution, the USA was chosen by Scottish Ministers as the first country in which to establish a Scottish Affairs Office, now located in the British Embassy in Washington, DC. In addition, Scottish Development International (SDI), Scotland's official trade and investment agency, has offices across the USA in Chicago, Houston, Boston, San Jose and New York. At the state level, SDI has a formal agreement with the

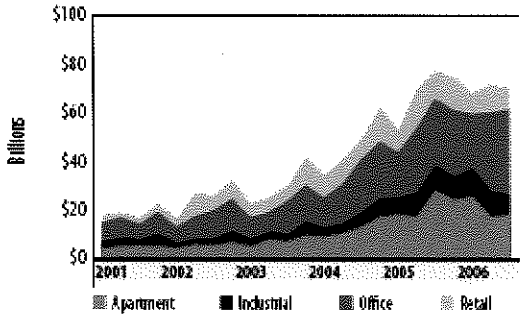
Massachusetts Office of International Trade and Investment to further bilateral business links.

Each of these offices in these different cities provides a portal of opportunity to invest in sustainable areas that would specifically enhance or add value to Scottish businesses, higher education purposes, and scientific research and development ventures.

To determine our investment strategy we will combine this mind set with a typical method of investing in real estate by specific type and include demographic indicators such as population growth, education and income; economic indicators such as job growth, house prices and the cost of living; and real estate indicators such as vacancy rates, absorption, construction, rent growth, cap rates and barriers to entry.

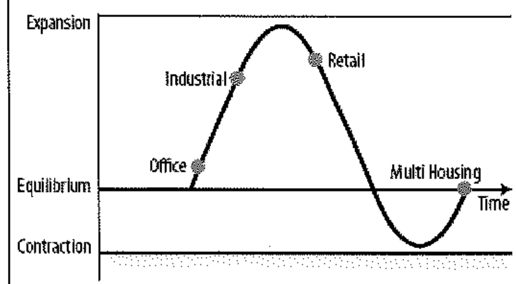
The following tables were produced by Grubb & Ellis and delineate the status and forecasted expectations of the U.S. real estate market:

Commercial Real Estate Investment, U.S.
By Quarter



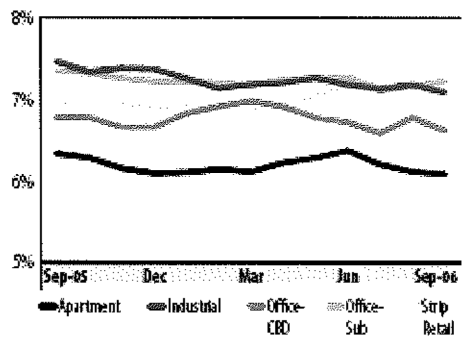
Source: Real Capital Analytics, Grubb & Ellis

Leasing Market Cycle, U.S.
Year-End 2006



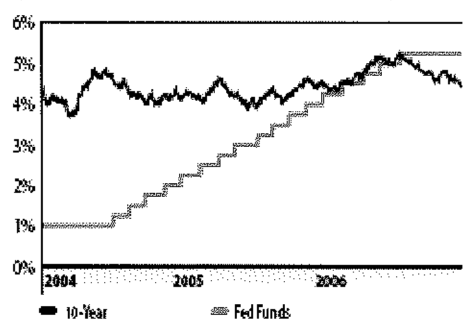
Source: Grubb & Ellis

Capitalization Rates, U.S.

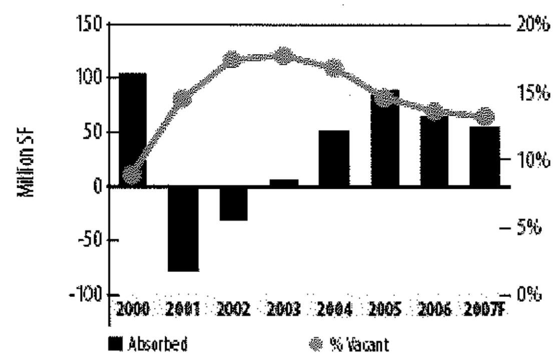


Source: Real Capital Analytics, Grubb & Ellis

Interest Rates, U.S.

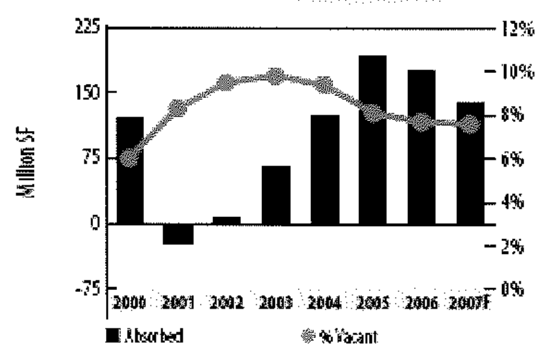


U.S. Office Vacancy and Absorption



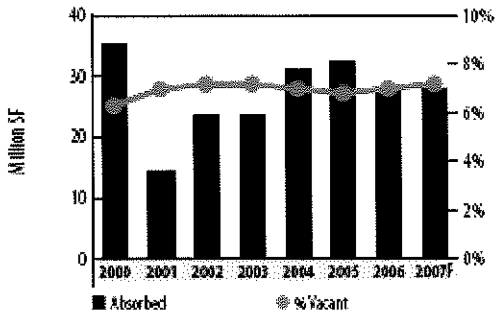
Source: Grubb & Ellis

U.S. Industrial Vacancy and Absorption



Source: Grubb & Ellis

U.S. Retail Vacancy and Absorption



Source: REIS, Grubb & Ellis

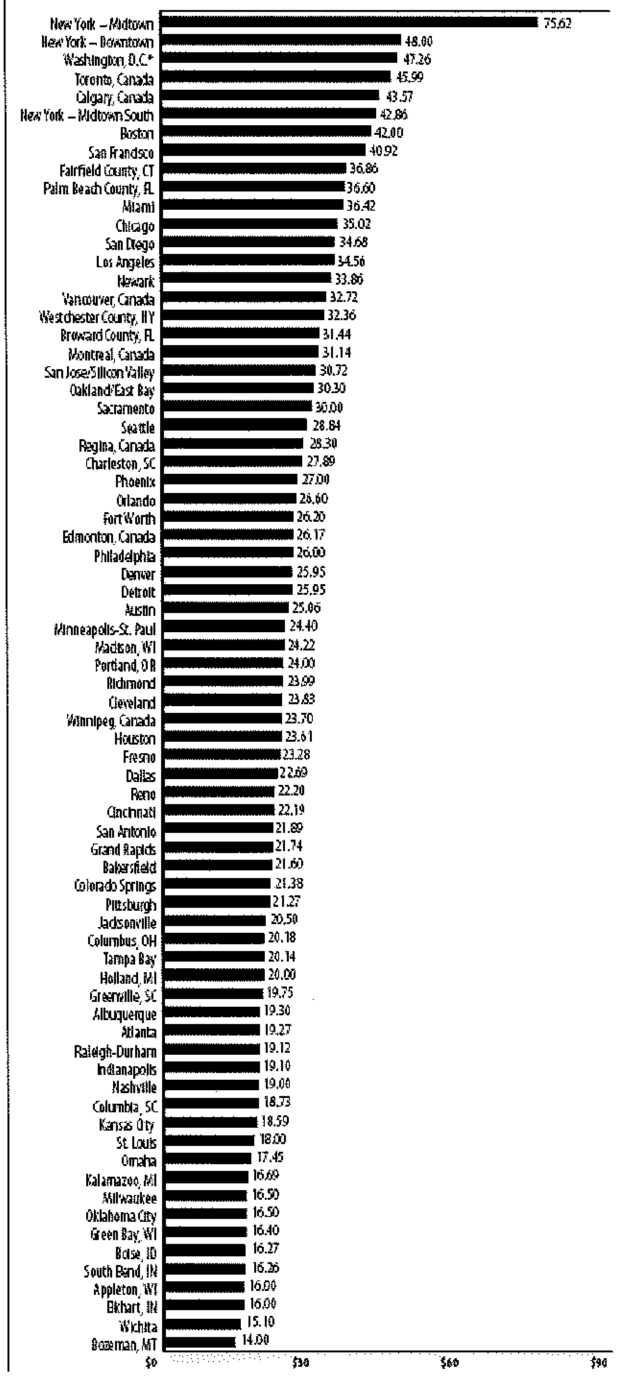
Market Strength Forecast 2007-2011*
Top 10 Markets

Rank	Office	Industrial	Retail	Apartment
1	Washington, D.C.	Los Angeles	Washington, D.C.	Inland Empire, CA
2	Los Angeles	Houston	Dallas/Fort Worth	Los Angeles
3	Las Vegas	Dallas/Fort Worth	Los Angeles	Washington, D.C.
4	Dallas/Fort Worth	New Jersey, No. & Central	Houston	Dallas/Fort Worth
5	Phoenix	Phoenix	Las Vegas	Phoenix
6	Seattle	Miami-Dade	Atlanta	Sacramento
7	Orange County	Oakland-East Bay	San Diego	Houston
8	Orlando	Chicago	Chicago	Las Vegas
9	Houston	Washington, D.C.	Nashville	Orange County
10	Portland	Las Vegas	Orange County	San Diego

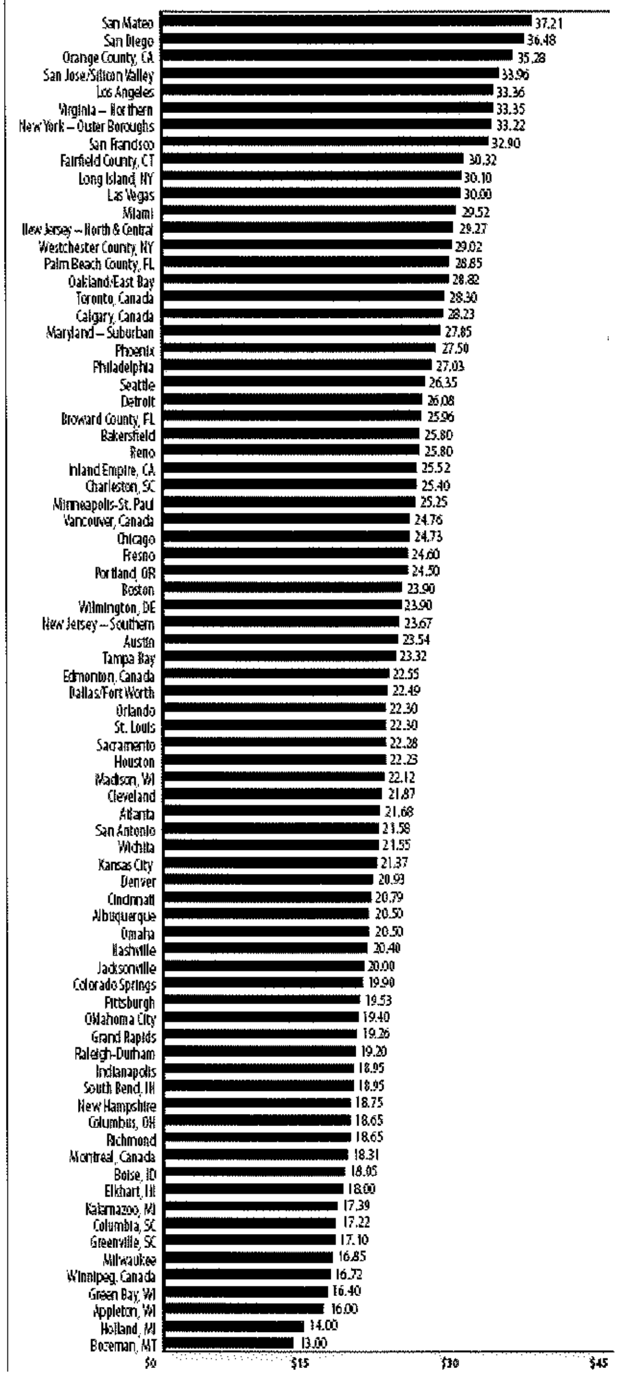
**Markets were ranked from 0 to 100 against 13-16 property, economic and demographic variables.*

Source: Grubb & Ellis

CBD Class A Office Rental Rates, North America
Year-End 2006



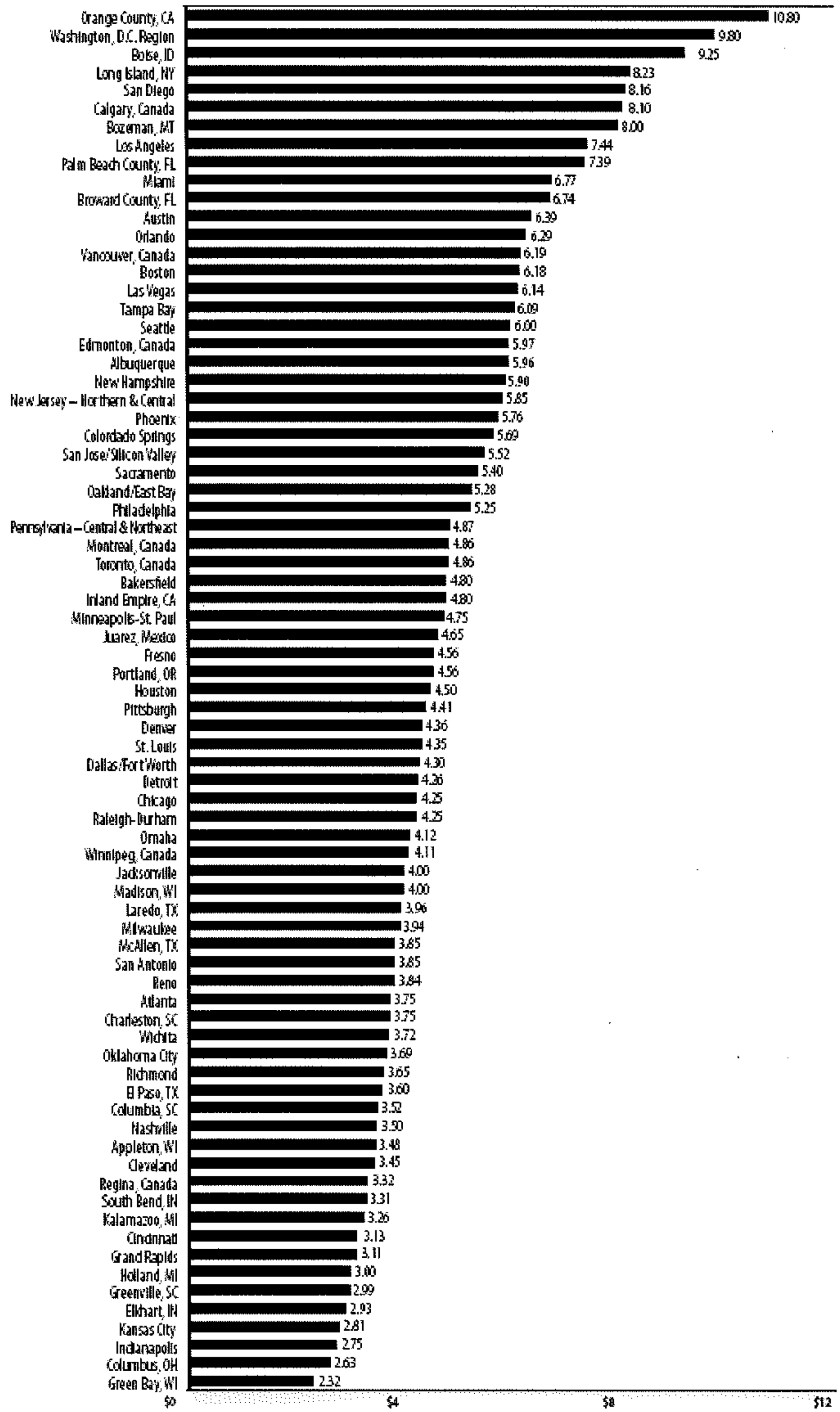
Suburban Class A Office Rental Rates, North America
Year-End 2006



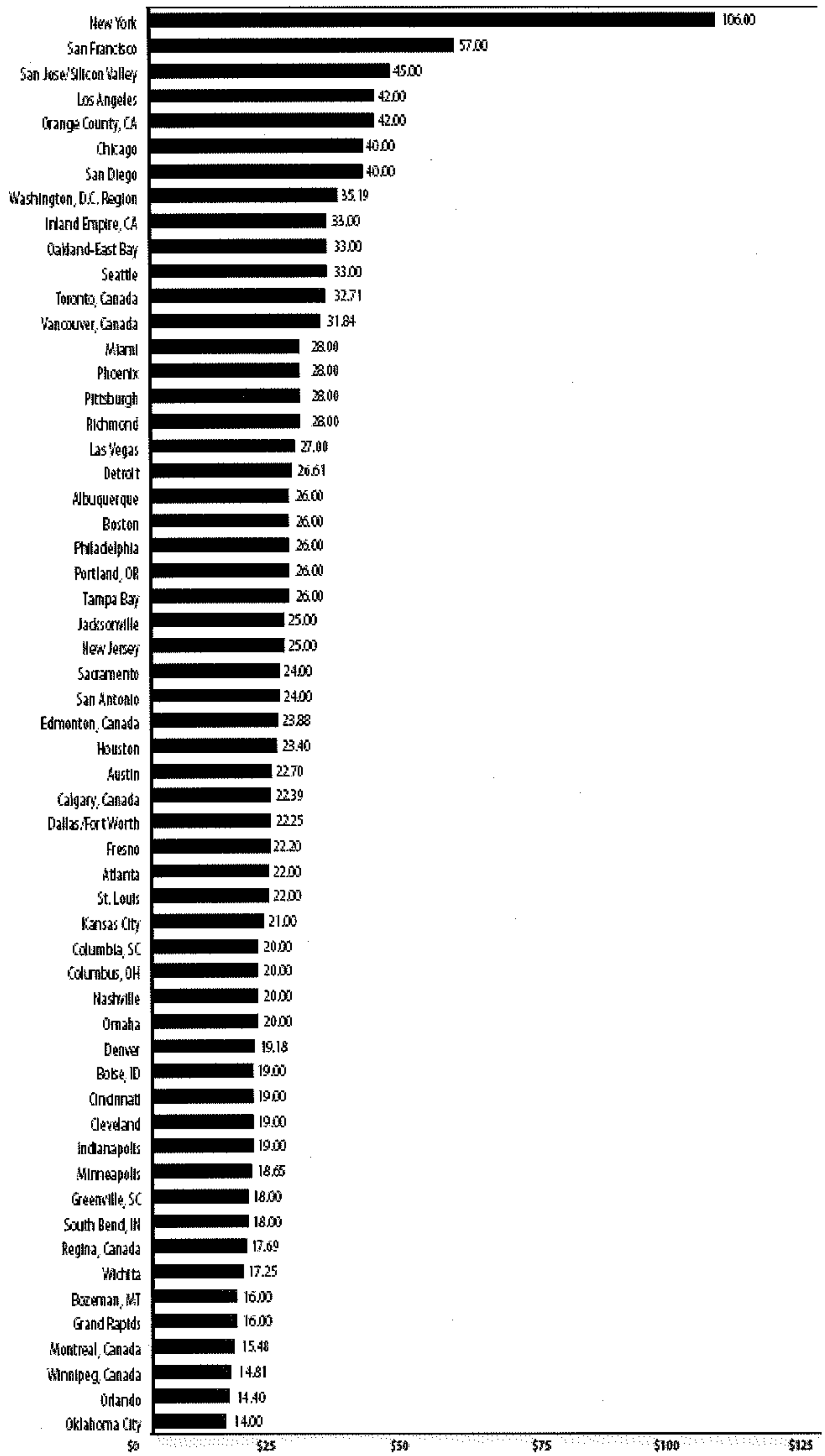
* District of Columbia

Rental rate data refer to average asking rental rates for Class A space that is available on the market at the end of 2006. Rates are per square foot, quoted on an annual, full service gross basis. Canadian data are courtesy of Avison Young. Canadian rental rates are in U.S. dollars using the exchange rate of $1 Canadian = $0.88445 U.S., the rate as of November 9, 2006.

Metro Warehouse/Distribution Rental Rates, North America
Year-End 2006



In-line Shop Space Rental Rates, North America
Asking Rent $/SF/Yr. NNN



Areas to focus on should be located nearby major cities that have concentrations of institutions for higher learning and medical/biotech research facilities in close proximity. Secondary cities may be a prime opportunity in terms of returns. Using a similar allocation structure of 50% commercial, 30% residential, and 20% tourism/hotels, the prospective cities should include:

- San Diego, San Francisco, Los Angeles- Any California state university
- Boston, MA- Boston College, Boston University, Harvard University, MIT
- Philadelphia, PA- University of Pennsylvania, Drexel University
- Raleigh, NC- University of Carolina at Chapel Hill, NC State, Duke, Wake Forest
- Washington, D.C./Baltimore, MD Area- George Washington University, Georgetown University, Johns Hopkins University, University of Maryland, George Mason University
- Chicago, IL- University of Chicago
- St. Louis, MO- Washington University, University of Missouri
- Nashville, Knoxville, Memphis TN- Vanderbilt University, Univ. of Tennessee, University of Memphis (also close to St. Jude's Children's Research Hospital)
- Dallas/Ft. Worth, TX- Southern Methodist University, Texas Christian University