

**APPENDIX A**  
**GENERAL OFFER INFORMATION AND FORM OF ELECTION FOR**  
**SHAREHOLDERS**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 to advise on investments of the type referred to in this document such as your stockbroker, tax adviser, accountant or other financial adviser.

**GENERAL OFFER**

In relation to the proposed Scheme of Exchange for Shares in

**COMMERCIAL FREEHOLD FUND**

(a sub-fund of ARC TIME:Funds, an open-ended investment company incorporated with limited liability under registered number IC000958)

with shares in

**COMMERCIAL LONG INCOME PAIF**

(a sub-fund of ARC TIME:Funds II, an open-ended investment company incorporated with limited liability under registered number IC001106)

25 February 2019

Appendix A: includes -

- Glossary
- Timetable
- Scheme of Exchange
- Summary of differences between the Commercial Freehold Fund and Commercial Long Income PAIF

Appendix B: the Form of Election which all Shareholders should complete and return

## GLOSSARY

<b>"ACD"</b>	Alpha Real Capital LLP, the authorised corporate director and alternative investment fund manager of each of CFF and CLIP and which (through these appointments) is responsible for managing each of CFF and CLIP;
<b>"CFF"</b>	Commercial Freehold Fund, a sub-fund of ARC TIME:Funds;
<b>"CFF Accumulation Shareholders"</b>	shareholders in CFF who hold CFF Accumulation Shares;
<b>"CFF Accumulation Shares"</b>	accumulation shares in CFF, specifically Class A Gross Accumulation Shares, Class B Net Accumulation Shares, Class F Net Accumulation Shares, Class M Gross Accumulation Shares, Class N Net Accumulation Shares and Class S Net Accumulation Shares;
<b>"CFF Income Shareholders"</b>	shareholders in CFF who hold CFF Income Shares;
<b>"CFF Income Shares"</b>	income shares in CFF, specifically Class C Gross Income Shares, Class D Net Income Shares, Class H Net Income Shares, Class O Gross Income Shares, Class P Net Income Shares and Class T Net Income Shares;
<b>"CFF Instrument"</b>	the instrument of incorporation for ARC TIME:Funds, which governs CFF;
<b>"CFF Value"</b>	the value of the scheme property of CFF calculated in accordance with the CFF Instrument at 10am on Friday 29 March 2019, which will constitute the month end valuation;
<b>"CLIP"</b>	the Commercial Long Income PAIF, a sub-fund of ARC TIME: Funds II;
<b>"CLIP Accumulation Shares"</b>	accumulation shares in CLIP, specifically Class A Gross Accumulation Shares, Class B Net Accumulation Shares, Class F Net Accumulation Shares, Class M Gross Accumulation Shares, Class N Net Accumulation Shares and Class S Net Accumulation Shares;
<b>"CLIP Income Shares"</b>	income shares in CLIP, specifically Class C Gross Income Shares, Class D Net Income Shares, Class H Net Income Shares, Class O Gross Income Shares, Class P Net Income Shares and Class T Net Income Shares;
<b>"CLIP Instrument"</b>	the instrument of incorporation for ARC TIME:Funds II which governs CLIP;
<b>"Depositary"</b>	NatWest Trustee and Depositary Services Limited, the Depositary to CFF and CLIP;
<b>"Exchange of Shares"</b>	the exchange by Shareholders in CFF of their Shares for shares in CLIP;

<b>“Effective Date”</b>	the effective date of the Exchange, being 1 April 2019, or such other date as may be agreed by the ACD and the Depositary;
<b>“Exchange Offer”</b>	the general offer by the ACD of CLIP to all Shareholders in CFF to exchange their Shares in CFF for equivalent shares in CLIP;
<b>“Exchange of Shares”</b>	the exchange by Shareholders in CFF of their Shares for shares in CLIP;
<b>“FCA”</b>	the Financial Conduct Authority;
<b>“FCA Rules”</b>	the FCA Handbook of Rules and Guidance as amended or re-enacted from time to time, including the rules contained in the Collective Investment Schemes Sourcebook and the Investment Funds Sourcebook;
<b>“Feeder Funds”</b>	the Commercial Freehold Feeder Trust, the feeder fund of CFF and the Commercial Long Income Feeder Trust, the feeder fund of CLIP, and CFF Feeder Fund and CLIP Feeder Fund shall be construed accordingly;
<b>“Merger”</b>	the proposed merger of the Commercial Freehold Feeder Trust with the Commercial Long Income Feeder Trust which is addressed only to unitholders in Commercial Freehold Feeder Trust;
<b>“NURS KII”</b>	the NURS Key Investor Information, a document providing information to investors about a fund prior to investment;
<b>“Prospectus”</b>	the Prospectus of ARC TIME:Funds or ARC TIME:Funds II, as the context dictates;
<b>“Retained Amount”</b>	an amount, if any, which is calculated by the ACD of CFF (after consultation with the Depositary and the Auditor of CFF) to be necessary to meet the actual and contingent liabilities of CFF after the Exchange, and which is to be retained by the ACD for the purpose of discharging those liabilities;
<b>“Scheme of Exchange”</b>	the scheme of exchange for the exchange by Shareholders of their CFF Accumulation Shares or CFF Income Shares for CLIP Accumulation Shares or CLIP Income Shares on the terms set out in this Appendix A;
<b>“Shares”</b>	CFF Accumulation Shares and CFF Income Shares (both being CFF Shares) or CLIP Accumulation Shares and CLIP Income Shares (both being CLIP Shares), as the context requires;
<b>“Shareholders”</b>	a holder of Shares, as the context requires.

## TIMETABLE OF EXCHANGE OF SHARES

Action	Date
Forms of Election for Shareholders in CFF to be returned by	10am on Friday 22 March 2019
Redemption notice deadline for CLIP Shares by CFF Shareholders in Share Class S or Share Class T who have rejected the Exchange of Shares. The Shares will be for redeemed on the initial Dealing Day for CLIP Shares on 1 April 2019	10am on Friday 22 March 2019
Last dealing cut-off point for the purpose of dealing in Shares in CFF	10am on Friday 29 March 2019
Last valuation point for the purposes of dealing in Shares in CFF and valuation used for Scheme of Exchange	10am on Friday 29 March 2019 (this will constitute the valuation of CFF as at the month end, 31 March 2019)
Suspension of dealing in Shares in CFF	After dealing on 29 March 2019
End of accounting period of CFF	11.59pm on 31 March 2019
Effective Date of the Exchange	11.59pm on 31 March 2019
First Dealing Day in CLIP	Monday 1 April 2019

These dates may be amended by the ACD with the agreement of the Depositary.

# Scheme of Exchange

## 1. Definitions and interpretation

- 1.1 In this section which explains the mechanics of the Scheme of Exchange, unless the context otherwise requires, the terms shall have the meaning set out in the Glossary to this Appendix A. In addition, where relevant in the context, terms which are defined in the FCA Rules shall have the same meaning in this Scheme of Exchange.
- 1.2 References to paragraphs are to paragraphs of the Scheme of Exchange.
- 1.3 If there is any conflict between the Scheme of Exchange, the CFF Instrument, the CLIP Instrument, the Prospectus of CFF, or the Prospectus of CLIP, then the Scheme of Exchange will prevail.

## 2. Scheme of Exchange

- 2.1 CLIP, acting by its ACD, hereby offers to acquire, subject to the conditions and further terms set out in this document, all the Shares in CFF which were issued up to and including Friday 29 March 2019. This offer is recommended to be accepted by all Shareholders by the ACD.
- 2.2 Subject to the conditionality described in paragraph 3, including expressly that at least 75% of CFF Shareholders, by value, in respect of which the ACD of CLIP receives completed Forms of Election accept the Exchange Offer, all Shareholders of CFF shall have their Shares in CFF exchanged for Shares in CLIP.
- 2.3 Shareholders in CFF who **Accept** the Exchange Offer in the Form of Election in respect of all or some of their Shares in CFF will receive in exchange shares in CLIP which will be the equivalent shares to their current Shares in CFF as described below, such Shares being subject to the terms of the ARC TIME:Funds II Prospectus.
- 2.4 Those Shareholders who **Reject** the Exchange Offer under the Scheme of Exchange shall have the right to redeem their CLIP Shares in accordance with paragraph 4.
- 2.5 If any CFF Shares in issue after dealing on 29 March 2019 have not participated by way of delivery of a completed Form of Election by their registered owners, then the ACD will nevertheless exchange the Shares for shares of the matching classes and values in CLIP as if the Shareholder had accepted the offer under a returned Forms of Election. These Shareholdings will not be considered in respect of the conditionality in paragraph 3. This policy is intended to avoid Shareholders remaining as Shareholders when CFF is liquidated and the ACD believes this is in the best interests of all Shareholders.
- 2.6 Shareholders in CFF on the register after dealing on Friday 29 March 2019 will be entitled to receive (in the case of CFF Income Shares) the income from CFF accruing in its distribution period ending at 11.59 pm on 31 March 2019.
- 2.7 The Exchange Offer applies to all Shares in issue after the last valuation point for dealing which will be on Friday 29 March 2019.
- 2.8 The Exchange of Shares for all Shareholders will take place at 11.59pm on 31 March 2019, immediately after the end of the income distribution period referred to above.
- 2.9 All Shareholders are requested to complete the Form of Election in **Appendix B** and return it in the pre-paid envelope enclosed. In order for CFF to act on the Form of Election and for it to be valid, it must be returned **by 10 am on 22 March 2019**. Any Shareholder who acquires Shares after this date shall be asked to complete a Form of Election as a condition of their subscription.

### **3. Conditionality**

- 3.1 The Scheme of Exchange is expected to be implemented according to the timetable but only if:
- (a) at least 75% of CFF Shareholders, by value, in respect of which the ACD of CLIP receives completed Forms of Election accept the Exchange Offer; and
  - (b) the scheme of arrangement for the merger is approved by its unitholders, such unitholder meeting to be held in advance of but effected after the Effective Date of Exchange of Shares.

### **4. Dealings in CFF and right of redemption**

- 4.1 The last dealing in Shares in CFF will be at 10am on Friday 29 March 2019.
- 4.2 For any Shareholder who rejects the Exchange Offer under the Scheme of Exchange, the Shareholder may redeem their CLIP Shares at the first Dealing Day of CLIP, on 1 April 2019. If you wish to redeem your CLIP Shares on this day, you will need to deliver a valid notice of redemption in the usual manner before 10am on 1 April 2019.
- 4.3 For holders of Share Class S or Share Class T, being offshore institutional classes where six months' notice of redemption prior to the relevant Dealing Day is generally required, and if such a holder has declined the exchange of Shares, and the proposals are generally accepted, such holders will be issued Shares in CLIP on 1 April 2019 alongside all other Shareholders. However such holders shall also be eligible for redemption on 1 April 2019 if they so wish, and the ACD shall waive the notice period for redemption. In order for this to be valid, such a holder must deliver a valid notice of redemption to the ACD (or its delegate) no later than 10am on Friday 22 March 2019.
- 4.4 For any Shareholder who submits a valid redemption notice for their Shares in CFF on or before 10am on 29 March 2019, but whose redemption proceeds have yet to settle, settlement monies will continue to be processed in the usual manner.

### **5. Income allocation arrangements**

- 5.1 The actual and estimated income (if any) available for allocation in respect of the period from the end of the previous accounting period to 11.59pm on 31 March 2019 accruing to CFF Accumulation Shares shall be transferred to the capital account of CFF and allocated to CFF Accumulation Shares and be reflected in the value of those CFF Accumulation Shares. The income so allocated to those CFF Accumulation Shares shall be included in the CFF Value which is used to calculate the number of CLIP Shares to be issued under the Scheme of Exchange.
- 5.2 The actual and estimated income (if any) available for distribution in respect of the period from the end of the previous accounting period to 11.59pm on 31 March 2019 accruing to CFF Income Shares shall be allocated to CFF Income Shares and transferred to the distribution account of CFF. Within two months of the Effective Date, this income will be distributed to CFF Income Shareholders in accordance with the Prospectus.
- 5.3 Any distributions (together with any interest arising on the distributions) attributable to CFF Income Shares deemed in issue immediately before the Effective Date which are unclaimed after the expiry of six years from the date of payment shall be paid to CLIP.

### **6. Calculation of CFF Value**

- 5.1 CFF Value will be calculated at 10am on Friday 29 March 2019, and this will be the valuation used as the month end valuation.
- 5.2 CFF Value will be used to calculate the number of CLIP Shares of the appropriate class to

be issued to each CFF Shareholder. The value of CLIP Shares will have the same value as CFF Shares at the Effective Date.

**7. Basis for the issue of CLIP Shares**

7.1 Each Shareholder shall be issued with CLIP Shares of the relevant class on a one for one basis.

7.2 For the purposes of paragraphs 7.1 “relevant class” means in respect of CFF the class of Shares held by the Shareholder immediately before the Effective Date and in respect of CLIP the class of CLIP Shares to be issued to that Shareholder under the Scheme of Exchange and as set out below.

<b>Share classes and types in CFF</b>	<b>Share classes and types to be issued in CLIP</b>
Class A (Acc) (Gross)	Class A (Acc) (Gross)
Class B (Acc) (Net)	Class B (Net) (Acc)
Class C (Income) (Gross)	Class C (Income) (Gross)
Class D (Income) (Net)	Class D (Income) (Net)
Class M (Acc) (Gross)	Class M (Acc) (Gross)
Class N (Acc) (Net)	Class N (Acc) (Net)
Class O (Income) (Gross)	Class O (Income) (Gross)
Class P (Income) (Net)	Class P (Income) (Net)
Class F (Acc) Net	Class F (Acc) Net
Class H (Income) (Net)	Class H (Income) (Net)
Class S (Acc) (Net)	Class S (Acc) (Net)
Class T Income (Net)	Class T Income (Net)

**8. Notification of CLIP Shares issued under the Scheme of Exchange**

8.1 Certificates will not be issued in respect of New Shares.

8.2 It is intended that the ACD will notify each Shareholder of the number and class of CLIP Shares issued to that Shareholder within 14 days. Transfers, exchanges, subscriptions, redemptions, conversions or switches of New Shares issued under the Scheme of Exchange may be effected from the 1 April 2019, being the first Dealing Day of CLIP.

**9. Mandates and other instructions in respect of CLIP Shares**

Mandates and other instructions to the ACD in force on the Effective Date in respect of Shares will be deemed to be effective in respect of New Shares issued under the Scheme of Exchange. Shareholders may change these mandates or instructions at any time.

**10. Capital distribution of assets to CLIP and winding-up of CFF**

10.1 Immediately following the Exchange of Shares and CLIP becoming the sole owner of the Shares in issue in CFF as at 12.01am on 1 April 2019, CFF will immediately undertake a

capital distribution of all assets to CLIP.

- 10.2 The ACD of CLIP will then immediately initiate the solvent liquidation of CFF. The ACD may utilise a Retained Amount to pay out any liability after the transfer which, had it arisen before the transfer, could be properly have been paid out of the property transferred. Any residual liabilities of CFF, if any, shall be satisfied by the scheme property of CLIP in accordance with the FCA Rules.
- 10.3 If after the winding-up of CFF, contingent assets should arise in CFF that were not recognised or only partly recognised by the ACD and the Depositary (as ACD and Depositary respectively of CFF) at the time of the Effective Date, such assets will be transferred to CLIP, less any costs that the ACD might have incurred in securing these assets for CLIP.

## **11. Costs, charges and expenses**

- 11.1 The ACD and the Depositary (as ACD and depositary respectively of CFF) will continue to receive their usual fees and expenses for being the authorised corporate director and depositary respectively of CFF, as set out in the current Prospectus, out of the property of CFF, which accrue to the Effective Date.
- 11.2 The costs of preparing and implementing the Exchange of Shares under the Scheme of Exchange will be borne by CLIP.

## **12. Reliance on the Register**

- 12.1 The ACD and the Depositary shall be entitled to assume that all information contained in the register of Shareholders on and immediately prior to the Effective Date is correct, and to utilise the same in calculating the number of CLIP Shares to be issued and registered pursuant to the Scheme of Exchange.
- 12.2 The ACD may act and rely upon any certificate, opinion, evidence or information furnished to it by its professional advisers or by the auditors of CFF in connection with the Scheme of Exchange and shall not be liable or responsible for any resulting loss to CFF.

## **13. Alterations to the Scheme of Exchange**

- 13.1 The ACD may determine in consultation with the Depositary that the Effective Date of the Exchange of Shares is to be other than as set out in this document, in which case such consequential adjustments may be made to the other elements in the timetable of the as the ACD considers appropriate.
- 13.2 The terms of the Scheme of Exchange may be amended as determined by the ACD in consultation with the Depositary.



## 14. Governing law

The Scheme of Exchange is governed by and shall be construed in accordance with the laws of England and Wales.

## 15. Consents

### 15.1 The Authorised Corporate Director

Alpha Real Capital LLP, as the ACD and alternative investment fund manager of each of CFF and CLIP, confirms that in its opinion the Exchange of Shares is not likely to result in any material prejudice to CFF Shareholders and the Exchange of Shares is in the best interests of all Shareholders.

### 15.2 The Depositary

NatWest Trustee and Depositary Services Limited, as depositary of CFF and CLIP, has informed the ACD by letter that, while expressing no opinion as to the merits of the Exchange of Shares which is a matter for the judgement of each Shareholder, and not having been responsible for the preparation of this document, it consents to the references made to it in this document in the form and context in which they appear.

## 16. Tax

### 16.1 *Tax clearances and commentary for CFF*

The proposals have received tax clearances from HMRC. Specifically:

- No stamp taxes should be payable in connection with Exchange of Shares.
- HM Revenue & Customs has confirmed that section 103K of the Taxation of Chargeable Gains Act 1992 should not apply and consequently section 103G of that Act may apply regardless the size of holding.
- Under section 701 of the Income Tax Act 2007 and section 748 of the Corporation Tax Act 2010, that the Exchange of Shares does not create any tax advantage which should be cancelled.
- Confirmation has been received from HMRC that the distribution of UK property from CFF to CLIP should not incur SDLT.

### 16.2 *Tax impact for UK Shareholders*

It is not expected that the tax treatment in respect of CLIP Shares will be different to the treatment applying to your Shares. Further, the tax position of CFF and CLIP should not differ either.

UK Shareholders in CFF receiving CLIP Shares are expected to benefit from CGT rollover relief under s103G and s127 Taxation of Chargeable Gains Act 1992 and the Exchange of Shares should not constitute a disposal of Shares for capital gains tax purposes whatever the size of your holding. CLIP Shares issued to you under the Scheme of Exchange should have the same acquisition cost and acquisition date for capital gains tax purposes as your existing Shares. **Shareholders choosing to redeem their Shares should note that the redemption of Shares will be a disposal for capital gains tax purposes.**

It is not anticipated that UK stamp taxes should be payable in respect of the transfer of Shares to CLIP as part of the Exchange of Shares or the subsequent winding up of CFF. If any UK or other taxes or duties are incurred by either CFF or CLIP, they will be paid by the ACD.

This is a summary of our understanding of the current UK legislation and HM Revenue & Customs' practice relevant to UK resident investors regarding the issue of Shares as a

result of the Exchange of Shares. It may be subject to change. **If you are in any doubt about your potential liability to tax, you should consult a professional financial or tax adviser.**

### 16.3 *Tax impact for non-UK Shareholders*

The tax consequences of the Exchange of Shares may vary depending on the law and regulations of your country of residence, citizenship or domicile. **If you are in any doubt about your potential liability to tax, you should consult a professional financial or tax adviser.**

## 17. **Documents for inspection**

The following documents are available for inspection at the offices of the ACD during normal business hours until the 22 March 2019:

1. the CFF Instrument;
2. the current prospectus of CFF;
3. CLIP Instrument;
4. the prospectus of CLIP;
5. the HM Revenue & Customs and Scottish Revenue clearance letters;
6. the NURS KIIs relating to each of CFF and CLIP; and
7. the latest Report and Accounts for CFF.

**Summary of changes arising from Commercial Freehold Fund to Commercial Long Income PAIF**

**CLIP is materially identical to CFF in which you hold an investment.** The following table sets out the only changes which Shareholders should note. All other terms are unaltered between CFF and CLIP.

<b>Feature</b>	<b>Commercial Freehold Fund</b>	<b>Commercial Long Income PAIF</b>
<b>Investment Objective</b>	The aim of the Fund is to provide a secure and stable investment return primarily through acquiring commercial freehold ground rents and commercial freehold property which benefit from long leases. It is intended that the assets targeted for acquisition by the Fund will offer a consistent income stream with capital growth prospects. The Fund's aim is to provide investors with an income return of 4% per annum and some capital growth in the long term.	The aim of the Fund is to provide a secure and stable investment return of income with some capital growth, primarily through acquiring commercial freehold ground rents and commercial freehold property which benefit from long leases. It is intended that the assets targeted for acquisition by the Fund will offer a consistent income stream with capital growth prospects.
<b>Investment Policy</b>	The Fund may also utilise derivatives for investment purposes or for efficient portfolio management.	The Fund may also utilise derivatives for efficient portfolio management.
<b>Commercial freehold property which benefit from long leases definition</b>	<p>Commercial freehold property which benefit from long leases are typically freehold property let to commercial tenants at market rent for periods of 20 to 35 years, often with index linked (RPI or CPI) or fixed step based rental uplifts. The tenant will typically have a full repairing and insuring lease which will mean they are responsible for all property related costs during their occupation.</p> <p>The Fund will seek to source assets diversified across multiple sectors including industrial, retail, office and operationally backed real estate such as hotels and healthcare.</p>	Commercial freehold property which benefit from long leases are typically freehold property let to commercial tenants at market rent for periods of typically over 15 years, often with index linked (RPI or CPI) or fixed step based rental uplifts. The tenant will typically have a full repairing and insuring lease which will mean they are responsible for all property related costs during their occupation.
<b>Redemption Charge (all Share classes)</b>	None	The Administrator, on behalf of the ACD, may make a charge on the redemption of Shares where a redemption application is in excess of £250,000 on any Dealing day. The Administrator may make a charge on the redemption of such Shares of up to

Feature	Commercial Freehold Fund	Commercial Long Income PAIF
		5% of the total amount redeemed.
<b>Depositary Fee</b>	0.05% of the NAV of the Fund subject to agreed minimums up to £50,000 per annum / custodian fees subject to minimum £25,000 per annum per legal entity	0.05% of the NAV of the Fund up to £100 million; 0.03% of the NAV of the Fund from £100 million to £250 million; 0.025% of the NAV of the Fund from £250 million to £750 million; and 0.02% of the NAV of the Fund in excess of £750 million.  The fees are subject to a minimum fee of £50,000 per annum / custodian fees subject to minimum £10,000 per annum per sub-fund
<b>Large Deal Provision</b>	The ACD may, acting in the best interests of all Shareholders, effect instructions for subscriptions or redemptions of Shares on a different pricing basis where a dealing request (or series of requests) for a particular Dealing Day exceeds £250,000 (a "Large Deal") for the relevant Fund. Shareholders affected by this provision may at the discretion of the ACD have such large deals refused until such time as the ACD is satisfied there is no prejudicial impact to the best interests of Shareholders as a whole.	The ACD may, acting in the best interests of all Shareholders, effect instructions for subscriptions or redemptions of Shares on a different pricing basis where a dealing request (or series of requests) for a particular Dealing Day exceeds £50,000 (a "Large Deal") for the relevant Fund. Shareholders affected by this provision may at the discretion of the ACD have such large deals refused until such time as the ACD is satisfied there is no prejudicial impact to the best interests of Shareholders as a whole.
<b>Performance Fee</b>	If the NAV increase in annual period has exceeded 8% then 20% of any increase in the Net Asset Value in excess of 8% shall be payable to the Investment Manager as a Performance Fee. This is shared 50% with the Property Manager.	None