

Private and confidential

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If you have sold or otherwise transferred all of your Shares in Starwood European Real Estate Finance Limited (the **Company**), please forward this document (but not the accompanying personalised Form of Proxy) as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. However, such documents should not be forwarded to or transmitted in or into the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or into any other jurisdictions if to do so would constitute a violation of the relevant laws and regulations in such other jurisdictions.

The Proposals described in this document are conditional, *inter alia*, on the approval of Shareholders. This document should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company, set out on pages 4 to 12 of this document, which contains the recommendation of the Directors for how Shareholders should vote in relation to each of the resolutions to be proposed at the Extraordinary General Meeting referred to below.

The definitions used in this document are set out on pages 22 to 23.

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## **STARWOOD EUROPEAN REAL ESTATE FINANCE LIMITED**

*(a company incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) with registered number 55836)*

### **AMENDMENT TO THE ARTICLES OF INCORPORATION**

### **AMENDMENTS TO THE INVESTMENT MANAGEMENT AGREEMENT**

### **AUTHORITIES TO ALLOT NEW SHARES AND DIS-APPLY PRE-EMPTION RIGHTS**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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Notice of an Extraordinary General Meeting of the Company to be held at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL at 10.00 a.m. on 29 September 2017 is set out at the end of this document. The Form of Proxy for use at the Extraordinary General Meeting accompanies this document and, to be valid, should be completed and returned in accordance with the instructions set out thereon as soon as possible but in any event so as to reach Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, United Kingdom, not later than 10.00 a.m. on 27 September 2017. Completion and return of the Form of Proxy will not preclude Shareholders from attending and voting in person at the Extraordinary General Meeting, should they so wish.

Fidante Partners Europe Limited (trading as Fidante Capital) (**Fidante Capital**), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting for the Company and no one else in connection with the Proposals.

Fidante Capital is not advising any other person or treating any other person as its client, including any recipient of this document, and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Fidante Capital nor for providing advice in connection with the Proposals, the contents of this document and the accompanying documents or any other matter referred to herein or therein. **Your attention is drawn to the sections entitled “Risks associated with the Proposals” on page 11 and “Action to be taken by Shareholders” on page 11 of this document.**

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## EXPECTED TIMETABLE

2017

Date of this Circular	7 September
Latest time and date for receipt of Forms of Proxy or transmission of CREST Proxy Instructions for the Extraordinary General Meeting	10.00 a.m. on 27 September
Extraordinary General Meeting	10.00 a.m. on 29 September

*Each of the times and dates in the expected timetable may (where permitted by law) be extended or brought forward without further notice and in particular the dates relating to the Proposals are provisional only. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service. All references to times in this document are to London time.*

## LETTER FROM THE CHAIRMAN

### Starwood European Real Estate Finance Limited

*(a company incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) with registered number 55836)*

*Directors:*

Stephen Smith (Chairman)  
Jon Bridel  
John Whittle

*Registered Office:*

1 Royal Plaza  
Royal Avenue  
St. Peter Port  
Guernsey  
GY1 2HL

7 September 2017

Dear Shareholder

#### **Amendment to the Articles of Incorporation**

#### **Amendments to the Investment Management Agreement**

#### **Authorities to allot New Shares and dis-apply pre-emption rights**

#### **Notice of Extraordinary General Meeting**

#### **1 Introduction**

Further to the announcement made by the Company on 23 August 2017, I am writing to you with details of important proposals for your consideration. These proposals relate to the deferral of the discount-triggered realisation mechanism and realisation vote currently provided for in the Articles, certain amendments to the Investment Management Agreement, and the replacement of the existing carried interest entitlement of the Special Limited Partner with a performance fee payable to the Investment Manager, together with a proposal to seek authorisation to allot New Shares and dis-apply pre-emption rights (together, the **Proposals**).

The Proposals have been agreed between the Board and the Investment Manager in light of the following:

- the approaching fifth anniversary of the life of the Company on 17 December 2017 (**Fifth Anniversary**) and the potential application of the current discount triggered realisation mechanism and the realisation vote (which currently should be held before 28 February 2018);
- a review of the terms of the Investment Management Agreement given the approaching expiry of the five year fixed period for this contract;
- facilitating a future restructuring of the underlying financing structure of the Group through the removal of the existing Partnership which is situated between the Company and its Luxembourg subsidiary company; and
- the objective of raising fresh capital, including through a placing programme (subject to the publication of a prospectus of the Company) and through opportunistic tap issues taking advantage of the recent implementation of the Prospectus Regulation which now enables issuers such as the Company (subject to obtaining the requisite Shareholder authorities) to issue up to 20 per cent. of the securities already listed by way of such issues over 12 months without any requirement to publish a prospectus (the previous limit having been 10 per cent.).

Shareholders will be asked to vote on the Proposals at the Extraordinary General Meeting. The reason why Shareholders will be asked to vote on the amendments to the Investment Management Agreement and the related proposed dissolution of the Partnership is because the proposed changes constitute a related party transaction for the purposes of the Listing Rules.

Full details of the Proposals and the business to be conducted at the Extraordinary General Meeting are set out below.

This document also includes a Notice of the Extraordinary General Meeting to be held at 1 Royal Plaza, Royal Avenue, St. Peter Port, Guernsey GY1 2HL at 10.00 a.m. on 29 September 2017.

## 2 Summary of the Proposals

The Proposals comprise:

- an amendment to the Articles which would defer the current provisions relating to a Realisation Offer and Realisation Vote. The current provisions provide that the Directors have discretion to implement a Realisation Offer if certain conditions are met or propose a Realisation Vote by no later than 28 February 2018 in the event that such conditions are not met. It is proposed that the provisions relating to the Realisation Offer will first apply by reference to the last six months of the financial year ending 31 December 2022 and that the Realisation Vote mechanism would apply (where the discount-triggered realisation mechanism has not been activated) by no later than 28 February 2023 and in each case on successive five year anniversaries of such dates. Consequently the Directors will be released from any requirement to exercise their discretion to convene a meeting to consider a Realisation Vote by no later than 28 February 2018;
- an amendment to the Investment Management Agreement to enable the Company to terminate the agreement in the event of a change of control of the Investment Manager, following a consultation process with the Investment Manager;
- amendments to the circumstances where the Company can summarily terminate the Investment Management Agreement, to provide additional clarity around the meaning of “material breach” by the Investment Manager;
- an amendment to the base management fee provided in the Investment Management Agreement such that in calculating such fee, there shall be excluded the un-invested portion of the cash proceeds of any new issue of Shares until at least 90 per cent. of such proceeds are invested in accordance with the Company’s investment policy (or deployed to repay borrowings under any credit facility of the Company or other liabilities of the Company) for the first time;
- the proposed removal of the Partnership from the Group structure and the replacement of the Special Limited Partner’s entitlement to receive carried interest under the Partnership Agreement (**Existing Carried Interest Entitlement**) with a performance fee at the Investment Management Agreement level (**Performance Fee**), calculated substantially on the same basis as the Existing Carried Interest Entitlement with a change in the measurement period for calculation and payment from five years to two years; and
- authorisation to allot New Shares and to dis-apply pre-emption rights in respect of up to 20 per cent. of the issued share capital on the date of the Extraordinary General Meeting. These authorities are in substitution for the 10 per cent. authorities taken at the 2017 AGM and are supplemental to the authorities taken in respect of a placing programme of the Company.

Further details of the Proposals, including a recommendation from the Directors as to how you should vote at the Extraordinary General Meeting, are set out below.

## 3 Details of the Proposals

### Changes to the discount-triggered realisation mechanisms

- 3.1 The existing Articles currently provide for a discount-triggered realisation mechanism (Article 49) and, save where the discount triggered realisation mechanism has been activated, the discretion to hold a Realisation Vote (Article 50), which are summarised in more detail below.

#### ***Realisation Offer***

The current position in Article 49 is that if the Ordinary Shares trade at an average discount to Net Asset Value per Share of five per cent. or more during the six month period ending 31 December 2017, the Directors at their absolute discretion may put a realisation offer to

Shareholders, subject to applicable legal requirements (a **Realisation Offer**). The terms of such Realisation Offer would provide, broadly, that Shareholders may request for up to 75 per cent. of their Ordinary Shares to be realised for cash.

In the event that a Realisation Offer is made, the Company will cease investment (except in limited circumstances) in respect of Ordinary Shares the subject of valid realisation requests and will return capital to holders of such Ordinary Shares over time, net of costs, as investments mature or are otherwise realised. It was anticipated that a complete return of redeeming investors' *pro rata* share of available capital, if any, in this manner may take several years, depending on the remaining maturities of the investments held at the time and whether, in the opinion of the Investment Manager, any such investments require restructuring or the extension of maturities in order to maximise value for Shareholders.

#### **Realisation Vote**

In the event that the discount-triggered realisation mechanism is not activated, the current position in Article 50 is that the Directors shall exercise their discretion under Article 50 to put forward a realisation vote (as an ordinary resolution) to Shareholders by no later than 28 February 2018 (a **Realisation Vote**).

If Shareholders vote in favour of this resolution then the Company will procure that a realisation offer on substantially the same terms as the Realisation Offer described above is offered to Shareholders. Following the receipt of all elections, if either: (i) more than 75 per cent of the Ordinary Shares then in issue were elected for realisation; or (ii) the NAV of the Company following the realisation would be less than £100 million, the Directors may exercise their discretion not to proceed with the Realisation Offer and instead put forward alternative proposals which are no less favourable to electing Shareholders and which may include the reorganisation or winding up of the Company.

If Shareholders vote against this realisation resolution, then the Company will continue in existence as it is then constituted without any liquidity event for Shareholders.

#### **Proposed amendments to the Articles**

The Directors are proposing that Article 49 (Realisation Offer) and Article 50 (Realisation Vote) be amended. As a result of these changes, the Directors will be released from any requirement to exercise their discretion to convene a meeting to consider a Realisation Vote by no later than 28 February 2018 and the provisions relating to a Realisation Offer and Realisation Vote will be deferred as described below.

It is proposed that the discount-triggered realisation mechanism in Article 49 (Realisation Offer) will be changed such that the existing provisions relating to a Realisation Offer which are calculated by reference to the discount over the six month period ending 31 December 2017 shall not apply as of that date but shall first apply (subject to the exercise of the Directors' discretion) by reference to the last six months of the financial year ending 31 December 2022 and (subject to not having been previously activated) on successive five year anniversaries of the same. Further it is proposed that Article 50 (Realisation Vote) will apply and the Directors will exercise their discretion thereunder to put a Realisation Vote to Shareholders by no later than 28 February 2023 and on successive five year anniversaries of such date (in each case save where any Realisation Offer has been made previously).

In assessing this change Shareholders should note that the Shares are currently trading at a premium to Net Asset Value and, whilst this cannot be assured, it is questionable whether the existing discount related realisation mechanism set out in the Articles and which applies to the last six months of the current financial year will actually be triggered.

The proposed amendments to Articles 49 and 50 are set out in the section entitled "Changes to the Articles" below and a copy of the Articles proposed to be amended, to show changes from the current version is available for inspection as noted on page 16.

If Resolution 1 is not approved by Shareholders, the current provisions contained in the Articles will remain in force and in the event that the conditions for making a Realisation Offer are not triggered, a Realisation Vote will be put forward to Shareholders by no later than 28 February 2018.

## **Amendments to the Investment Management Agreement and conditional termination of the Special Limited Partner's carried interest entitlement**

- 3.2 As part of the Proposals, the Directors are also proposing that a number of changes be made to the existing Investment Management Agreement. These changes, which comprise a related party transaction for the purpose of the Listing Rules, are subject to the passing of Resolution 4 at the Extraordinary General Meeting with the Investment Manager and any members of its group (as related parties) abstaining from voting on such resolution. A summary of the existing terms of the Investment Management Agreement and the Partnership Agreement prior to the changes contemplated below is set out in paragraph 3 of "Additional Information" below.

### ***Termination provisions***

Save in certain fault based scenarios, the Investment Management Agreement is currently terminable by either the Investment Manager or the Company giving to the other not less than 12 months' written notice. The terms of the Investment Management Agreement provide that such notice could not have been given before the fourth anniversary of the IPO Admission (being 17 December 2016) and therefore the original term of the Investment Management Agreement was for a minimum initial five year period.

Certain changes to the termination provisions are now being proposed.

First, an additional termination right for the Company. The Company will be able to terminate the appointment of the Investment Manager in the event of a change of control of the Investment Manager (as described further and in the manner set out below).

The proposed amendment provides that at any time within 90 days following a change of control of the Investment Manager (as more particularly described below), the Company shall be entitled to give 90 days' written notice to the Investment Manager (the **Review Period**) during which time the Investment Manager shall seek to satisfy the Board as to the ability of the Investment Manager to properly carry out its duties to the Company as set out in the Investment Management Agreement in a manner that is in the best interests of the Shareholders as a whole. In the event that at the end of the Review Period, the Board (acting reasonably) is not satisfied about the continuing ability of the Investment Manager to carry out its duties as set out in the Investment Management Agreement in a manner that is in the best interests of the Shareholders as a whole, the Board shall be entitled to terminate this agreement by immediate notice in writing to the Investment Manager without compensation.

The Investment Manager is licensed by the GFSC to carry on controlled investment activities. Under the Protection of Investors Law, the approval of the GFSC is required for any change of control of the licensed entity, in this case the Investment Manager. A change of control shall be deemed to occur where a person acquires a direct or indirect interest in the Investment Manager and which is calculated by reference to 15 per cent. or more of the voting rights. Any such change of control shall require the making of a prior notification to the GFSC under section 28A of the Protection of Investors Law and for the GFSC to notify or be deemed to notify its non-objection to such transaction.

A change of control triggering the application of the above provision shall be deemed to occur when there has been a change of control pursuant to the Protection of Investors Law, as summarised above.

Secondly, the Company and the Investment Manager have agreed that certain breaches of the Investment Management Agreement should be deemed to be material breaches which entitle the Company summarily to terminate the Investment Management Agreement. In particular, any failure by the Investment Manager to act in good faith with the due skill, care and diligence which would reasonably be expected from an experienced manager in the sector and to exercise appropriate prudence in the management of the Company's portfolio would constitute a material breach.

For the avoidance of doubt, save as set out above, all of the other grounds for termination of the Investment Management Agreement will remain unaltered.



### ***Management fee***

The base management fee is currently 0.75 per cent per annum of the Net Asset Value attributable to the Ordinary Shares. The Directors and the Investment Manager have agreed that, in the light of further planned equity capital raisings of the Company, in calculating such fee, there shall be excluded from the Net Asset Value attributable to the Ordinary Shares the uninvested portion of the cash proceeds of any new issue of Shares (or C Shares) until at least 90 per cent. of such proceeds are invested in accordance with the Company's investment policy (or deployed to repay borrowings under any credit facility of the Company or other liabilities of the Group) for the first time.

### ***Performance fee***

The Company is proposing certain changes to the Investment Manager's performance entitlements. It is proposed that:

- the Investment Management Agreement will be amended to incorporate the Performance Fee payable to the Investment Manager; and
- the Existing Carried Interest Entitlements of the Special Limited Partner (which is an affiliated company of the Investment Manager) will be terminated and, as described further in paragraph 4 below under "Proposed Changes to Group Structure", the Partnership is intended to be subsequently dissolved under the Restructuring.

These related changes, which are described in more detail below, together comprise a related party transaction (as described further in paragraph 6 below under "Related party transaction") and are conditional upon the passing of Resolution 4 at the Extraordinary General Meeting.

The provisions relating to the Performance Fee will apply from 1 January 2018 or from such later date on which the Partnership Agreement has been dissolved or amended to remove the carried interest entitlement of the Special Limited Partner (in such latter case to take effect as if made on 1 January 2018).

The Company and the Investment Manager do not believe that any Existing Carried Interest Entitlement will be earned by the Special Limited Partner in respect of the five year period to 31 December 2017.

Currently, as described in the ongoing expenses section of the IPO Prospectus and the prospectus of the Company issued in 2015 in connection with the then placing programme, for successive five year periods commencing 1 January 2018, the Hurdle Total Return will be calculated by reference to the NAV at the start of each such period (instead of at IPO Admission) and to the dividends paid and payable in respect of such period.

Once the new arrangement is implemented, the Existing Carried Interest Entitlement will be replaced by the Performance Fee payable to the Investment Manager. As with the Existing Carried Interest Entitlement, the amount of such Performance Fee will continue to be 20 per cent. of the excess (if any) of the returns generated by the Company over the Hurdle Total Return (described below). In addition, however, the measurement period over which the Performance Fee will be calculated will be shortened from five years under the Existing Carried Interest Entitlement to two years with the payment of any Performance Fee earned being made at the end of each such two year period. The other material terms of the Existing Carried Interest Entitlement will be substantially grandfathered into the Performance Fee (with appropriate changes to reflect the modification from a limited partnership interest to a contractual payment mechanism under the Investment Management Agreement).

Accordingly following the proposed change, the Hurdle Total Return will be achieved in respect of the Performance Fee when the NAV of the Company at the end of the two year period, plus the total of all dividends declared and paid to Ordinary Shareholders in that two year period, is equal to the NAV of the Company at the start of each two year measurement period, as increased by 8 per cent. per annum, on a simple interest basis (but excluding performance fees accrued and deemed as a creditor on the balance sheet at the start of the two year measurement period). No Performance Fee will be payable in relation to performance that recoups previous losses (if any).



To the extent that the Company makes further issues of Ordinary Shares and/or repurchase or redeems Ordinary Shares, the Hurdle Total Return will be adjusted accordingly, by reference to the issue proceeds of such further issues and dividends declared subsequent to such issues. Other corporate actions will also be reflected as appropriate in the calculation of the Hurdle Total Return.

### **Authorities to allot New Shares and dis-apply pre-emption rights**

- 3.3 In addition to obtaining the placing programme authorities at the 2017 AGM, the Company was granted authority from Shareholders to allot New Shares and dis-apply the pre-emption rights contained in the Articles in order to allow the Company to issue New Shares and/or sell such New Shares out of treasury by way of tap issues without first offering them to existing Shareholders on a *pro rata* basis (the **AGM Tap Issue Authorities**). The AGM Tap Issue Authorities were obtained in respect of up to 10 per cent. of the Shares in issue as at the date of the 2017 AGM.

At the time of the 2017 AGM there was an exemption from the requirement to publish a prospectus in respect of an application for admission to trading for shares representing, over a period of 12 months, less than 10 per cent. of the securities already admitted to trading. Following the implementation of the Prospectus Regulation in the United Kingdom on 20 July 2017, this threshold was increased from 10 per cent. to up to 20 per cent. and this now enables issuers such as the Company (subject to obtaining the requisite Shareholder authorities) to issue up to (but not including) 20 per cent. of the securities already admitted to trading over 12 months by way of tap issues without any requirement to publish a prospectus (the **New Tap Issue Exemption**).

The Investment Adviser continually monitors and sources suitable investment opportunities for the Company and these may exceed the capital available to the Company. The Directors wish to take advantage of the New Tap Issue Exemption in order to allow the Company to carry out larger tap issues and pursue larger investment opportunities in a timely manner as they arise in the future without the requirement to publish a prospectus and incur the associated advisory costs.

The Board is therefore seeking Shareholder authorities to allot New Shares and dis-apply the pre-emption rights contained in the Articles in respect of up to 20 per cent. of the Shares in issue at the date of the Extraordinary General Meeting. These authorities will replace the AGM Tap Issue Authorities and will expire at the conclusion of next year's annual general meeting or 15 months after the passing of the resolution (whichever is earlier) and it is presently intended that a resolution for the renewal of such authorities will be proposed at each subsequent annual general meeting of the Company.

Whether in respect of the AGM Tap Issue Authorities or the replacement authorities referred to above, the Company will only allot New Shares (or sell such shares out of treasury) at a premium to prevailing Net Asset Value per Share and when there is sufficient demand for the Shares.

The number of Ordinary Shares which may be so issued and allotted (or sold out of treasury) on a non-pre-emptive basis pursuant to this authority is limited to the number of Ordinary Shares representing 20 per cent. of the Ordinary Shares in issue as at the date of passing of the resolutions, less one Ordinary Share (this equates to 75,003,878 Ordinary Shares as at 5 September 2017). The proceeds of any share issuance and sales out of treasury, implemented pursuant to this power will be invested in accordance with the Company's investment policy or deployed to repay borrowings under any credit facility of the Company or other liabilities of the Group.

If Resolutions 2 and 3 are not approved by Shareholders at the EGM, the AGM Tap Issue Authorities will remain in place. The Placing Programme Authorities will not be affected by the passing of Resolutions 2 and 3.

## **4 Proposed changes to Group structure**

The Company is proposing that the internal structure of the Group will be reorganised in due course to facilitate greater flexibility for the way in which the Company finances the investments it makes (the **Restructuring**).

The Partnership currently sits between the Company and Luxco. As a preliminary step under the Restructuring, it is proposed that the Partnership will be dissolved (with the Investment Management Agreement being amended accordingly as described above).

It is intended that the Company will then replace the Partnership with a new wholly-owned entity (the **New Intermediate Company**). Under the Restructuring it is also envisaged that a parallel investment structure to the New Intermediate Company and Luxco will also be established under the Company.

The Restructuring will be subject to certain third party approvals which have not yet been obtained, including the consent of Lloyds Bank plc and the related amendment of the Revolving Credit Facility.

The specific logistics of the Restructuring and its implementation will also be subject to tax and other advice. It is currently expected that the Restructuring will be implemented before the end of 2017.

As stated below under “Related party transaction”, the preliminary step to remove the Partnership and change the Investment Management Agreement to incorporate the Performance Fee is a related party transaction requiring the approval of Shareholders under the Listing Rules. The other elements of the Restructuring, as currently envisaged, are not expected to involve any further transactions with the Investment Manager or its affiliates and accordingly, the further approval of Shareholders of any related party transaction should not be required to implement the Restructuring. However, if and to the extent that any Shareholder approval is subsequently required under the Restructuring, the Company will revert to Shareholders to seek such approval at the relevant time.

## **5 Benefits of the Proposals**

The Board considers that the opportunity for non-bank, alternative lenders to extend debt financing to the real estate sector in Europe that Starwood Capital Group observed in 2012, resulting in the Company’s launch, continues. The Investment Adviser continues to identify new and attractive investment opportunities for the Company.

The removal of any uncertainty relating to the application of the Realisation Offer and Realisation Vote in the near term is expected to provide the Company and the Investment Manager with a more stable platform for new investment and for future equity capital raisings, while the adoption of a set five year cycle of potential Realisation Offers and Realisation Votes should provide comfort to Shareholders and prospective investors in relation to the risk of a long-term discount emerging.

The Board believes that the changes proposed to the Investment Management Agreement provide greater clarity as regards the existing termination provisions and the consequences of such termination in these circumstances. The proposed two year measurement period for the Performance Fee is more appropriate given the typical duration of loans within the portfolio.

Increasing the number of new Shares which may be issued pursuant to tap issues and therefore taking advantage of the new prospectus exemption, will allow the Company to continue to issue (or sell) Ordinary Shares at a premium to the prevailing Net Asset Value per Ordinary Share when there is sufficient demand for the Ordinary Shares, and thereby enable the Company to react quickly to secure new investment opportunities sourced by the Investment Adviser as they arise.

In short, the Board believes that the expertise of Starwood Capital Group and its employees and their access to transactions continues to confer significant benefits on the Company in terms of the ability to source and underwrite attractive lending opportunities offering good risk adjusted returns that other lenders would not typically be in a position to provide. The Company has also benefited in its first five years from being able to co-invest with other funds managed by Starwood Capital Group, and this has made possible access to lending opportunities such as Centre Point, Aldgate Tower and Salesforce Tower that would otherwise have been too big for the Group. The Directors believe that this co-investment opportunity will continue to be beneficial to the Company.

The Board is of the view that with the continued involvement of the Investment Manager on the basis of the Proposals, the Company is in a strong position to meet its objectives over the medium to longer term.

## **6 Related party transaction**

The Investment Manager and the Special Limited Partner are both “related parties” for the purposes of the Listing Rules and the amendments to the Investment Management Agreement (and the related proposed amendments and dissolution of the Partnership) therefore require Shareholder approval by ordinary resolution, with the Investment Manager and the Special Limited Partner (as **related parties**) abstaining from voting on the relevant resolution (**Resolution 4**).

The Investment Manager and the Special Limited Partner have each confirmed to the Company that they will not vote on Resolution 4 and that they will take all reasonable steps to ensure that their associates will not vote on Resolution 4.

As at 5 September 2017, the Investment Manager and its associates were interested, directly and indirectly, in 11,425,000 Shares or 3.05 per cent. of the issued Share capital of the Company.

## **7 Guernsey arm’s length requirements**

In accordance with the conflict of interest provisions set out in The Registered Collective Investment Schemes Rules 2015, a “relevant person” may not provide services to a scheme unless the services are provided on terms which satisfy the arm’s length requirement. The arm’s length requirement is satisfied if the arrangements between the relevant person and the scheme are at least as favourable to the scheme as would be any comparable arrangement effected on normal commercial terms negotiated at arm’s length between the “relevant person” and an independent party. The Investment Manager is a “relevant person” for the purposes of The Registered Collective Investment Schemes Rules 2015 and the Directors are of the opinion that the services provided by the Investment Manager under the terms of the Investment Management Agreement to be amended as set out above satisfy the arm’s length requirement.

## **8 Risks associated with the Proposals**

The Directors have carefully considered the impact of the Proposals on the Company and Shareholders. Whilst they believe that the Proposals are in the best interests of the Company and Shareholders as a whole, there are certain risks connected with the Proposals. Such risks include the following:

- in the event that the Shares of the Company were to trade at a substantial discount prior to 31 December 2017 (compared to the current premium rating), the Company would no longer have a pre-determined realisation mechanism at this point; and
- the shortening of the measurement period for the calculation and payment of the New Performance Fee could potentially mean that a fee would be payable by reference to that period where as none would be payable at the end of the longer five year calculation period where performance was not maintained throughout that period.

## **9 Update on current performance**

The Company expects to release its interim results for the 6 month period to 30 June 2017 on or about 11 September 2017. The Company continues to perform in line with the Board’s expectations and the unaudited NAV as at 31 August 2017 is not expected to vary significantly from the unaudited NAV as at 31 July 2017, as announced by the Company on 14 August 2017.

## **10 Action to be taken by Shareholders**

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the Extraordinary General Meeting.

Whether or not you intend to be present at the Extraordinary General Meeting, you are asked to complete the Form of Proxy in accordance with the instructions printed thereon and to return it to Computershare at the address indicated on the front page of this document, as soon as possible, **but in any event so as to arrive not later than forty-eight hours (excluding non-working days) before the time appointed for holding the Extraordinary General Meeting.**

The completion and return of a Form of Proxy will not preclude you from attending the Extraordinary General Meeting and voting in person if you wish to do so.

## **11 Recommendation**

The Board considers the Proposals to be in the best interests of the Company and Shareholders as a whole. In addition, the Board considers the proposed changes to the Investment Management Agreement and the dissolution of the Partnership Agreement to be fair and reasonable as far as Shareholders are concerned (having been so advised by Fidante Capital). In providing its advice to the Board, Fidante Capital has taken into account the commercial assessments of the Directors.

Accordingly, the Board recommends that Shareholders vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, as the Directors also intend to do so in respect of their own beneficial holdings amounting to 102,661 Shares in aggregate, representing approximately 0.027 per cent of the current voting share capital of the Company.

Yours faithfully

**Stephen Smith**  
Chairman

## ADDITIONAL INFORMATION

### 1 The Company

- 1.1 Starwood European Real Estate Finance Limited was incorporated and registered in Guernsey under the Law on 9 November 2012 with registered number 55836. The registered office of the Company and the business address of all of the Directors is 1 Royal Plaza, Royal Avenue, St. Peter Port, Guernsey GY1 2HL.
- 1.2 As at the date of this document, the Company's issued share capital consisted of 375,019,398 Shares of no par value in the capital of the Company. There are no warrants or options to subscribe for Shares.
- 1.3 No Shares are currently held in treasury.

### 2 Directors and other interests

- 2.1 The names of the Directors are set out on page 4 of this document.
- 2.2 As at 5 September 2017 (being the latest practicable date prior to the publication of this document), the total number of voting rights attributable to the issued Share capital of the Company was 375,019,398 and (other than the Directors) insofar as is known to the Company the following persons held, directly or indirectly, 5 per cent or more of the voting rights attributable to the issued share capital of the Company.

<b>Shareholder</b>	<b>Number of Shares</b>	<b>% of the issued Share capital</b>
Quilter Cheviot Investment Management	36,488,910	9.73
SG Private Banking	32,771,994	8.74
Old Mutual Global Investors	31,500,000	8.40
Schroder Investment Management	28,389,640	7.57
Cazenove Capital Management	21,908,410	5.84
Fidelity International	21,822,936	5.82

- 2.3 The Company is not aware of any person who exercises, or could exercise, directly or indirectly, jointly or severally, control over the Company.

### 3 Material contracts

#### 3.1 Investment Management Agreement

The Company and the Investment Manager entered into the Investment Management Agreement on 28 November 2012 (which was amended on 7 March 2014, 14 May 2014 and 7 September 2015) pursuant to which the Investment Manager has been given overall responsibility for the discretionary management of the Company's assets (including un-invested cash) in accordance with the Company's investment objectives and policy.

The summary below is of the terms of the Investment Management Agreement prior to the making of the proposed changes set out in the Proposals (details of which are described in the Letter from the Chairman above).

#### Management fee

The existing management fee prior to the making of the changes contemplated in the Proposals is summarised in paragraph 3.2 of the Letter from the Chairman above.

#### Origination fee

The Investment Manager is entitled to an asset origination fee of 0.75 per cent. of the value of all new loan investments made or acquired by the Company. The asset origination fee to be paid by the Company is expected to be paid upon receipt by the Company of loan arrangement fees received on the deployment of the Company's funds.

#### Termination

The Investment Management Agreement is currently terminable by either the Investment Manager or the Company giving to the other not less than 12 months' written notice.

The Investment Management Agreement may also currently be terminated earlier by the Company with immediate effect if:

- (a) an order has been made or an effective resolution passed for the liquidation of the Investment Manager or the Company;
- (b) the Investment Manager ceases to carry on its business;
- (c) the Investment Manager has committed a material breach of the Investment Management Agreement and fails to remedy such breach within 30 days of receiving notice requiring it to do so or is guilty of wilful default, fraud or gross negligence or if the Investment Manager fails to comply with any reasonable direction of the Board;
- (d) the Investment Manager ceases to hold any required authorisation to carry out its services under the Investment Management Agreement;
- (e) the Investment Manager breaches any provision of the Investment Management Agreement and such breach results in listing and trading of the Shares being suspended or terminated; or
- (f) the Company is required to do so by a relevant regulatory authority and this is a final decision with no right of appeal.

The Investment Management Agreement may be terminated by the Investment Manager with immediate effect if an order has been made or an effective resolution passed for the winding up of the Company or the Company has committed a material breach of the Investment Management Agreement and fails to remedy such breach within 30 days of receiving notice requiring it to do so. In the event the Investment Management Agreement is terminated, the Investment Manager shall be entitled to (a) be paid any accrued management fee to the date of termination; and (b) be promptly reimbursed for all of its out of pocket expenses incurred in respect of the performances of its services up to the date of termination.

#### **Indemnities**

The Company has given certain market standard indemnities in favour of the Investment Manager in respect of the Investment Manager's potential losses in carrying on its responsibilities under the Investment Management Agreement.

#### **General**

The Investment Manager will delegate certain of its responsibilities under the Investment Management Agreement to the Investment Adviser. The Investment Management Agreement is governed by the laws of England and Wales.

### **3.2 Partnership Agreement**

The Partnership Agreement relating to Starfin Public LP is dated 28 November 2012.

As described in the Letter from the Chairman above, it is proposed that the Partnership will be amended and dissolved as a preliminary step under the Restructuring (with a consequential change to the Investment Management Agreement).

#### **Commitment and drawdown**

The Company commits substantially all of the net issue proceeds plus proceeds from subsequent tap issues to the Partnership. That commitment is drawn down as required by the General Partner for the funding of investments. 0.01 per cent. of the Company's commitment was paid as a capital contribution shortly after the IPO Admission and the balance, 99.99 per cent., is committed as loan commitment and is paid over when requested by the General Partner.

#### **Investment period**

The Partnership has no fixed investment period and the General Partner may require the Company to advance further funds at any time.

#### **Admission of new partners**

No further limited partners will be admitted to the Partnership without the consent of the Company and the General Partner.



### **Withdrawal of partners**

Except as may be agreed with the General Partner, no limited partner shall have the right to withdraw from the Partnership.

### **Transfer of interests**

No sale, assignment, transfer, exchange, pledge, encumbrance or other disposition of all or any limited partner's interest whether direct or indirect, voluntary or involuntary shall be valid or effective except with the General Partner's prior written consent, which will not be unreasonably withheld or delayed.

### **Valuations**

The General Partner shall conduct an impairment review of the Partnership's investments at least quarterly and have regard to any valuation which may be available and at such other times as requested by the Company.

### **General Partner's share**

The General Partner is entitled to receive and there is allocated to the General Partner in each accounting period a sum of £1,000.

### **Allocations of profit**

The Special Limited Partner is currently entitled to receive carried interest from the Partnership, calculated by reference to the annualised total return to Shareholders over the period to the Fifth Year End (being 31 December 2017) and each five year period thereafter. In relation to the period to the Fifth Year End, the amount of the carried interest shall be 20 per cent. of the excess (if any) of the returns generated by the Company over the Hurdle Total Return. The Hurdle Total Return will be achieved when the NAV of the Company, plus the total of all dividends declared and paid to holders of Ordinary Shares, is equal to the NAV of the Company as at the IPO Admission as increased by 8 per cent. per annum, on a simple interest basis (but excluding actual carried interest accrued and deemed as a creditor on the balance sheet).

Where the Investment Management Agreement is terminated lawfully by the Company summarily for cause, the Special Limited Partner shall cease to be a partner in the Partnership from the date of such termination and shall have no right to any further distributions of carried interest with effect from that date.

Where the Investment Management Agreement is voluntarily terminated by the Investment Manager in accordance with the notice provisions therein, the Special Limited Partner shall cease to be a partner in the Partnership on the date on which the termination becomes effective and shall be entitled to continue to receive distributions from the Partnership up to that date but no further. A calculation shall be made as at the date of termination and the Special Limited Partner shall be paid any carried interest that it has become entitled to up to that date (as if it were a date on which carried interest is payable). Where the Investment Management Agreement is terminated by the Company without cause in accordance with the notice provisions therein, the investments made by the Company up to the effective date of termination shall, for the purposes of calculating the Special Limited Partner's entitlement to carried interest, be accounted for as a separate pool of assets (the **Existing Pool**). All investments made following the date of actual termination of the Investment Management Agreement shall be excluded from this pool. The Special Limited Partner shall continue to be entitled to the carried interest attributable to the investments in the Existing Pool, which will be liquidated over time.

### **Limitations on distributions**

The General Partner shall not be obliged to cause the Partnership to make any distribution unless there is sufficient cash available for such distribution, which would render the Partnership insolvent or which, in the reasonable opinion of the General Partner, would or might leave the Partnership with insufficient funds or profits to meet any future contemplated obligations, liabilities or contingencies (including the General Partner's Share).



### **Removal of General Partner**

The General Partner may only be removed from the Partnership with the consent of the Company.

### **Variations to the Partnership Agreement**

Save as described below, the Partnership Agreement may only be amended (whether in whole or in part) by the written consent of the Company, the General Partner and the Special Limited Partner.

The Partnership Agreement may be amended by the General Partner without the consent of the Company and the Special Limited Partner where such amendment is necessary or, in the reasonable opinion of the General Partner, (i) advisable to comply with applicable law or regulation; or (ii) to cure any ambiguity or correct or supplement any provision thereof which is incomplete or inconsistent with any other provisions thereof or correct any printing, stenographic or clerical error or omissions, provided that the General Partner in good faith believes that such amendment does not adversely affect the interests of the Company or the Special Limited Partner in any material respect.

## **4 General**

- 4.1 Save for the dividends set out below, there has been no significant change in the financial or trading position of the Company and its subsidiaries since 31 December 2016 (being the end of the last financial period in respect of which audited financial information has been published). The dividends referred to are:
- (a) a dividend in respect of the period 1 October 2016 to 31 December 2016 of 1.625 pence per Share, payable on 17 February 2017 to Shareholders on the register at 3 February 2017;
  - (b) a dividend in respect of the period 1 January to 31 March 2017 of 1.625 pence per Share, payable on 18 May 2017 to Shareholders on the register at 5 May 2017; and
  - (c) a dividend in respect of the period 1 April to 30 June 2017 of 1.625 pence per Share, payable on 25 August 2017 to Shareholders on the register at 4 August 2017.
- 4.2 Fidante Capital, which has advised the Board, has given and not withdrawn its consent to the issue of this document with the inclusion of its name and references to it in this document in the form and context in which they are included. In providing its advice to the Board, Fidante Capital is acting in its capacity as the Company's financial adviser and as its sponsor under the Listing Rules.
- 4.3 Other than the Investment Management Agreement and the Partnership Agreement, a summary of which (together with the proposed amendments) is set out above, there are no other:
- (a) material contracts, other than contracts in the ordinary course of business, to which the Company or any member of the Group is a party, that have been entered into in the two years immediately preceding the date of this document; or
  - (b) contracts, not being a contract entered into in the ordinary course of business, entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document.

## **5 Documents available for inspection**

Copies of the following documents may be inspected at the offices of Norton Rose Fulbright LLP at 3 More London Riverside, London SE1 2AQ, United Kingdom during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document up to and including the date of the Extraordinary General Meeting and at the place of the Extraordinary General Meeting for at least 15 minutes before and during the Extraordinary General Meeting:

- the Articles and Memorandum of Incorporation of the Company;
- a mark-up of the Articles showing all of the changes to be made if approved at the Extraordinary General Meeting;

- the annual report and accounts for the financial year ended 31 December 2016;
- the written consent of Fidante Capital referred to in paragraph 4.2 above; and
- this document.

## CHANGES TO THE ARTICLES

A mark-up of the new Articles 49 and 50 against the existing Articles 49 and 50 is set out below.

### 49 REALISATION OFFER

- 49.1 The making of, and terms applicable to, any Realisation Offer (as defined below) and the redemption of Ordinary Shares pursuant thereto shall be subject to the absolute discretion of the Directors, the provisions of the Law and all other applicable regulations and the rights for the time being of any class of Ordinary Shares of the Company in issue. Without limitation to the foregoing, no Realisation Offer may be completed if, as a result, the Company would have no members. A Realisation Offer made in accordance with this Article 49 shall not be available in respect of any class of C Shares (prior to their conversion into Ordinary Shares).
- 49.2 If, as at ~~31 December 2017~~ a Relevant Date (as defined in Article 49.19 below), the Ordinary Shares of any class in issue have, on average over the last six calendar months of the relevant calendar year immediately prior to such date (a "Discount Calculation Period"), traded at a discount in excess of 5 per cent. of the Net Asset Value per Ordinary Share of that class (calculated by reference to the middle market quotation of the Ordinary Shares of that class on the Daily Official List of the London Stock Exchange on each trading day in the relevant Discount Calculation Period the most recently published Net Asset Value per Ordinary Share of the relevant class as at the close of trading on such trading day) (the "Realisation Offer Conditions"), the Directors shall have the absolute discretion, subject to any legal or regulatory requirements, to implement a realisation offer (a "Realisation Offer") pursuant to which the Shares shall have limited rights of redemption and each holder of Ordinary Shares of the relevant class shall be permitted to have up to 75 per cent. of his Ordinary Shares of such class (the "Basic Entitlement") redeemed.
- 49.3 A Realisation Offer and the terms and procedure relating thereto, including the rights of redemption and the time for notifying redemption requests (a "Realisation Notice Date") and the Redemption Date, will be notified to Members by way of a RIS announcement.
- 49.4 The Directors may structure a Realisation Offer to permit Members to request the redemption of Ordinary Shares of the relevant class in excess of their Basic Entitlement. Any such excess redemption requests shall be satisfied, to the extent that other Members request redemption of Ordinary Shares of the relevant class in respect of less than the entirety of their Basic Entitlement, *pro rata* to the amount in excess of the Basic Entitlement which each relevant Member has requested to redeem, rounded down to the nearest whole number of Ordinary Shares.
- 49.5 In implementing a Realisation Offer, the Directors may redesignate all Ordinary Shares the subject of a redemption request as having redemption rights for the purposes of this Article (the "Redeemable Shares") and allocate to a separate account in the books of the Company (the "Redemption Pool") assets of the Company worth in aggregate (as at the NAV Calculation Date immediately preceding the Redemption Date) an amount equal to the Net Asset Value (as at the same date) attributable to the Redeemable Shares. In the event a Realisation Offer is made with respect to more than one class of Ordinary Shares, the Directors shall create a separate Redemption Pool with respect to each such class and assets identified to be allocated to such Redemption Pools shall be allocated among such Redemption Pools *pro rata* to the relative aggregate Net Asset Values of the Redeemable Shares of each class in respect of which such Redemption Pools were created.
- 49.6 The allocation of assets of the Company to any Redemption Pools by the Directors shall be determined as follows:
- 49.6.1 cash assets shall be allocated *pro rata* to the cash held in the Company's portfolio, provided that (i) the Directors, in their absolute discretion, may increase the proportion of cash to be so allocated if they consider that it would be equitable to both the Members participating in the Realisation Offer ("Exiting Shareholders") and those not participating in the Realisation Offer ("Continuing Shareholders") to do so; or (ii) if the Directors, in their absolute discretion,

determine it is necessary or desirable to retain cash for the Company's working capital purposes, they may decrease the proportion of cash to be so allocated; and

- 49.6.2 the Directors shall select non-cash assets to be allocated with a view to ensuring that, in so far as is practicable, there is *pro rata* allocation of such assets between the Redemption Pool and the assets to be retained in the Company's portfolio. Notwithstanding the foregoing, however, the Directors may choose an alternative allocation, or subsequently rebalance the Redemption Pools, if they consider a *pro rata* allocation to be impracticable or that to do so would be equitable to both Exiting Shareholders and Continuing Shareholders.
- 49.7 The costs and expenses of implementing the Realisation Offer shall be payable out of the Redemption Pools. Each Redemption Pool shall also bear its *pro rata* share of the ongoing costs and expenses of the Company, and all costs and expenses of the Company attributable solely to such Redemption Pool, until such time as such Redemption Pool has been fully realised and all redemption proceeds have been distributed.
- 49.8 Notwithstanding that a Realisation Offer has been made and redemption requests have been made, the Directors may continue to hold or restructure investments so as to maximize value for Members and are under no obligation to realise the assets of the Company before maturity in order to meet such redemption requests.
- 49.9 The proceeds of any redemption of Redeemable Shares pursuant to a Realisation Offer shall be distributed to Exiting Shareholders in such manner as the Directors may determine and at such time as the Directors may determine is reasonable following the realisation of the assets attributable to the relevant Redemption Pool. No interest will be payable on redemption moneys during the period from the relevant Redemption Date to the date of payment.
- 49.10 The following provisions shall apply as regards payment of redemption moneys payable in respect of Shares redeemed pursuant to a Realisation Offer, subject to such additions or amendments as the Directors may otherwise, in their absolute discretion, determine:
- 49.10.1 The redemption monies due in respect of any Certificated shares will be paid to the holder (or, in the case of joint holders, to the holder whose name stands first in the register in respect of the shares) by cheque dispatched at his own risk subject to receipt by the Company of the certificate(s) (if any have been issued) for the relevant shares or an indemnity in a form satisfactory to the Directors in lieu of the certificate(s) in respect of the shares being redeemed. If a holder whose Certificated shares are to be redeemed fails to deliver the certificate(s) (if issued) for those shares to the Company, the Company may retain the redemption moneys until such certificate is delivered.
- 49.10.2 The redemption moneys payable in respect of the redemption of any Uncertificated shares will be paid to the holder by means of a relevant system or by such other method as may be determined by the Directors.
- 49.11 No person shall have a claim against the Company for interest on retained redemption money.
- 49.12 The Company shall not be liable for any loss or damage suffered or incurred by any holder of Ordinary Shares or any other person as a result of or arising out of late settlement of redemption moneys, howsoever such loss or damage may arise.
- 49.13 If a certificate in respect of Certificated Ordinary Shares being redesignated as Redeemable Shares and redeemed in a Realisation Offer includes Ordinary Shares that are not redeemed in the relevant Realisation Offer, a new certificate for the balance of the Certificated Ordinary Shares shall be issued to the holder without charge.

- 49.14 Uncertificated Ordinary Shares delivered to the Company (or such other person as the Directors may designate for the purpose) for redemption pursuant to a Realisation Offer that are not (for whatever reason) redeemed shall be returned to the Person who delivered such Ordinary Shares by means of a relevant system or by such method as may be determined by the Directors.
- 49.15 Redemption will become effective on the Redemption Date and upon the redemption of a Redeemable Share of any class becoming effective, the holder thereof shall cease to be entitled to any rights in respect thereof (excepting always the right to receive a dividend which has become due and payable in respect thereof prior to such redemption being effected and to receive the proceeds of such redemption) and accordingly his name shall be removed from the Register with respect thereto.
- 49.16 The Directors may, in their absolute discretion, reject any redemption request in respect of any Realisation Offer given at any time after the relevant Realisation Notice Date and/or given otherwise than in accordance with these Articles of Incorporation. A Redemption Notice once submitted shall be irrevocable save with the consent of the Company. The Directors may, at their sole discretion, give effect to any or all redemption requests received after a Realisation Notice Date.
- 49.17 The Directors may, in their absolute discretion, determine not to make a Realisation Offer in or into, and to exclude from participation in a Realisation Offer persons resident in or citizens of, any jurisdiction or territory in which such Realisation Offer is or may be, in the opinion of the Directors, unlawful or impractical (whether with or without the observance of any specific formalities).
- 49.18 If a Realisation Offer would lead to either (i) more than 75 per cent. of the Ordinary Shares in issue being redeemed; or (ii) the number of Ordinary Shares of any class in public hands (as such phrase is used in Listing Rule 6.1.19(4)R (as may be amended, replaced or supplemented from time to time)) to fall below 25 per cent, of the total number of issued Ordinary Shares of that class, the Directors have the right, at their discretion, to propose a resolution to wind up or reconstruct the Company.
- 49.19 For the purposes of Articles 49 and 50 “Relevant Date” shall mean 31 December 2022 and, subject to Article 49.20, every fifth anniversary of such date thereafter.
- 49.20 Where a Realisation Offer is made by reference to any Relevant Date, there shall not be any requirement to make such a Realisation Offer by reference to any subsequent Relevant Date.

## 50 REALISATION VOTE

- 50.1 If, as at ~~31 December 2017~~ a Relevant Date (as defined in Article 49.19), the conditions for the making of a Realisation Offer pursuant to Article 49 have not been satisfied, the Directors, notwithstanding that the Realisation Offer Conditions have not been met, have an absolute discretion to call an extraordinary general meeting at which an ordinary resolution (a “Redemption Vote”) will be proposed for Members to vote as to whether a Realisation Offer should, notwithstanding the failure to meet the conditions set out in Article 49.2, be offered to Members. If the Redemption Vote is passed by the requisite majority, a Realisation Offer will be made to the Members and Articles 49.3 to 49.18 will apply, as amended by Article 50.3.
- 50.2 Subject to Article 50.4, where a Redemption Vote is not passed, the Company will continue without any continuation vote or other resolution being proposed until as provided in Article 49 and this Article.
- 50.3 If a Realisation Offer made pursuant to Article 50.1 would lead to either (i) more than 75 per cent. of the Ordinary Shares in issue being redeemed; (ii) the aggregate Net Asset Value of the Ordinary Shares of any class following the implementation of the Realisation Offer being less than £100 million; or (iii) the number of Ordinary Shares of any class in public hands (as such phrase is used in Listing Rule 6.1.19(4)R (as may be amended, replaced or supplemented from time to time)) to fall below 25 per cent. of the total number of issued Ordinary Shares of that class, the Directors have the right, at their discretion, to propose a resolution to wind up or reconstruct the Company.

50.4 Where a Realisation Offer is made by reference to any prior Relevant Date, Article 50.1 shall cease to apply.

## DEFINITIONS

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

<b>2017 AGM</b>	the annual general meeting of the Company which was held on 11 May 2017
<b>Articles</b>	the existing articles of incorporation of the Company
<b>Board or Directors</b>	the directors of the Company
<b>Business Day</b>	a day on which the London Stock Exchange and the banks in Guernsey are normally open for business
<b>Company</b>	Starwood European Real Estate Finance Limited
<b>CREST</b>	the relevant system as defined in the CREST Regulations in respect of which Euroclear UK & Ireland Limited is operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form
<b>CREST Manual</b>	the compendium of documents entitled the “CREST Manual” issued by Euroclear from time to time
<b>Existing Carried Interest Entitlement</b>	has the meaning set out on page 5 of this Circular
<b>Extraordinary General Meeting or EGM</b>	means the extraordinary general meeting of the Company being convened for 29 September 2017
<b>CREST Regulations</b>	the UK Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
<b>EGM Tap Issue Authorities</b>	the authorities being sought from Shareholders pursuant to Resolutions 2 and 3 and which are contained in the notice of the EGM
<b>Euroclear</b>	Euroclear UK & Ireland Limited
<b>FCA</b>	Financial Conduct Authority
<b>Form of Proxy</b>	the form of proxy accompanying this document for use by Shareholders at the Extraordinary General Meeting
<b>FSMA</b>	the Financial Services and Markets Act 2000 (as amended)
<b>General Partner</b>	Starfin Public GP Limited
<b>GFSC</b>	Guernsey Financial Services Commission
<b>Group</b>	the Company, the Partnership, Luxco and any other direct or indirect subsidiaries of either of them
<b>Investment Adviser</b>	Starwood Capital Europe Advisers, LLP
<b>Investment Manager</b>	Starwood European Finance Partners Limited
<b>Investment Management Agreement</b>	the investment management agreement dated 28 November 2012 (as subsequently amended) and made between the Company, the Partnership and the Investment Manager
<b>IPO</b>	the initial public offering of the Company’s shares in 2012 as described in the IPO Prospectus
<b>IPO Admission</b>	the admission of the Shares issued pursuant to the IPO to trading on the London Stock Exchange’s Main Market and to listing on the premium segment of the Official List which became effective on 17 December 2012
<b>IPO Prospectus</b>	the prospectus published by the Company on 28 November 2012
<b>Law</b>	the Companies (Guernsey) Law, 2008, as amended
<b>Listing Rules</b>	the listing rules made by the FCA in exercise of its functions as competent authority pursuant to Part VI of 14 FSMA
<b>London Stock Exchange</b>	London Stock Exchange plc



<b>Luxco</b>	Starfin Lux S.a.r.l, the Company's indirect wholly owned subsidiary incorporated in Luxembourg
<b>Market Abuse Regulation</b>	The EU Market Abuse Regulation (Regulation 596/2014)
<b>Net Asset Value or NAV</b>	the value of the assets of the Group less its liabilities (including accrued but unpaid fees), or where relevant, the total assets attributable to a class of Share, in each case as determined by the Directors in their absolute discretion in accordance with the accounting principles adopted by the Directors
<b>New Shares</b>	new Ordinary Shares to be issued pursuant to the Placing Programme Authorities, the AGM Tap Issue Authorities and/or the EGM Tap Issue Authorities
<b>Notice of Extraordinary General Meeting</b>	the notice of the extraordinary general meeting set out at the end of this document
<b>Official List</b>	the official list maintained by the UK Listing Authority
<b>Partnership</b>	Starfin Public L.P., a Guernsey limited partnership registered on 22 November 2012 with registered number 1797
<b>Partnership Agreement</b>	the amended and restated limited partnership agreement relating to the Partnership dated 28 November 2012 and made between the General Partner, the Company and the Special Limited Partner
<b>Performance Fee</b>	has the meaning set out on page 5 of this Circular
<b>Portfolio</b>	means at any time, the portfolio of assets and investments in which the funds of the Company are invested, and where the context requires, the portfolio of assets and investments attributable to a class of Share (or tranche of such class)
<b>Proposals</b>	the proposals outlined in paragraph 1 of the Letter from the Chairman in this document
<b>Prospectus Regulation</b>	Prospectus Regulation (EU) 2017/1129
<b>Protection of Investors Law</b>	The Protection of Investors (Bailiwick of Guernsey) Law 1987
<b>Realisation Offer</b>	has the meaning set out on page 5 of this Circular
<b>Realisation Vote</b>	has the meaning set out on page 6 of this Circular
<b>Register</b>	the register of members of the Company
<b>Resolution or Resolutions</b>	one or more of the resolutions to be proposed at the EGM and set out in the Notice of Extraordinary General Meeting, as the context requires
<b>Restructuring</b>	the proposed restructuring as defined in paragraph 4 of the Letter from the Chairman in this document
<b>Revolving Credit Facility</b>	the revolving credit facility from Lloyds Bank plc to the Company dated 4 December 2014 (as extended on 31 March 2017)
<b>Regulatory Information Service</b>	one of the service providers listed in Appendix 3 of the Listing Rules
<b>Related Parties</b>	the Investment Manager and the Special Limited Partner
<b>Shareholders</b>	holders of Shares
<b>Shares or Ordinary Shares</b>	ordinary shares of no par value each in the capital of the Company
<b>Special Limited Partner</b>	Starfin Carry L.P.
<b>Starwood Capital Group or Starwood</b>	Starwood Capital Group Management, LLC, its affiliates and any other Starwood Capital Group entities (including any predecessor entities) principally controlled by Mr Barry Sternlicht and Starwood Capital Group Management, LLC
<b>UK</b>	the United Kingdom of Great Britain and Northern Ireland

## NOTICE OF EXTRAORDINARY GENERAL MEETING

### Starwood European Real Estate Finance Limited

*(a company incorporated in Guernsey under the Companies (Guernsey) Law, 2008 (as amended) with registered number 55836)*

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of Starwood European Real Estate Finance Limited (the **Company**) will be held at 1 Royal Plaza, Royal Avenue, St Peter Port, Guernsey GY1 2HL at 10.00 a.m. on 29 September 2017 to consider and, if thought fit, approve the following resolutions:

#### **SPECIAL RESOLUTIONS**

The following resolutions will be proposed as special resolutions.

- 1 THAT the articles of incorporation of the Company (the **Articles**) be and are hereby amended by the deletion of the existing Articles 49 and 50 and by the replacement thereof of new Articles 49 and 50 as set out in the circular to Shareholders dated 7 September 2017 of which this Notice of Extraordinary General Meeting forms part.
- 2 THAT, in substitution for the existing authority granted to the Directors pursuant to resolution 6 (which was contained in the notice of the annual general meeting of the Company dated 31 March 2017 (the **2017 AGM Notice**)) passed at the annual general meeting of the Company held on 11 May 2017 (the **2017 AGM**) the Directors be generally and unconditionally authorised to exercise all the powers of the Company to issue and allot (or sell out of treasury) Ordinary Shares in the Company and grant rights to subscribe for, or convert any security into, Ordinary Shares up to an aggregate amount of Ordinary Shares equal to 20 per cent. of the Ordinary Shares in issue as at the date of this resolution less one Ordinary Share.

The authority hereby conferred on the Directors shall expire on the date falling 15 months after the passing of this resolution or at the conclusion of the annual general meeting of the Company in 2018, whichever is the earlier save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be issued and allotted or rights to be granted, after such expiry and the Directors may issue and allot Ordinary Shares, or grant rights to subscribe for or to convert any security into Ordinary Shares, in pursuance of such an offer or agreement as if the authority conferred hereby had not expired. The authority conferred on the Directors pursuant to resolution 7 (which was contained in the 2017 AGM Notice) passed at the 2017 AGM shall be not be affected by the passing of this resolution.

- 3 THAT subject to the passing of Resolution 2 above and in substitution for the existing authority granted to the Directors pursuant to resolution 8 (which was contained in the 2017 AGM Notice) passed at the 2017 AGM, the Directors be empowered pursuant to Article 7.7 of the Articles to allot (or sell out of treasury) equity securities of the Company for cash pursuant to the authority conferred by Resolution 2 as if Article 7.2 of the Articles did not apply to any such allotment or sale, provided that the power conferred by this Resolution shall be limited to the allotment of equity securities up to a maximum of 20 per cent. of the Ordinary Shares in issue as at the date of this Resolution less one Ordinary Share and provided further that the power conferred shall expire on the date falling 15 months after the passing of this resolution or at the conclusion of the annual general meeting of the Company in 2018, whichever is the earlier, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired. The authority conferred on the Directors pursuant to resolution 9 (which was contained in the 2017 AGM Notice) passed at the 2017 AGM shall be not be affected by the passing of this resolution.

## ORDINARY RESOLUTION

The following resolution will be proposed as an ordinary resolution:

- 4 That the proposed amendments to the Investment Management Agreement set out in the draft amendment agreement to the Investment Management Agreement (the **Amendment Agreement**) and the related termination of the Special Partner's existing carried interest entitlement and the dissolution of the Partnership Agreement and any related steps (together the **Related Party Transaction**), be and are hereby approved and the directors (or a committee of the directors) be and are hereby authorised to amend or vary the terms of the Amendment Agreement (provided that any such amendments or variations are not of a material nature) and to do all things as they may consider to be necessary or desirable to implement and give effect to, or otherwise in connection with, the Related Party Transaction and any matters incidental to the Related Party Transaction. Save as specifically defined herein, defined terms used in this resolution have the meaning set out in the circular to Shareholders dated 7 September 2017 of which this Notice of Extraordinary General Meeting forms a part.

BY ORDER OF THE DIRECTORS

Ipes (Guernsey) Limited

7 September 2017

1 Royal Plaza  
Royal Avenue  
St. Peter Port  
Guernsey  
GY1 2HL

## Notes to the Notice of Extraordinary General Meeting:

- 1 A shareholder entitled to attend and vote at the meeting may appoint a proxy to attend, speak and vote instead of him/her. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the meeting provided that such proxy is appointed to exercise the rights attached to a different share or shares held by the shareholder.
- 2 To be valid form(s) of proxy is (are) included for use by shareholders to complete, sign and return. Completion and return of the form(s) of proxy will not prevent a shareholder from subsequently attending the meeting (or any adjournments) and voting in person if he/she so wishes.
- 3 To appoint more than one proxy to vote in relation to different shares within your holding you may photocopy the form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed.
- 4 Form(s) of proxy, duly completed together with any power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, must be lodged with Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY, not less than 48 hours before the time fixed for the meeting or any adjournment thereof, or in the case of a poll taken more than 48 hours after it was demanded, 24 hours before the time appointed for the taking of the poll (in each case excluding non- business days).
- 5 No shareholder will be entitled to be present or vote at the meeting (or any adjournment) either personally or by proxy unless their name appears on the register of members of the Company as at 10.00 a.m. on 27 September 2017. Changes to the entries on the register of members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting (or any adjournments). This record time is being set for voting at the meeting (and any adjournments) because the procedures for updating the register of members in respect of shares held in uncertificated form require a record time to be set for the purpose of determining entitlements to attend and vote at the meeting.
- 6 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) of the meeting by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's agent (ID 3RA50) by the latest time(s) for receipt of proxy appointments specified above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Company's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 7 A copy of the notice of this meeting, including these explanatory notes, is available on the Company's website: [www.starwoodeuropeanfinance.com](http://www.starwoodeuropeanfinance.com).
- 8 As at close of business on 5 September 2017 (being the latest practicable date prior to publication of this document), the Company's issued share capital comprised 375,019,398 shares of no par value. Each Share carries the right to one vote at a general meeting of the Company and therefore the total voting rights in the Company as at close on 5 September 2017 is 375,019,398.



