

ARCONA PROPERTY FUND N.V.

*(an investment company with variable capital incorporated under the laws of the Netherlands,
with its corporate seat in Amsterdam)*

12 for 10 rights offering of 1,726,445 new ordinary shares (the “Offering”) at an offer price equal to their nominal value of €5 per ordinary share (the “Offer Price”) totalling €8,632,225

This securities note (the “**Securities Note**”) relates to Arcona Property Fund N.V. (formerly named Palmer Capital Emerging Europe Property Fund N.V.) (the “**Fund**”).

The Fund is a closed-end investment vehicle, regulated by the AFM (as defined hereafter) and listed on the regulated market operated by Euronext Amsterdam N.V. (“**Euronext Amsterdam**”), which invests in commercial real estate in Central and Eastern Europe in accordance with predetermined investment criteria. The aim of the Fund is to deliver a high income return to its shareholders (the “**Shareholders**”) whilst preserving capital value. The Fund has a volume of €56.2 million and has invested in 14 commercial properties in the Czech Republic and Slovakia. The Fund has entered into an agreement to purchase a portfolio (the “**Target Portfolio**”) of eleven neighbourhood retail centres located in Polish regional cities (the “**Acquisition**”), consisting of eight freehold assets (the “**Freehold Assets**”) and three leasehold assets (the “**Leasehold Assets**”). The purchase price for the Target Portfolio of €25.9 million is to be funded by the Offering, an issuance of convertible bonds in an aggregate principal amount of €3.5 million by means of a private placement (the “**2016 Convertible Bonds**”), a vendor loan of €4.7 million (the “**Vendor Loan**”) and a senior bank loan of €10.5 million (the “**Bank Loan**”).

This Securities Note is published in connection with the offering of 1,726,445 new ordinary shares in the capital of the Fund (the “**New Shares**”) pursuant to an offering of transferable subscription rights (the “**Rights**”) and together with the New Shares, the “**Offer Securities**”) and the admission to listing and trading of the Offer Securities on Euronext Amsterdam to fund part of the purchase price of the Target Portfolio.

This Securities Note, supplemented by a registration document (the “**Registration Document**”) for the purpose of Article 6 of EC Regulation 809/2004, as amended, and a summary (the “**Summary**”) constitutes a prospectus (the “**Prospectus**”) for the purpose of Article 3 of Directive 2003/71/EC of the European Parliament and the Council of the European Union (EU) (as amended, the “**Prospectus Directive**”) and has been prepared in accordance with chapter 5.1 of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*; the “**Financial Supervision Act**”) and the rules promulgated thereunder.

The Securities Note has been approved by the Dutch Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the “**AFM**”). The Securities Note will be made available to the public in accordance with Section 5:21 of the Financial Supervision Act at www.arconacapital.nl.

Any reference to “**Shares**” in this Securities Note comprises ordinary shares in the capital of the Fund issued from time to time.

Application has been made to admit the Rights to trading on Euronext Amsterdam. Trading of the Rights on Euronext Amsterdam is expected to commence at 09:00 (CET) on 1 November 2016 and will continue until 13:00 (CET) on 9 November 2016 barring unforeseen circumstances. The Rights will be admitted to trading under the symbol “**ARCRI**”.

Each Share that each Shareholder holds immediately after the close of trading on Euronext Amsterdam at 17:40 (CET) on 31 October 2016 (the “**Record Date**”) will entitle the Shareholder to one Right. Every 10 Rights will entitle holders on the Record Date and subsequent transferees of the Rights, who are able to give the representations and warranties set out in Chapter 6 “Selling and Transfer Restrictions” (each an “**Eligible Person**”) to subscribe for 12 New Shares at the Offer Price. Eligible Persons may subscribe for New Shares through the exercise of Rights from 09:00 (CET) on 1 November 2016 until 15:00 (CET) on 11 November 2016 (the “**Exercise Period**”). An Eligible Person who does not validly exercise its Rights by the end of the Exercise Period will no longer be able to exercise those Rights. Upon exercise of the Rights, the Eligible Person cannot revoke or modify the exercise, except as otherwise described in Chapter 5 “The Offering”, section 5.1 “Underwriting Agreement”.

Any New Shares that were issuable upon the exercise of Rights, but have not been subscribed for during the Exercise Period will first be subscribed for by several Underwriters at the Offer Price pursuant to an underwriting agreement dated 7 October 2016 (the “**Underwriting Agreement**”), as more fully described in Chapter 5 “The Offering”, section 5.1 “Underwriting Agreement”.

A Shareholder who does not or, subject to applicable securities laws, is not permitted to exercise Rights under the Offering will suffer a dilution of 54.5% as a result of the Offering.

Application has been made to admit the New Shares to listing and trading on Euronext Amsterdam. Payment for and delivery of the New Shares is expected to be made on or about 15 November 2016 (the “**Settlement Date**”) through the book-entry facilities of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. (“**Euroclear Netherlands**”). Trading of the New Shares is expected to commence after the Settlement Date barring unforeseen circumstances.

Investing and trading in the Offer Securities involves certain risks. These risks are described in Chapter 1 “Risk Factors” of this Securities Note and the Registration Document and should be carefully considered by potential investors before investing or trading in the Offer Securities.

This Securities Note does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Offer Securities, or to take up any Rights in any jurisdiction in which such an offer or solicitation is unlawful. The distribution of this Securities Note, the exercise of Rights, and the offer or sale of Offer Securities is restricted by law in certain jurisdictions. This Securities Note may only be used where it is legal to exercise Rights and offer, solicit offers to purchase or sell Offer Securities. Persons who obtain this Securities Note must inform themselves about and observe all such restrictions.

No action has been or will be taken to permit the offer or sale of the Offer Securities or the exercise of Rights, or the possession or distribution of this Securities Note or any other material in relation to the Offering in any jurisdiction other than the Netherlands, where action may be required for such purpose. Accordingly, neither this Securities Note nor any advertisement or any other related material may be distributed or published in any jurisdiction other than the Netherlands except under circumstances that will result in compliance with any applicable laws and regulations.

The Offer Securities have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), or under any of the relevant securities laws of any state or other jurisdiction of the United States. The Offer Securities may not be offered, exercised, sold, pledged, taken up, delivered, renounced, or otherwise transferred in or into the United States except pursuant to an exemption from the Securities Act or in a transaction not subject to the registration requirements of the Securities Act. The Offer Securities are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

Securities Note dated 28 October 2016

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Before making an investment decision with respect to the Offer Securities, prospective investors should consider carefully all of the information in this Securities Note, including the following specific risks and uncertainties. If any of the following risks actually occurs, the Fund's business, results of operations or financial condition or the market price of the Offer Securities could be materially adversely affected. In that event, the value of the Offer Securities could decline and investors might lose part or all of their investment. The Fund believes that the risks and uncertainties described below are the material risks and uncertainties relating to the Fund, the Fund's business, the Offering and the Offer Securities. Additional risks and uncertainties presently unknown to the Fund or that the Fund currently deems immaterial may also have a material adverse effect on the Fund's business, results of operations or financial condition and could negatively affect the market price of the Offer Securities. All of these factors are contingencies which may or may not occur. The Fund may face a number of the risks described below simultaneously.

Prospective investors should also read the detailed information set out elsewhere in this Securities Note and should reach their own views before making an investment decision with respect to the Offer Securities. Furthermore, before making an investment decision with respect to the Offer Securities, prospective investors should consult their own stockbroker, bank manager, lawyer, auditor or other financial, legal and tax advisers and carefully review the risks associated with such an investment decision and consider such an investment decision with respect to the Offer Securities in light of their prospective personal circumstances.

The market price of the Shares may fluctuate and may decline and trading in the Shares may be limited, which might lead to Shareholders not being able to sell their Shares at a reasonable price or at all

The market price of the Shares has experienced volatility in the past and may continue to fluctuate, depending upon many factors beyond the Fund's control. The market price of the Shares may be significantly affected by, amongst others, the following factors: (i) the Fund's actual or anticipated operational results, (ii) the level of debt, (iii) future issues of Shares, and (iv) general market conditions and the factors listed in the Registration Document in Chapter 1 "Risk Factors", section 1.1 "Risks relating to the Fund and the sector in which it operates". As a result of these or other factors, the Shares may trade at prices significantly below their market price and the net asset value of the Fund's investments. It is uncertain whether the discount at which the Shares are currently traded will decrease in the future. The Fund cannot assure that the market price of the Shares will not decline and the discount to the net asset value will not increase.

Risk associated with an active trading market

The Fund intends to set a trading period for the Rights on Euronext Amsterdam from 09:00 (CET) on 1 November 2016 until 13:00 (CET) on 9 November 2016. Prior to the Offering there has been no market for the Rights. The Fund cannot assure that an active trading market in the Rights will develop or be sustained on Euronext Amsterdam during that period. The Rights are expected to have an initial value that is lower than that of the Shares and will have a limited trading life, which may impair the development or sustainability of an active trading market. If such a market fails to develop or be sustained, this could negatively affect the liquidity and price of the Rights, as well as increase their price volatility. Accordingly, the Fund cannot assure investors of the liquidity of any such market, any ability to sell the Rights or the prices that may be obtained for the Rights. In addition, the price at which Rights may trade on Euronext Amsterdam will be subject to the same risks which affect the market price of the Shares. Accordingly, the market price of the Rights may be highly volatile.

Liquidity risks

The Underwriters will be subject to a 180-day lock-up from the end of the Exercise Period for the New Shares acquired by them (see Chapter 5 "The Offering", section 5.1 "Underwriting Agreement"). It is impossible to anticipate the degree to which the investors' interest in the Fund will lead to active trading in the Shares during the lock-up period or how trading in the Shares will function in the future. Should active and liquid trading not materialise or prove not durable, holders of Shares may find it difficult to sell their Shares without driving down the market price, or at all.

Risks for Shareholders in certain jurisdictions

The securities laws of certain jurisdictions may restrict the Fund's ability to allow Shareholders to participate in the Offering. Accordingly, Shareholders with registered addresses in certain jurisdictions will not be eligible to exercise Rights as part of the Offering. As a result, such Shareholders will experience dilution of their ownership and voting interests in the Fund's enlarged share capital. No compensation will be paid to such Shareholders.

Risks of not exercising Rights in full

If an Eligible Person fails to exercise his Rights by the end of the Exercise Period, he will experience dilution of its ownership and voting rights in the Fund's enlarged share capital. If he elects to sell rather than exercise his Rights, the consideration he receives may not be sufficient to compensate him fully for the dilution of his percentage ownership of the Fund's share capital which will result from the Offering. No compensation will be paid to holders of unexercised Rights.

Risk of dilution by converting bonds into Shares

If bondholders of the Fund would convert their bonds into Shares, existing Shareholders will experience dilution of their ownership and voting rights in the Fund's enlarged share capital (see Chapter 5 "The Offering", section 5.3 "Private placement of 2016 Convertible Bonds" and section 5.4 "Adjustment of conversion price of existing Convertible Bonds").

The Fund may not be able to pay or maintain cash dividends and the failure to do so would adversely affect the price of the Shares

The dividend policy for the Fund is to increase dividend payments to a level of 8% per annum based on the prevailing Share price within 3 – 5 years. In deciding whether to propose a dividend, the Management Board will take into consideration contractual, legal and regulatory restrictions on the payment of dividends and such other factors as it may deem relevant. The ability of the Fund to pay dividends in accordance with its dividend policy is dependent on many factors, including its ability to renew tenant leases after the lapse of their term and attract new tenants, the ability to negotiate favourable lease terms and conditions, operating expense levels, the level of demand for its properties, the cash available for dividends, its compliance with the terms of financing agreements and actual results that may vary substantially from estimates. A change in any such factor could affect the ability of the Fund to pay or maintain or increase dividends. Therefore, the Fund can give no assurance as to its ability to pay dividends. The Fund also cannot give any assurance that the level of dividends will be maintained or will increase over time. The failure to pay, maintain or increase dividends may adversely affect the price of the Shares.

One of the major Shareholders may acquire control in the General Meeting of Shareholders

Stichting Value Partners Family Office ("**Stichting Value Partners**"), acts as main Underwriter in the Offering and is affiliated with Mr H.M. van Heijst (**Van Heijst**) who is a major Shareholder. Van Heijst may (through Stichting Value Partners) acquire a significant part of the Shares if Rights remain unexercised (see Chapter 5 "The Offering", section 5.1 "Underwriting Agreement"). As a result, Van Heijst may, when acting in concert with one or more other (large) Shareholders or depending on the level of attendance at the general meeting of shareholders of the Fund (the "**General Meeting of Shareholders**"), control the voting at the General Meeting of Shareholders and be in a position to exert substantial influence over matters decided by the General Meeting of Shareholders.

2 IMPORTANT INFORMATION

No person is or has been authorised to give any information or to make any representation in connection with the Offer Securities, other than as contained in this Securities Note, and, if given or made, any other information or representation must not be relied upon as having been authorised by the Fund. Without prejudice to any obligation to publish a supplementary prospectus pursuant of Article 5:23 of the Financial Supervision Act, neither the delivery of this Securities Note nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the Fund's affairs since the date hereof or that the information set forth in this Securities Note is correct as of any time since its date.

The Fund, with its corporate seat in Amsterdam, accepts responsibility for the information contained in this Securities Note. Having taken all reasonable care to ensure that such is the case, the Fund further declares that the information contained in this Securities Note is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

This Securities Note will be published in English only. Defined terms may be found in Chapter 10 "Definitions and Glossary of Selected Terms". Capitalised terms used but not otherwise defined in this Securities Note are defined in the Registration Document.

NIBC Markets N.V. is acting as the subscription, listing and paying agent (the "**Subscription Agent**") for the Fund in relation to the Offering and has not been engaged in the drafting of this Securities Note. Neither the Subscription Agent nor any of its directors, officers, agents or employees makes any representation or warranty as to the accuracy, completeness or fairness of the information or opinions described or incorporated by reference in this Securities Note, in any investor report or for any other statements made or purported to be made either by itself or on its behalf in connection with the Fund or the Offering. Accordingly, the Subscription Agent disclaims all and any liability, whether arising in tort or contract or otherwise in respect of this Securities Note and or any such other statements. The Subscription Agent did not perform any due diligence investigation and relied on the information provided to it. The Subscription Agent will not be responsible to anyone other than to the Fund for giving advice in relation to the Offering. The Subscription Agent will not act as an investment company and will not render any investment advice to the Fund.

2.1 Possible conflict of interest

Stichting Value Partners, acting as main Underwriter in the Offering, is affiliated with Van Heijst who is a major Shareholder of the Fund and Van Heijst may (through Stichting Value Partners) acquire a significant part of the Shares if Rights remain unexercised and as a result, control the voting at the General Meeting of Shareholders and be in a position to exert substantial influence over matters decided by the General Meeting of Shareholders (see Chapter 5 "The Offering", section 5.1 "Underwriting Agreement").

"RECE Poland" Sp. Z o.o. ("**RECE**") is one of the Sellers of the Target Portfolio, resulting in a direct economic interest in the success of the Offering, as well as one of the lenders under the Vendor Loan.

2.2 Notice

This Securities Note does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to acquire Offer Securities, or to take up any Rights in any jurisdiction in which such an offer or solicitation is unlawful. The distribution of this Securities Note, the exercise of Rights, and the offer or sale of Offer Securities is restricted by law in certain jurisdictions. This Securities Note may only be used where it is legal to exercise Rights and offer, solicit offers to purchase or sell Offer Securities. Persons who obtain this Securities Note must inform themselves about and observe all such restrictions.

No action has been or will be taken to permit the exercise of Rights or the offer or sale of Offer Securities, or the possession or distribution of this Securities Note or any other material in relation to the Offering in any jurisdiction other than the Netherlands, where action may be required for such purpose. Accordingly, neither this Securities Note nor any advertisement or any other related material may be distributed or published in any jurisdiction other than the Netherlands except under circumstances that will result in compliance with any applicable laws and regulations.

Shareholders and persons contemplating to invest in the Offer Securities who have a registered address in, or who are resident or located in, jurisdictions other than the Netherlands and any person (including, without limitation, agents, custodians, nominees and trustees) who has a contractual or other legal obligation to forward this Securities Note to a jurisdiction other than the Netherlands should read Chapter 6 “Selling and Transfer Restrictions”.

The Offer Securities have not been and will not be registered under the Securities Act, or under any of the relevant securities laws of any state or other jurisdiction of the United States. The Offer Securities may not be offered, exercised, sold, pledged, taken up, delivered, renounced, or otherwise transferred in or into the United States except pursuant to an exemption from the Securities Act or in a transaction not subject to the registration requirements of the Securities Act. The Offer Securities are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

The content of this Securities Note is not to be considered or interpreted as legal, financial or tax advice. Each prospective investor should consult his own stockbroker, bank manager, auditor or other financial, legal or tax advisers before making any investment decision with regard to the Offer Securities, to consider such investment decision in light of the prospective investor’s personal circumstances, and in order to determine whether or not such prospective investor is eligible to subscribe for or trade in the Offer Securities.

As a condition to accept, deliver, transfer, exercise, purchase, subscribe for or trade in Offer Securities, each purchaser will be deemed to have made, or, in some cases, be required to make, certain representations and warranties which will be relied upon by the Fund, the Subscription Agent and others, in order to be an Eligible Person. The Fund reserves the right, in its sole and absolute discretion, to reject any purchase of Offer Securities that the Fund believes may give rise to a breach or violation of any law, rule or regulation. For a more detailed description of restrictions relating to the Offering, see Chapter 6 “Selling and Transfer Restrictions”.

2.3 Documents incorporated by reference

The following documents which have previously been published are incorporated in this Securities Note by reference and, as such, form part of this Securities Note. The incorporation by reference extends only to the pages indicated below and the English language versions of these documents. Non-incorporated parts of the documents listed below are either not relevant for investors or covered elsewhere in this Securities Note.

- The Fund’s consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2013 and the independent auditor’s report dated 29 April 2014, included on pages 33 up to and including 86, respectively page 107 and 108;
- The Fund’s consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2014 and the independent auditor’s report dated 31 March 2015, included on pages 33 up to and including 90, respectively page 110 up to and including 114;
- The Fund’s consolidated financial statements prepared in accordance with IFRS for the financial year ended 31 December 2015 and the independent auditor’s report dated 28 April 2016, included on pages 32 up to and including 92, respectively page 110 up to and including 114;
- The Fund’s unaudited consolidated interim financial statements prepared in accordance with IAS 34 for the six months period ended 30 June 2016, included on pages 11 up to and including 37;
- The Articles of Association.

The documents incorporated by reference can be obtained free of charge on the Fund's website at http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=38 and http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=37.

Any statement contained in a document which is incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Securities Note to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this Securities Note.

Prospective investors should rely only on the information that the Fund incorporates by reference or provides in this Securities Note. No other documents or information, including the content of the Fund's website http://www.arconacapital.nl/index_mere.php?cat_id=4 or websites accessible from hyperlinks on the Fund's website, form part of, or are incorporated by reference into, this Securities Note.

2.4 Presentation of financial and other information

Certain figures contained in this Securities Note have been subject to rounding adjustments. Accordingly, in certain instances the sum of the numbers in a column or a row in tables contained in this Securities Note may not conform exactly to the total figure given for that column or row.

All references in this Securities Note to "Euro" or "€" are to the currency introduced at the start of the third stage of the Economic and Monetary Union, pursuant to the Treaty establishing the European Economic Community, as amended by the Treaty on the EU.

Throughout this Securities Note a € : CZK exchange rate of 1 : 27.131 and a € : PLN exchange rate of 1 : 4.4362 as of 30 June 2016 has been applied (unless otherwise indicated).

2.5 Forward-looking statements

This Securities Note contains forward-looking statements, including statements about the Fund's beliefs and expectations. These statements are based on the Fund's current plans, estimates and projections, as well as its expectations of external conditions and events. In particular the words "expect", "anticipate", "predict", "estimate", "project", "may", "could", "should", "would", "will", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Forward-looking statements involve inherent risks and uncertainties and speak only as of the date they are made. The Fund undertakes no duty to and will not necessarily update any of them in light of new information or future events, except to the extent required by applicable law. The Fund cautions investors that a number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements. These factors include, but are not limited to those discussed in Chapter 1 "Risk Factors" of this Securities Note and the Registration Document.

3 CAPITALISATION AND INDEBTEDNESS

3.1 Capitalisation and indebtedness

The tables below set forth the unaudited consolidated cash and cash equivalents, capitalisation and indebtedness of the Fund as at 30 September 2016 on an actual basis and on an as adjusted basis including the Offering, the Vendor Loan and the Bank Loan, assuming (i) an issue of 2016 Convertible Bonds of €3.5 million in aggregate and (ii) an issue of New Shares pursuant to the Offering of €8,6 million. The financial information in these tables below has been extracted from the Fund's unaudited internal management accounts as at 30 September 2016 (based on IFRS valuation principles and a € : CZK exchange rate of 1 : 27.021 and a € : PLN exchange rate of 1 : 4.3192 as of 30 September 2016).

Investors should read these tables together with the information in Chapter 9 "Operating and Financial Review" of the Registration Document and the consolidated financial statements of the Fund incorporated by reference in this Securities Note. The tables below are prepared for illustrative purposes only and do not give a true picture of the financial condition of the Fund as at 30 September 2016.

Capitalisation (unaudited)	As at 30 September 2016	
	Actual	As adjusted for the Offering, the Vendor Loan and the Bank Loan
(in € 1,000)		
Guaranteed	0	0
Secured	1,289 ¹	1,289 ¹
Unguaranteed/unsecured	0	0
Total current debt	1,289	1,289
Guaranteed	0	0
Secured	19,666 ¹	24,366 ¹
Unguaranteed/unsecured	2,418	5,702
Total non-current debt	22,084	30,068
Shareholders' equity		
Share capital	7,194	15,826
Share premium	16,426	16,426
Legal reserve	6,207	6,423
Other reserves	0	0
Total Shareholders' equity	29,827	38,675
Total capitalisation	53,200	70,032

¹ The loans from Sberbank and Slovenska Sporitelňa are secured by various assets of the Fund (see Chapter 14 "General Information", section 14.8 "Material agreements" of the Registration Document).

Indebtedness (unaudited)	As at 30 September 2016	
	Actual	As adjusted for the Offering, the Vendor Loan and the Bank Loan
(in € 1,000)		
Cash and bank balances	2,374	14,506
Cash equivalents	0	0
Trading securities	0	0
Liquidity	2,374	14,506
Current bank debt	0	0
Current portion of non-current debt	1,289	1,289
Other current financial debt	0	0
Current financial debt	1,289	1,289
Net current financial indebtedness	-1,085	-13,217
Non-current bank loans	19,666	19,666
Convertible bonds issued	2,418	5,702
Non-current financial indebtedness	22,084	25,368
Net financial indebtedness	-18,421	-9,573

The Fund expects to finance the repayment of the Vendor Loan by issuing new securities. If this is done by way of a public offering a new prospectus will be published. No further offerings and/or restructurings are planned as at the date of this Securities Note.

3.2 Indirect and contingent indebtedness

The Fund has a potential liability towards NIBC Markets N.V. regarding a fixed success fee for the amount of €400,000 related to the Offering. Also, AC Bohemia has a potential liability under some circumstances for the amount of CZK 6,597,000 (€244,143) to Kooperativa. See Chapter 9 “Operating and Financial Review”, section 9.6 “Liquidity and capital resources” of the Registration Document for more information on the Fund’s contingent indebtedness.

3.3 Working capital statement

The Fund is of the opinion that its working capital is sufficient for the present requirements of the Fund and its subsidiaries, that is, for at least the next 12 months following the date of this Securities Note.

4 REASONS FOR THE OFFERING AND USE OF PROCEEDS

The purpose of the Offering is to enable the Fund to finance part of the purchase price of the Target Portfolio. The purchase price of the Freehold Assets is to be further financed with the proceeds of the 2016 Convertible Bonds and a loan from Raiffeisen Bank Polska S.A. (the **Bank Loan**) and the purchase price of the Leasehold Assets is to be fully financed with a loan from the Vendors (the **Vendor Loan**). For further information on the Bank Loan and the Vendor Loan, please see Chapter 14 “General Information”, section 14.8 “Material agreements” of the Registration Document.

After deduction of the estimated expenses related to the Offering of €1,141,000, the Fund expects to receive approximately €7.5 million in net proceeds from the Offering, which, together with the proceeds of the 2016 Convertible Bonds, the Bank Loan and the Vendor Loan, will be utilised to finance the purchase price of the Target Portfolio.

In order to close the Bank Loan, a final agreement has to be signed by the parties involved and various customary conditions have to be fulfilled (including *inter alia* the delivery of technical and legal due diligence reports. Reference is made to the annex to this Securities Note including the binding Term Sheet of the Bank Loan for the other conditions precedent). In case the Bank Loan would not close, the Acquisition will not be completed. It will not be possible to reverse the closing of the Offering and return the proceeds to the investors who have paid for the New Shares. In that case the net proceeds of the Offering and the 2016 Convertible Bonds will be used to buy any Shares which RECE may have acquired pursuant to its underwriting commitment at the Offer Price (see Chapter 5 “The Offering”, section 5.1 “Underwriting Agreement”) and for other potential acquisitions and/or general corporate purposes or returned to Shareholders, such at the discretion of the Fund.

5 THE OFFERING

5.1 Underwriting Agreement

In connection with the Offering, the Fund entered into the Underwriting Agreement on 7 October 2016 with Stichting Value Partners, Mr C.J. Bogerd ("**Bogerd**"), RECE (one of the sellers of the Target Portfolio) and Mr G. St. John Barker (one of the board members of the Fund Manager, ("**Barker**")) as underwriters (the "**Underwriters**") and Bogerd, Van Heijst and Vereniging Beleggingsclub 't Stockpaert as parties committed to exercise the Rights granted to them on the Shares held by them pursuant to which the issue of 1,726,445 New Shares in the aggregate amount of €8,632,225 is secured.

The table below shows the interest of the Underwriters after the Offering in case (i) all Rights are exercised (without underwriting) and (ii) no Shareholders, other than Bogerd, Van Heijst and Vereniging Beleggingsclub 't Stockpaert, exercise their Rights (with full underwriting).

Actual interest in Shares after the Offering

	Actual interest in Shares		Without underwriting		With full underwriting	
	Number	%	Number	%	Number	%
Vereniging Beleggingsclub 't Stockpaert	100,000	6.95	220,000	6.95	220,000	6.95
Van Heijst ⁽¹⁾	67,551	4.70	148,612	4.70	1,172,456	37.04
Bogerd	4,000	0.28	8,800	0.28	208,800	6.60
RECE	-	-	-	-	235,451	7.44
Barker	-	-	-	-	61,289	1.94

⁽¹⁾ Directly and through Stichting Value Partners.

Stichting Value Partners, Van Heijst, Vereniging Beleggingsclub 't Stockpaert and Bogerd will receive a fee of 2% and RECE will receive a fee of 0.75% of the total amount of their respective commitments, resulting in a total fee of €151,800 payable by the Fund.

Each Underwriter has agreed that the Rump Shares acquired by it are subject to a 180-day lock-up from the end of the Exercise Period. An exception exists in respect of the transfer of Rump Shares by RECE to the Fund at the Offer Price in case the Acquisition is not completed. The Underwriting Agreement does not provide for a waiver of the lock-up.

The Underwriters may revoke their obligations under the Underwriting Agreement in case of an (imminent) armed conflict between a NATO member state and the Russian Federation prior to the start of the Exercise Period.

Mr. B. Vos, supervisory board member of the Fund, has expressed his desire to exercise all Rights granted to him by the Fund in respect of his holding of Shares. Mr. Vos is the (in)direct holder of 4.074 Shares.

5.2 Offering

Upon admission of the Rights to trading on Euronext Amsterdam, the Fund shall launch an unconditional offer of (the) Rights to the Shareholders in the aggregate amount of €8,632,225. A Shareholder who does not or, subject to applicable securities laws, is not permitted to exercise Rights will suffer a dilution of 54.5%, as a result of the Offering.

Subject to certain exceptions and applicable securities laws, and provided the Fund has established to its satisfaction that such action would not result in the contravention of any registration requirement or other legal regulations in any jurisdiction, the Shareholders as of the Record Date are being granted Rights that entitle such Shareholders to subscribe

for New Shares at the Offer Price. Each Share that a Shareholder holds immediately after the close of trading on Euronext Amsterdam at 17:40 (CET) on 31 October 2016 (the Record Date) will entitle it to one Right. Every 10 Rights will entitle an Eligible Person to subscribe for 12 New Shares at the Offer Price.

A financial institution may not acknowledge the receipt of any Rights, and the Fund reserves the right to treat as invalid the exercise, purported exercise or transfer of any Rights, which may involve a breach of the laws or regulations of any jurisdiction or if the Fund believes, or the Fund's agents believe, that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in the Prospectus.

The Shareholders will be informed by the financial intermediary through whom they hold the Shares about the details of the aggregate number of Rights to which they are entitled. The financial intermediary will supply such Shareholder with this information in accordance with its usual customer relations procedures. Any Shareholder who has not received any information with respect to the Offering should contact its financial intermediary.

5.2.1 *Timetable*

The timetable below sets forth the expected key dates for the Offering, subject to acceleration or extension of this timetable. If the Fund should decide to accelerate or extend the timetable, it will publish a press release containing the new timetable.

<i>Event</i>	<i>Time</i>	<i>Date</i>
Record Date	17:40 CET	Immediately after the close of trading on Euronext Amsterdam at 17:40 CET on 31 October 2016
Start of ex-Rights trading in Shares commences on Euronext Amsterdam (the "Ex-Date")	09:00 CET	1 November 2016
Start of trading of Rights	09:00 CET	1 November 2016
Start of Exercise Period	09:00 CET	1 November 2016
End of trading of Rights	13:00 CET	9 November 2016
End of Exercise Period	15:00 CET	11 November 2016
Allotment of New Shares	09:00 CET	14 November 2016
Issue of, payment for and delivery of the New Shares and start of trading of New Shares ("Settlement Date")	09:00 CET	15 November 2016

5.2.2 *Record Date*

The Record Date for determining the holders of the Shares whose securities accounts will be credited with Rights, subject to applicable securities laws, is immediately after the close of trading on Euronext Amsterdam at 17:40 (CET) on 31 October 2016.

Until the close of trading in Shares on Euronext Amsterdam on the Record Date, the Shares will trade with Rights (cum-Rights). As from 9:00 hours (CET) on 1 November 2016, the Shares will trade without the Rights (the Ex-Date).

5.2.3 *Trading of Rights*

Trading in the Rights on Euronext Amsterdam is expected to commence at 09:00 (CET) on 1 November 2016 and will continue until 13:00 (CET) on 9 November 2016, barring unforeseen circumstances. The Rights will be admitted to trading under the symbol "ARCRI". The transfer of Rights will take place through the book-entry systems of Euroclear Netherlands. Any persons interested in trading or purchasing Rights should be aware that the exercise of Rights by holders who are located in countries other than the Netherlands is subject to restrictions as described in Chapter 6 "Selling and Transfer Restrictions".

5.2.4 Exercise Period

Subject to the restrictions set out below, any Shareholder and any subsequent transferee of Rights may subscribe for New Shares by exercising its Rights from 09:00 (CET) on 1 November 2016 up to 15:00 (CET) on 11 November 2016 which is the end of the Exercise Period. The last date and/or time before which notification of exercise instructions may be validly given may be earlier, depending on the financial institution through which the Rights are held.

5.2.5 Subscription, payment and delivery

Any Eligible Person wishing to exercise its Rights should instruct its financial intermediary in accordance with the instructions provided by such financial intermediary. The financial intermediary will be responsible for collecting exercise instructions and for informing the Subscription Agent of any received exercise instructions in accordance with the instructions as set out by the Subscription Agent and in a timely manner. By instructing the Subscription Agent, financial intermediaries will warrant to block any attempt to transfer the Rights for which instructions are given to exercise and will deliver those Rights ultimately on the Settlement Date to the Subscription Agent. The Offer Price should be paid, in accordance with the instructions received from the financial intermediary through which one exercises its Rights, for any New Shares subscribed for. The financial intermediary will pay the Offer Price to the Subscription Agent, who will in turn pay it to the Fund after deduction of applicable fees and expenses. Payment for the New Shares to the Subscription Agent must be made no later than the Settlement Date. If any Rights are held through a financial intermediary, such financial intermediary may require payment to be provided prior to the Settlement Date.

Payment for and delivery of the New Shares which are registered with Euroclear Netherlands is expected to take place on 15 November 2016 (the “**Settlement Date**”). Delivery of the New Shares will take place through the book-entry systems of Euroclear Netherlands. Purchasers of the New Shares may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the Offer Price.

All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the exercise, sale or purchase of Rights will be determined by the financial intermediary in accordance with its usual customer relations procedures.

The Fund and/or the Subscription Agent shall not be liable for any action or failure to act by a financial intermediary through whom shareholders hold their Shares or by the Subscription Agent in connection with any subscriptions or purported subscriptions.

5.2.6 Admission of the New Shares to listing and trading

Application has been made to admit the New Shares to listing and trading on Euronext Amsterdam. The Fund expects that the New Shares will be admitted to listing and trading on Euronext Amsterdam on 15 November 2016. All dealings in Rights prior to the Settlement Date are at the sole risk of the parties concerned. Euronext Amsterdam, the Fund and the Subscription Agent do not accept any responsibility or liability by any person as a result of the annulment of any transactions on Euronext Amsterdam.

5.2.7 Remaining New Shares

Any New Shares that were issuable upon the exercise of Rights, but have not been subscribed for during the Exercise Period will not be offered for sale. Instead, these Shares will be subscribed for by the Underwriters in accordance with the Underwriting Agreement.

5.2.8 Exercise of Rights

Exercised Rights cannot be revoked or modified unless a supplement to the Prospectus within the meaning of Article 5:23 of the Financial Supervision Act is published, in which case exercised Rights may be revoked or modified within two business days after the publication of such supplement to the Prospectus. Any person having exercised its Rights will be

obliged to pay the Offer Price for any New Shares being subscribed for, even if the market price of the Shares fluctuates below the Offer Price.

Any Rights which have not validly been exercised by the end of the Exercise Period can no longer be exercised. Any New Shares underlying such non-exercised Rights will be sold to the Underwriters. Persons holding unexercised Rights by the end of the Exercise Period will not receive any compensation for their unexercised Rights.

The Fund reserves the right, with sole and absolute discretion, to treat as invalid any subscription or purported subscription which appears to have been executed, effected or dispatched in a manner that may involve a breach or the violation of the laws of any jurisdiction or if they believe that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in the Prospectus or in breach of the representations and warranties to be made by an accepting holder, as described herein. Reference is made to Chapter 6 "Selling and Transfer Restrictions".

5.3 Private placement of 2016 Convertible Bonds

On 19 October 2016, the Fund has issued the 2016 Convertible Bonds in an aggregate principal amount of €3.5 million by means of a private placement with Stichting Value Partners (€2 million) and Vereniging Beleggingsclub 't Stockpaert (€1.5 million). The term of the 2016 Convertible Bonds is 5 years. The 2016 Convertible Bonds will bear interest of 6.5% payable every 6 months. The 2016 Convertible Bonds can be converted into Shares at the option of the Bond holder following the issue until the 15th trading day of Euronext Amsterdam before the maturity date at a conversion price of 15% above the average closing price for a period of 10 trading days prior to the first trading day of the Rights, provided that days during which no trading in the Shares takes place are excluded from the calculation.

The Fund has the right to redeem the 2016 Convertible Bonds early in whole, or in part i.e. *pro rata* the principal amount held by each of the respective Bondholders against the nominal value (including the interest payable in respect thereof) at any preferred moment after 1 January 2018, whereby this must be announced at least 30 days but no more than 60 days in advance, if during at least 20 trading days within a period of 40 consecutive trading days, which ends no more than 5 trading days before the date of the announcement of early redemption, the closing price of the Shares on each of these trading days exceeds 120% of the conversion price. If less than 15% of the 2016 Convertible Bonds are still outstanding, the Fund will have the right to redeem these against the nominal value (including the interest payable in respect thereof) at any preferred moment, whereby this must be announced at least 30 days but no more than 60 days in advance.

5.4 Adjustment of conversion price of existing Convertible Bonds

The conversion price of the 2014 Convertible Bonds and the 2015 Convertible Bonds will be adjusted based on the discount of the price of the New Shares compared to the price of the Shares on the Ex-Date (theoretical ex-rights price or TERP).

Based on a price per Share of €7.60, the TERP would be €6.18 and the conversion price of the 2014 Convertible Bonds would be adjusted from €10 to €8.13 and the conversion price of the 2015 Convertible Bonds would be adjusted from €10.30 to €8.38.

6 SELLING AND TRANSFER RESTRICTIONS

6.1 General

The Fund is not taking any action to register the Offer Securities or otherwise to permit a public offering of the Offer Securities in any jurisdiction outside the Netherlands.

Receipt of this Securities Note will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Securities Note will be sent for information purposes only and should not be copied nor redistributed. If a recipient receives a copy of this Securities Note in any territory other than the Netherlands, this Securities Note may not be treated as constituting an invitation or offer to the recipient, nor should the recipient in any event deal in Offer Securities unless, in the relevant territory, such an invitation or offer could lawfully be made to the recipient and Offer Securities can lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements.

Accordingly, if a recipient receives a copy of this Securities Note, the recipient should not, in connection with the Offering, distribute or send this Securities Note, or transfer Offer Securities to any person or in or into any jurisdiction where to do so would or might contravene local securities laws or regulations. If the recipient forwards this Securities Note into any such territory (whether under a contractual or legal obligation or otherwise) it should draw the subsequent recipient's attention to the contents of this Chapter 6.

Subject to the specific restrictions described below, if a recipient of a copy of this Securities Note (including, without limitation, his or her nominees, custodians and trustees) is outside the Netherlands and wishes to sell, transfer or exercise Rights or subscribe for or purchase Offer Securities, the recipient must satisfy itself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Subject to certain exceptions, financial intermediaries, including brokers, custodians and nominees, are not permitted to send or otherwise distribute this Securities Note or any other information regarding the Offering to any person that does not qualify as an Eligible Person.

The information set out in this section is intended as a general guide only. If a recipient of a copy of this Securities Note is in any doubt as to its position, he or she should consult his or her professional advisor.

6.2 Exercise of Rights

Subject to applicable securities laws, and provided the Fund is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction, Rights will be granted to Shareholders as at the Record Date. Rights credited to the account of a person who is not an Eligible Person shall not constitute an offer of Shares to such person. A financial institution may not acknowledge the receipt of any Rights, and the Fund reserves the right to treat as invalid the exercise, purported exercise or transfer of any Rights, which may involve a breach of the laws or regulations of any jurisdiction or if the Fund believes, or the Fund's agents believe, that the same may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in this Securities Note or in breach of the representations and warranties to be made by an accepting holder, as described herein.

The Fund reserves the right, with sole and absolute discretion, to treat as invalid any subscription or purported subscription which appears to the Fund or the Subscription Agent:

- to have been executed, effected or dispatched from outside the Netherlands, unless the Fund is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction;
- to involve a (potential) breach or violation of the laws of any jurisdiction;

- to involve an acceptance, or purported acceptance, that may violate applicable legal or regulatory requirements or may be inconsistent with the procedures and terms set out in this Securities Note; or
- to purport to exclude or modify any of the representations and warranties required or deemed to be made by an exercising Rights holder, as set out below.

Notwithstanding any other provision of this Securities Note, the Fund reserves the right to permit the exercise of Rights if the Fund in its sole and absolute discretion is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. In any such case, neither the Fund nor the Subscription Agent accept any liability for any actions that the investor takes or for any consequences that the investor may suffer by the Fund accepting the investor's exercise of Rights.

6.3 Representations and warranties by investors in the Offering

Subject to certain exceptions, each person who (i) accepts, takes up, delivers or otherwise transfers Rights, (ii) exercises Rights, or (iii) purchases, subscribes for, trades or otherwise deals in Offer Securities being granted or offered, respectively, in the Offering, will be deemed to have given, made, and in some case be required to explicitly confirm, each of the following representations and warranties to the Fund, to the Subscription Agent and to any person acting on behalf of either the Fund or the Subscription Agent, unless in the Fund's sole discretion the Fund waives such requirement:

- the investor was a Shareholder as at the Record Date, or the investor lawfully acquired or may lawfully acquire Rights, directly or indirectly, from such a Shareholder or from a person that subsequently lawfully acquired Rights;
- the investor may lawfully be granted or offered, accept, take up, obtain, purchase, exercise, subscribe for, receive, trade or otherwise deal in Offer Securities in the jurisdiction in which the investor resides or is currently located;
- subject to the exemptions described below, the investor (i) is resident or located in the Netherlands, and (ii) is not accepting an offer to acquire, take up or exercise Offer Securities on a non-discretionary basis for a person who is resident or located outside the Netherlands at the time the instruction to accept was given;
- the investor is located outside the United States, and any person for whose account or benefit it is acting on a non-discretionary basis is located outside the United States and, upon acquiring Offer Securities, the investor and any such person will be located outside the United States;
- the investor is either located outside the United Kingdom, or the investor is a person who is a "qualified investor" (as defined in Section 86(7) of the Financial Services and Markets Act 2000 of the United Kingdom, as amended (the "FSMA")); and
- the investor is not acquiring Offer Securities with a view to the offer, sale, transfer, delivery or distribution, directly or indirectly, of such Offer Securities into a jurisdiction where such cannot be lawfully done.

By participating in the Offering, each existing Shareholder resident in the United States will be deemed to have acknowledged and agreed (i) that any resale or transfer of Rights by it or on its behalf is not permitted except outside the United States pursuant to Regulation S of the Securities Act, and (ii) that it will not offer, sell, pledge or otherwise transfer the rights except in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S under the Securities Act.

A person who can make the representations and warranties described above shall be deemed an Eligible Person for the purposes of the Offering.

The Fund, the Subscription Agent and any persons acting on behalf of the Fund will rely upon the truth and accuracy of this person's representations and warranties. Any provision of false information or subsequent breach of these representations and warranties may subject that person to liability.

A person acting on behalf of another person exercising or purchasing Offer Securities (including, without limitation, as a nominee, custodian or trustee), will be required to provide the foregoing representations and warranties to the Fund

and the Subscription Agent with respect to the exercise or purchase of Offer Securities on behalf of such person. If such person does not provide the foregoing representations and warranties, neither the Fund, nor the Subscription Agent, nor any persons acting on behalf of either the Fund or the Subscription Agent, will be bound to authorise the allocation of any Shares to such person or the person whose behalf is acted for.

6.4 European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive, other than the Netherlands (each, a **"Relevant Member State"**), an offer of Offer Securities contemplated by this Securities Note may not be made to the public in that Relevant Member State, except that an offer of Offer Securities may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if and only to the extent they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Offer Securities shall result in a requirement for the publication by the Fund or any initial purchaser of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes hereof, the expression an **"offer to the public"** in relation to any Offer Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Securities to be offered so as to enable an investor to decide to purchase or subscribe to any Offer Securities, as that expression may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State. The expression **"Prospectus Directive"** means Directive 2003/71/EC (as amended) and includes any relevant implementing measure in each Relevant Member State.

6.5 United Kingdom

In addition to the restrictions identified above, any invitation or inducement to engage in investment activity (within the meaning of Article 21 FSMA) in connection with the issue or sale of the Offer Securities may only be communicated or caused to be communicated in the United Kingdom in circumstances in which Article 21(1) FSMA does not apply or if an exemption (as set out in the FSMA (Financial Promotion Order 2005) applies.

7 SHARE CAPITAL AND SHAREHOLDERS MEETINGS

The Fund's share capital and provisions regarding General Meeting of Shareholders are outlined in this Chapter. For further reference, the articles of association of the Fund (the "Articles of Association") have been published on the Fund's website, which can be accessed through the following link:

http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=37.

7.1 Share capital

Authorised capital

At the date of this Securities Note, the Fund's authorised capital amounts to €25,000,000 and is divided into 4,999,999 ordinary shares (elsewhere in this Securities Note referred to as Shares), with a nominal value of €5 and 1 Priority Share, with a nominal value of €5.

For the purpose of this Chapter, the term "**Shares**" also refers to the Priority Share. Each Share entitles the holder to one vote at the General Meeting of Shareholders. According to the Articles of Association, a person holding a right of pledge or a right of usufruct over an ordinary Share shall not be entitled to the voting right attached to such Share. The Fund shall not support the issue of depository receipts of Shares in its share capital.

Issued capital

At the date of this Securities Note, the Fund's issued share capital amounts to €7,193,525. The issued share capital is divided into 1,438,704 ordinary Shares and 1 Priority Share. The Priority Share is held by the Priority. At the date of this Securities Note, the entire issued share capital is fully paid-up.

The Fund's share capital consists of registered and bearer Shares. As per date of this Securities Note 26,991 registered Shares and 1,411,713 bearer Shares were issued and outstanding. The New Shares will be in registered form and will be delivered through the book-entry system of Euroclear (see Chapter 5 "The Offering", section 5.1 "Underwriting Agreement", under "Trading of Rights"). No share certificates (*aandeelbewijzen*) are issued.

7.2 Summary of the Articles of Association

The following description summarises certain provisions of the Articles of Association relating to the Shares (which for the purpose of this section also includes the Priority Share). This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to the Articles of Association, as well as to the relevant provisions of Dutch law.

General Meeting of Shareholders

A General Meeting of Shareholders shall be convened by the Management Board or the Supervisory Board. The General Meeting of Shareholders shall be held at Amsterdam, Rotterdam, The Hague, Deventer, Apeldoorn or Lochem. Each holder of Shares shall be entitled to attend the General Meeting of Shareholders, to address such meeting and, to the extent applicable, to exercise his voting rights.

The convocation notice of the meeting shall be effected no later than on the 42nd day prior to the date of the General Meeting of Shareholders and shall state the subjects to be dealt with, the place and time of the meeting, the procedure for participating at the meeting by written proxy-holder, the address of the website of the Fund and, if applicable, the procedure for participating at the meeting and exercising one's right to vote by electronic means of communication. Shareholders are convened by means of an electronic announcement that shall remain publicly available on the website of the Fund until the General Meeting of Shareholders.

The Management Board must be notified in writing of a Shareholder's intention to attend a General Meeting of Shareholders. Such notice must be received by the Management Board no later than four days prior to the General Meeting of Shareholders. In order to vote, a Shareholder (or its representative) must sign the attendance list, indicating the number of Shares represented by him.

Each Share confers the right to cast one vote. Except where the law or the Articles of Association require a qualified majority, all resolutions shall be adopted by absolute majority of the votes cast.

The Priority Share carries the following rights:

- The right to propose to reduce the issued share capital of the Fund; such proposal must be approved by the Supervisory Board;
- The right to determine that the Fund should support the issue of depositary receipts of ordinary shares;
- The right to determine the number of members of the Management Board and Supervisory Board;
- The right to make binding nominations for the appointment of members of the Management Board and the Supervisory Board;
- The right to propose to suspend or dismiss members of the Management Board and the Supervisory Board;
- The right to propose the remuneration of each member of the Supervisory Board;
- The right to determine what part of the profits that remains after dividend has been paid on the Priority Share shall be reserved;
- The right to determine that (interim) dividend payments should be made on ordinary shares at the expense of a financial reserve of the Fund;
- The right to propose to amend the Articles of Association; such proposal must be approved by the Supervisory Board;
- The right to propose to a statutory merger or statutory demerger of the Fund; such proposal must be approved by the Supervisory Board; and
- The right to propose to dissolve the Fund; such proposal must be approved by the Supervisory Board.

Annual meetings

According to the Articles of Association, the annual General Meeting of Shareholders is to be held every year within six months after the end of the financial year of the Fund. The matters considered at the annual General Meeting of Shareholders include:

- a. the annual report.
- b. adoption of the annual accounts.
- c. discharge of the members of the Management Board and the members of the Supervisory Board.
- d. filling of vacancies, if any.
- e. determination of allocation of profits.
- f. any other proposals put forward by the Supervisory Board, the Management Board, or the Priority, or shareholders representing at least one hundredth of the issued capital and announced in accordance with the Articles of Association.

Other meetings

An extraordinary General Meeting of Shareholders (the “**EGM**”) may be held as often as the Management Board or the Supervisory Board deems necessary or upon the written request of Shareholders jointly representing at least one tenth of the issued capital of the Fund, stating the subjects to be discussed in detail. If the Management Board fails to convene an EGM within four weeks, arranging that the requested meeting can be held within six weeks after receipt of such request, the requesting Shareholders are authorised to convene an EGM themselves.

Issuance of Shares

Shares are issued by the Management Board. The Management Board shall also determine the time of the issuance, the issue price and the other conditions of the issuance, such with due observance of the provisions in the Articles of Association. The same applies to granting rights to subscribe for Shares. Shareholders do not have a pre-emptive right (*voorkeursrecht*) to any issue of Shares when new Shares are issued, unless provided otherwise in the resolution to issue Shares.

Own Shares

The Management Board may resolve that the Fund may acquire fully paid up Shares, provided that the issued capital of the Fund, less the amount of the Shares to be acquired, shall amount to at least one tenth of the authorised share capital. The Management Board may dispose of Shares held by the Fund.

Reduction of issued capital

The General Meeting of Shareholders may resolve to reduce the issued capital of the Fund upon proposal of the Priority which has been approved by the Supervisory Board by cancelling Shares or by reducing the amount of the Shares by means of an amendment to the Articles of Association. A resolution to cancel Shares may only relate to Shares held by the Fund itself. The Priority Share may be cancelled upon repayment by the Fund.

The provisions of Article 2:99 and 2:100 of the Dutch Civil Code shall apply to the reduction of the issued capital, with the exception that the provisions of Section 2:100 of the Dutch Civil Code shall not apply, if the Fund cancels legally acquired shares in its own capital.

Amendment of the Articles of Association

The General Meeting of Shareholders may resolve to amend the Articles of Association, at the proposal of the Priority and subject to the approval of such proposal by the Supervisory Board.

Statutory merger and statutory demerger

Except in the cases respectively referred to in Article 2:331 and 2:334ff of the Dutch Civil Code, the General Meeting of Shareholders may resolve that the Fund shall enter into a statutory merger or demerger, at the proposal of the Priority and subject to the approval of the Supervisory Board, in accordance with a merger proposal (*fusievoorstel*) prepared by the management boards of the merging legal entities. Such a merger or demerger proposal (*fusievoorstel*) must be approved in advance by the Supervisory Board.

Dissolution and liquidation

The General Meeting of Shareholders may resolve to dissolve the Fund, at the proposal of the Priority and subject to the approval of such proposal by the Supervisory Board. From the balance remaining after payment of the debts of the Fund in liquidation, an amount equal to the nominal amount of the Priority Share will be paid to the Priority. The remaining

balance will be transferred to the holders of the ordinary Shares in proportion to the aggregate nominal value of the ordinary Shares held by each of them.

7.3 Dividend rights

In deciding whether to propose a dividend, the Management Board will take into consideration contractual, legal and regulatory restrictions on the payment of dividends and such other factors as it may deem relevant. The Priority determines each year which part of the profits remaining after payment of dividend on the Priority Share shall be added to the Fund's reserves. The part of the profits that has not been reserved is at the disposal of the General Meeting of Shareholders.

The Fund may only make distributions to its Shareholders in so far as its equity after the dividend payment does not fall below the sum of the paid-in and called-up share capital plus the reserves as required to be maintained by Dutch law and the Articles of Association. On the date of this Securities Note there are no contractual and regulatory restrictions on the payment of dividends by the Fund and its subsidiaries, save for the restrictions provided for in the financing agreements with Tatra Banka and Sberbank and, following completion of the Acquisition, with Raiffeisen Bank Polska S.A. in respect of the Fund's subsidiaries in case of a breach of any covenants (see Chapter 9 "Operating and Financial Review", section 9.6 "Liquidity and capital resources" under "Limitations on borrowings, restrictions and covenants", of the Registration Document).

There can be no assurance that the Fund will generate sufficient earnings to allow it to pay dividends and if it does, the General Meeting of Shareholders may elect to reinvest the entire profit instead of paying dividends.

All Shares (including the New Shares) have equal ranking rights and claims to the Fund's profits and assets. However, from the profit earned in a financial year in so far as possible a dividend is first distributed on the Priority Share (held by the Priority), the amount of which is equal to 7% on an annual basis, calculated on the nominal amount of the Priority Share with a nominal value of €5. No further distributions are made on the Priority Share. Further details of the rights attached to the Priority Share are outlined in Chapter 7 "Share Capital and Shareholders Meetings", under "General Meeting of Shareholders".

Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable, will lapse and any such amounts will be considered to have been forfeited to the Fund.

7.4 Takeover regulations

Pursuant to the Financial Supervision Act, a shareholder who directly or indirectly obtains control of a Dutch listed company, such as the Fund, is required to make a public offer for all issued and outstanding shares in that company's share capital. Such control is deemed present if a (legal) person is able to exercise, alone or acting in concert, at least 30% of the voting rights of the Company. The legislation also applies to persons acting in concert who jointly acquire 30% of the voting rights. An exemption exists if such shareholder or group of shareholders reduces its holding below 30% within 30 days of the acquisition of controlling influence provided that (i) the reduction of its holding was not effected by a transfer of shares or depositary receipts to an exempted party and (ii) during this period such shareholder or group of shareholders did not exercise its voting rights.

7.5 Squeeze-out procedures

Pursuant to Article 2:92a of the Dutch Civil Code, a shareholder who for his own account contributes at least 95% of the Fund's issued capital may institute proceedings before the Enterprise Chamber of the Amsterdam Court of Appeal against the other shareholders jointly for the transfer of their shares to the claimant. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke*

Rechtsvordering). The Enterprise Chamber may grant the claim for squeeze out in relation to all minority shareholders and will determine the price to be paid for the shares, if necessary upon advice of one or three experts. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the shares shall give written notice of the date and place of payment and the price to the holders of the shares to be acquired whose addresses are known to him. Unless the addresses of all of them are known to him, he shall also publish the same in a newspaper with a national circulation.

Pursuant to Article 2:359c of the Dutch Civil Code, the offeror under a public offer is also entitled to start a squeeze out procedure, within three months after the public offer, if following the public offer he holds at least 95% of the shares and represents at least 95% of the total voting rights attached to the shares. In the event of a mandatory offer, the mandatory offer price is in principle deemed to be a reasonable price, which has to be accepted by minority shareholders. In the event of a voluntary public offer, the offered price is considered reasonable if at least 90% of the shares have been acquired.

Pursuant to Article 2:359d of the Dutch Civil Code, if the offeror has acquired at least 95% of the shares held by him, representing at least 95% of the total voting rights, each remaining minority Shareholder is entitled to demand a squeeze out. This procedure must be initiated with the Enterprise Chamber within three months after the end of the period for tendering shares in the public offer. With regard to the price per share to be paid by the majority shareholder, the same procedure as for squeeze out proceedings initiated by the offeror, as set out in the previous paragraph, applies.

8 DUTCH TAXATION

This summary solely addresses the principal Dutch tax consequences of the acquisition, ownership and disposal of New Shares and does not purport to describe every aspect of taxation that may be relevant to a particular holder. Tax matters are complex, and the tax consequences of the Offering to a particular holder of New Shares will depend in part on such holder's circumstances. Accordingly, a holder is urged to consult his own tax advisor for a full understanding of the tax consequences of the Offering to him, including the applicability and effect of Dutch tax laws.

Where in this summary English terms and expressions are used to refer to Dutch concepts, the meaning to be attributed to such terms and expressions shall be the meaning to be attributed to the equivalent Dutch concepts under Dutch tax law. Where in this summary the terms "the Netherlands" and "Dutch" are used, these refer solely to the European part of the Kingdom of the Netherlands. This summary assumes that the Fund is organised, and that its business will be conducted, in the manner outlined in the Prospectus. A change to such organisational structure or to the manner in which the Fund conducts its business may invalidate the contents of this summary, which will not be updated to reflect any such change.

8.1 General

This summary is based on the tax law of the Netherlands (unpublished case law not included) as it stands at the date of the Prospectus. The tax law upon which this summary is based, is subject to changes, possibly with retroactive effect. Any such change may invalidate the contents of this summary, which will not be updated to reflect such change.

The summary in this Dutch taxation paragraph does not address the Dutch tax consequences for a holder of New Shares who:

- (i) is a person who may be deemed an owner of New Shares for Dutch tax purposes pursuant to specific statutory attribution rules in Dutch tax law;
- (ii) is, although in principle subject to Dutch corporation tax, in whole or in part, specifically exempt from that tax in connection with income from New Shares;
- (iii) is an investment institution as defined in the Dutch Corporation Tax Act 1969;
- (iv) owns New Shares in connection with a membership of a management board or a supervisory board, an employment relationship, a deemed employment relationship or management role; or
- (v) has a substantial interest in the Fund or a deemed substantial interest in the Fund for Dutch tax purposes. Generally, a person holds a substantial interest if (a) such person – either alone or, in the case of an individual, together with his partner or any of his relatives by blood or by marriage in the direct line (including foster-children) or of those of his partner for Dutch tax purposes – owns or is deemed to own, directly or indirectly, 5% or more of the shares or of any class of shares of the Fund, or rights to acquire, directly or indirectly, such an interest in the shares of the Fund or profit participating certificates relating to 5% or more of the annual profits or to 5% or more of the liquidation proceeds of the Fund, or (b) such person's shares, rights to acquire shares or profit participating certificates in the Fund are held by him following the application of a non-recognition provision.

8.2 Taxes on income and capital gains

Resident holders of New Shares

A holder of New Shares who is resident or deemed to be resident in the Netherlands for Dutch tax purposes is fully subject to Dutch income tax if he is an individual or fully subject to Dutch corporation tax if it is a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, as described in the summary below.

Individuals deriving profits or deemed to be deriving profits from an enterprise

Any benefits derived or deemed to be derived from or in connection with New Shares that are attributable to an enterprise from which an individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net value of an enterprise, other than as a shareholder, are generally subject to Dutch income tax at progressive rates up to 52%.

Individuals deriving benefits from miscellaneous activities

Any benefits derived or deemed to be derived from or in connection with New Shares that constitute benefits from miscellaneous activities by an individual are generally subject to Dutch income tax at progressive rates up to 52%.

An individual may, *inter alia*, derive, or be deemed to derive, benefits from or in connection with New Shares that are taxable as benefits from miscellaneous activities if his investment activities go beyond regular active portfolio management.

Other individuals

If a holder of New Shares is an individual whose situation has not been discussed before in this Chapter, section 8.2 “Taxes on income and capital gains”, subsection “Resident holders of New Shares”, the value of his New Shares forms part of the yield basis for purposes of tax on benefits from savings and investments. A deemed benefit of 4% per annum of this yield basis is taxed at the rate of 30%. Actual benefits derived from or in connection with his New Shares are not subject to Dutch income tax.

Corporate entities

Any benefits derived or deemed to be derived from or in connection with New Shares that are held by a corporate entity, or an entity, including an association, a partnership and a mutual fund, taxable as a corporate entity, are generally subject to Dutch corporation tax.

General

A holder of New Shares will not be deemed to be resident in the Netherlands for Dutch tax purposes by reason only of the execution and/or enforcement of the documents relating to the issue of New Shares or the performance by the Fund of its obligations under such documents or under the New Shares.

Non-resident holders of New Shares

Individuals

If a holder of New Shares is an individual who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch income tax, he will not be subject to Dutch income tax in respect of any benefits derived or deemed to be derived from or in connection with New Shares, except if:

- (i) he derives profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net value of such enterprise, other than as a shareholder, and such enterprise is carried on, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands, and his New Shares are attributable to such permanent establishment or permanent representative; or
- (ii) he derives benefits or is deemed to derive benefits from or in connection with New Shares that are taxable as benefits from miscellaneous activities performed in the Netherlands.

Corporate entities

If a holder of New Shares is a corporate entity, or an entity including an association, a partnership and a mutual fund, taxable as a corporate entity, which is neither resident, nor deemed to be resident in the Netherlands for purposes of Dutch corporation tax, it will not be subject to Dutch corporation tax in respect of any benefits derived or deemed to be derived from or in connection with New Shares, except if:

- (i) it derives profits from an enterprise directly which is carried on, in whole or in part, through a permanent establishment or a permanent representative which is taxable in the Netherlands and to which permanent establishment or permanent representative its New Shares are attributable; or
- (ii) it derives profits pursuant to a co-entitlement to the net value of an enterprise which is managed in the Netherlands, other than as a holder of securities, and to which enterprise its New Shares are attributable.

General

If a holder of New Shares is neither resident nor deemed to be resident in the Netherlands, such holder will for Dutch tax purposes not carry on or be deemed to carry on an enterprise, in whole or in part, through a permanent establishment or a permanent representative in the Netherlands by reason only of the execution and/or enforcement of the documents relating to the issue of New Shares or the performance by the Fund of its obligations under such documents or under the New Shares.

8.3 Dividend withholding tax

The Fund is generally required to withhold Dutch dividend withholding tax at a rate of 15% from dividends distributed by the Fund, subject to possible relief under Dutch domestic law, the Treaty on the Functioning of the European Union or an applicable Dutch income tax treaty depending on a particular holder of New Shares' individual circumstances.

The concept "dividends distributed by the Fund" as used in this Dutch taxation paragraph includes, but is not limited to, the following:

- distributions in cash or in kind, deemed and constructive distributions and repayments of capital not recognised as paid-in for Dutch dividend withholding tax purposes;
- liquidation proceeds and proceeds of repurchase or redemption of New Shares in excess of the average capital recognised as paid-in for Dutch dividend withholding tax purposes;
- the par value of New Shares issued by the Fund to a holder of New Shares or an increase of the par value of New Shares, as the case may be, to the extent that it does not appear that a contribution, recognised for Dutch dividend withholding tax purposes, has been made or will be made; and
- partial repayment of capital, recognised as paid-in for Dutch dividend withholding tax purposes, if and to the extent that there are net profits, unless (a) the General Meeting of Shareholders has resolved in advance to make such repayment and (b) the par value of the New Shares concerned has been reduced by an equal amount by way of an amendment to the Fund's Articles of Association.

8.4 Gift and inheritance taxes

No Dutch gift tax or Dutch inheritance tax will arise with respect to an acquisition or deemed acquisition of New Shares by way of gift by, or upon the death of, a holder of New Shares who is neither resident nor deemed to be resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax except if, in the event of a gift whilst not being a resident nor being a deemed resident in the Netherlands for purposes of Dutch gift tax or Dutch inheritance tax, the holder of New Shares becomes a resident or a deemed resident in the Netherlands and dies within 180 days after the date of the gift.

For purposes of Dutch gift tax and Dutch inheritance tax, a gift of New Shares made under a condition precedent is deemed to be made at the time the condition precedent is satisfied.

8.5 Registration taxes and duties

No Dutch registration tax, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, is payable in the Netherlands in respect of or in connection with the execution and/or enforcement (including by legal proceedings and including the enforcement of any foreign judgment in the courts of the Netherlands) of the documents relating to the issue of New Shares, the performance by the Fund of its obligations under such documents, or the transfer of New Shares, except that Dutch real property transfer tax may be due upon an acquisition in connection with

New Shares of real property situated in the Netherlands, (an interest in) an asset that qualifies as real property situated in the Netherlands, or (an interest in) a right over real property situated in the Netherlands, for the purposes of Dutch real property transfer tax.

9 GENERAL INFORMATION

9.1 Available information

This Securities Note and all financial statements which are incorporated by reference in this Securities Note may be obtained free of charge for 12 months from the date of approval of this Securities Note (i.e. the life of this Securities Note) by sending a request in writing to the Fund at its business address: Parkweg 4, 7411 SH Deventer, the Netherlands and are also available on http://www.arconacapital.nl/index_mere.php?cat_id=4 and http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=38 for the life of this Securities Note.

This Securities Note will also be available to investors on the website of the AFM at www.afm.nl and through the Euronext Amsterdam website at www.euronext.com.

The Articles of Association will be available to investors on the website of the Fund at http://www.arconacapital.nl/index_mere.php?cat_id=4&fonds_id=37 and may also be obtained free of charge by sending a request in writing to the Fund, Parkweg 4, 7411 SH Deventer, the Netherlands.

9.2 Corporate information

Arcona Property Fund N.V. is an investment company with variable capital (*beleggingsmaatschappij met veranderlijk kapitaal*), incorporated on 27 November 2002 under the laws of and domiciled in the Netherlands and is registered with the trade register of the chamber of commerce in Oost Nederland under number 08110094. The Fund has its corporate seat in Amsterdam, the Netherlands. The Fund's business address is Parkweg 4, 7411 SH Deventer, the Netherlands and its telephone number is +31(0)570 665860.

9.3 Corporate resolutions

On 18 October 2016, the Management Board resolved to issue the Rights to subscribe for New Shares for an aggregate amount of €8,632,225. The New Shares and the Rights have been created under and are subject to Dutch law.

9.4 Trading information

The Shares and the Rights will be traded through the book-entry facilities of Euroclear Netherlands. The address of Euroclear Netherlands is: Herengracht 459-469, 1017 BS Amsterdam.

The New Shares will be traded under the following characteristics:

- ISIN Code: NL0006311706
- Euronext Amsterdam Symbol: "ARCPF"

The Rights will be traded under the following characteristics:

- ISIN Code: NL0012061022
- Euronext Amsterdam Symbol: "ARCRI"

9.5 Subscription, listing and paying agent

NIBC Markets N.V., a public company with limited liability (*naamloze vennootschap*) with its address at Nieuwezijds Voorburgwal 162 - 170, 1012 SJ Amsterdam, the Netherlands, will act as subscription, listing and paying agent with respect to the Shares (including the New Shares).

9.6 Advisors

Loyens & Loeff N.V. acted as Dutch legal counsel for the Fund in connection with the Offering.

9.7 Underwriting Agreement

On 7 October 2016, the Fund entered into an underwriting agreement with the Underwriters in respect of the Offering. Reference is made to Chapter 5 “The Offering”, section 5.1 “Underwriting Agreement”.

10 DEFINITIONS AND GLOSSARY OF SELECTED TERMS

Acquisition	The purchase of the Target Portfolio as provided by the Fund pursuant to the Sale and Purchase Agreement
AFM	Netherlands Authority for the Financial Markets (<i>Autoriteit Financiële Markten</i>)
Articles of Association	The articles of association (<i>statuten</i>) of the Fund as they currently read
Bank Loan	The binding term sheet regarding the €10.5 million senior loan from Raiffeisen Bank Polska S.A. dated 23 August 2016 to partly fund the acquisition of the Freehold Assets.
Barker	Mr G. St. John Barker, living at Zdenka Lhoty 469, 25228 Cernosice, Czech Republic
Bogerd	Mr C.J. Bogerd, living at 's Gravelandseweg 19A, 1381 HH Weesp, the Netherlands
Bondholder	A holder of 2016 Convertible Bonds
Convertible Bonds	The 2014 Convertible Bonds, 2015 Convertible Bonds and 2016 Convertible Bonds
2014 Convertible Bonds	The convertible bonds issued by the Fund on 1 December 2014
2015 Convertible Bonds	The convertible bonds issued by the Fund on 20 February 2015
2016 Convertible Bonds	The bonds that are issued by the Fund in an aggregate principal amount of €3.5 million by means of a private placement with Stichting Value Partners and Vereniging Beleggingsclub 't Stockpaert
EGM	An extraordinary General Meeting of Shareholders
Eligible Person	Has the meaning as described on the front page of this Securities Note
Euroclear Netherlands	Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.
Euronext Amsterdam	A regulated market operated by Euronext Amsterdam N.V.
Ex-Date	1 November 2016
Exercise Period	The period in which the Rights can be exercised which shall run from 09:00 (CET) on 1 November 2016 until 15:00 (CET) on 11 November 2016
Financial Supervision Act	The Netherlands Financial Markets Supervision Act (<i>Wet op het financieel toezicht</i>)
Freehold Assets	The properties situated in Gdańsk, Glogów, Grudziądz, Inowrocław, Piotrków Trybunalski, Kalisz and Slupsk held under a freehold title
FSMA	Financial Services and Markets Act 2000 of the United Kingdom
Fund	Arcona Property Fund N.V., an investment company with variable capital (<i>beleggingsmaatschappij met veranderlijk kapitaal</i>) incorporated under the laws of and domiciled in the Netherlands and its subsidiaries (as applicable)
General Meeting of Shareholders	The meeting of shareholders of the Fund entitled to vote, together with pledgees and usufructuaries to whom voting rights attributable to the

	Shares accrue or the body of the Fund consisting of persons entitled to vote on the Shares (as applicable)
Leasehold Assets	The properties situated in Łódź, Toruń and Bydgoszcz held under a leasehold title
Listing	The admission to listing and trading of the New Shares on Euronext Amsterdam which is expected to occur on 15 November 2016
New Shares	The Shares that are offered pursuant to the Offering
Offer Price	€5, i.e. the price for which the New Shares can be subscribed for by exercising Rights
Offer Securities	The Rights and the New Shares
Offering	The Offering and/or admission to listing and trading of Offer Securities
Priority	Stichting Prioriteit MERE as holder of the Priority Share
Priority Share	The single priority share (<i>prioriteitsaandeel</i>) in the issued share capital of the Fund, with a nominal value of €5.00
Prospectus	This Securities Note, the Registration Document and the Summary collectively
Prospectus Directive	Directive 2003/71/EC, as amended
RECE	“RECE Poland” Sp. Z o.o., a limited liability company incorporated under the laws of Poland, having its official seat in Warsaw, Poland, and its office address at ul. Czerniakowska 178 lok. 47, 00-440 Warsaw, Poland, registered with the register of entrepreneurs of the National Court Register under number 000050861
Record Date	17:40 CET on 31 October 2016
Registration Document	The registration document dated 19 October 2016 that is an integral part of the Prospectus
Rights	Transferable subscription rights to be offered in the Offering
Rump Shares	The New Shares which have not been subscribed for by Eligible Persons during the Exercise Period
Securities Act	The U.S. Securities Act of 1933, as amended
Securities Note	This document
Sellers	The sellers of the Target Portfolio
Settlement Date	The date of delivery of the New Shares which is expected to be on or about 15 November 2016
Shareholders	The holders of Shares in the Fund
Shares	The ordinary shares in the capital of the Fund, each with a nominal value of €5.00, issued from time to time
Stichting Value Partners	Stichting Value Partners Family Office, a foundation incorporated under the laws of the Netherlands, having its registered office in Gemeente Moordrecht, the Netherlands, and its office address at Dorpsstraat 26, 2841 BJ Moordrecht, registered with the trade register of the chambers

	of commerce under number 24440622
Subscription Agent	NIBC Markets N.V.
Summary	The summary dated 28 October 2016 that is an integral part of the Prospectus
Target Portfolio	Eleven neighbourhood retail centres located in Polish regional cities
Underwriters	The parties acting as Underwriters in the Offering
Underwriting Agreement	The underwriting agreement dated 7 October 2016 by and between the Fund, the Underwriters and certain Shareholders in respect of the exercise of the Rights granted to these Shareholders and the subscription for the Rump Shares by the Underwriters
Vendor Loan	The €4.7 million loan from the Vendors dated 11 October 2016 to fund the acquisition of the Leasehold Assets
Vendors	The Sellers providing the Vendor Loan



Warsaw, 23 Aug 2016

TERMS AND CONDITIONS**Acquisition of the portfolio of 8 commercial properties**

Borrower	Palmer Capital RE Poland sp. z o. o. (application for renaming to Arcona Real Estate Poland sp. Z o.o. as been submitted to the commercial register on 19 August 2016)
Lender / Bank	Raiffeisen Bank Polska S.A. ("the Bank")
Project Sponsors	Arcona Property Fund N.V.
Loan Purpose	Acquisition of the portfolio of 8 shopping centres
Project/Property	<p>Acquisition of 7 commercialized convenience shopping centres known as "Skwer Handlowy" in Gdansk, Głogow, Grudziac, Inowroclaw, Piotrkow, Slupsk and 1 convenience center in Kalisz that is not currently leased to tenants.</p> <p>Payment of the price agreed in SPA should be routed via escrow account opened with the Lender.</p>
Equity	<p>Min. 50% of the acquisition price</p> <p>Equity shall be contributed before the first disbursement of the loan in the form of cash, contribution in kind or subordinated loans.</p>
Loans / Facilities	<p>Investment Loan of 50% of acquisition costs max. EUR 10,500,000 (including max. 50% of the acquisition price of the portfolio + max. EUR 50,000 of legal fees) for financing of an acquisition of the Project, split into 2 tranches:</p> <ul style="list-style-type: none"> ■ Tranche A of max. 9,500,000, not more than 50% of purchase price for financing properties except of the property in Kalisz ■ Tranche B of max. 1,100,000 EUR not more than 50% of purchase price for Kalisz property <p>VAT Loan (revolving) of PLN 22,000,000 for financing VAT of a purchase price</p> <p>CAP facility: max. EUR 250,000 to pay costs of CAP transaction (min. equivalent of front-end fee)</p> <p>IRS limit (internal) – according Treasury term sheet</p>
Financing Structure	Investment Loan: Loan-to-Cost: max. 50% and Loan-to-Value max. 70%
Availability Period	<ul style="list-style-type: none"> ■ Investment Loan: 2 months from Closing Date (max. 15 Dec 2016) VAT Loan: 2 months from Closing Date (max. 15 Dec 2016) IRS Limit: 2 months from Closing Date (max. 15 Dec 2016) CAP facility: 2 months from Closing Date (max. 15 Dec 2016)

Maturity Date	<p>Investment Loan :</p> <ul style="list-style-type: none"> ■ Tranche A: The earlier of the date: 5 years from the first drawdown or 30 Nov 2021 ■ Tranche B: The earlier of the date: 3 years from the first drawdown or 30 Nov 2019 <p>Both tranches may be consolidated not later than 3 year from the disbursement</p> <p>VAT Loan: The earlier of the date: 6 months from the first drawdown or 15 June 2017</p> <p>CAP facility: The earlier of the date: 12 months from the first drawdown or 30 Nov 2017</p> <p>IRS Limit: The earlier of the date: 5 years from the first drawdown or 30 Nov 2021</p>
Repayment	<p>No later than on the Maturity Date. Additionally:</p> <p>Investment Loan</p> <p>Tranche A</p> <p>Monthly installments from cash flows generated by the project, the Sponsors' own funds or funds from the sale of the Project or refinancing the Project in other bank. The repayment schedule shall be based on 20-year amortisation of the loan (annuity / fixed principal) and 5– year repayment period. The first principal shall be made no later than on the end of the 2nd interest period from the disbursement of the Investment Loan. The balloon repayment at the end of the repayment period, not higher than 80% of the Investment Loan.</p> <p>Tranche B</p> <p>Tranche B is to be repaid together with Tranche A after their consolidation on the 2nd anniversary of disbursement., when the property should be commercialized and new valuation of the property (min. LTV 65% - value varified by the Bank) based on <u>concluded lease agreements</u> (accepted by the Lender)</p> <ul style="list-style-type: none"> ▪ DSCR for the trache B min. 1,20x calculated on headline rents ▪ All other covenants for the loan are met (verification forward-looking) <p>If above conditions are met, the Tranche B should be consolidated with Tranche A immediately</p> <p>If not met till the 2nd anniversary of disbursement → Tranche B to be repaid till its Maturity (straight -line repayment) from equity and/or excess cash (cash trap)</p> <p>VAT Loan: monthly repayment from proceeds from reimbursements of VAT from the Tax Office, the Sponsors' own funds or funds from the sale of the Project.</p> <p>CAP facility: in 12 straight-line installments starting from the end of the 2nd interest period after disbursment</p>
Interest Periods	1 M

	The first interest period ends on the last business day of the 2nd month that follows a month of disbursement
Up-Front Fee	Investment Loan: 1,30% of the Investment Loan Amount . VAT Loan: 1,20 % of the VAT Loan Amount, paid from the Investment Loan. If the Borrower concludes additional CAP transaction with the price which is equivalent of the amount up-front fee, the Lender waives the up-front fee
Interest rate	Aggregate of the Reference Rate and Bank's Margin
Reference Rate	Investment Loan: EURIBOR 1 M VAT Loan: WIBOR 1 M If the reference rate is negative, the reference rate is floored up to 0%
Bank's Margin	Investment Loan: 3,25% p.a. VAT Loan 2,65% p.a.
Default Interest	Margin + 2%
Commitment fee	25% of the respective Margin charged on the unutilised amount of the Investment Loan available in a given month, payable on the interest payment date, calculated from the Closing Date
Prepayment Fee	On all amounts being prepaid before Final Maturity Date. Prepayment fee will be applicable in case of a refinancing or in case of a sale of the project and/or the shares in the Borrower and a subsequent refinancing of the Facility by any third party: <ul style="list-style-type: none"> ■ 1,5% of the prepaid amount in the 1st year from the Closing Date ■ 1,0% of the prepaid amount in the 2nd year from the Closing Date
Additional Costs	The Borrower shall cover the following costs: <ol style="list-style-type: none"> 1. Costs related to establishing Loan Collateral. 2. Fees for the Bank's contributions to the Bank Guarantee Fund 3. Costs of the Property valuation, which shall be conducted upon each request of the Bank, however not more often than once a year. 4. Costs of a legal counsel for the Lender 5. Costs of technical advisory (if required).
Security Pool	To be established before the drawdown to the ESCROW account <ol style="list-style-type: none"> 1. Voluntary submission to execution according to art. 777 of the Civil Code up to 150% of the amount of loans and limits (FX, IRS). 2. First ranking Registered Pledge over the Borrower's shares and a pledge on the company. 3. Power of attorney to the bank accounts with Raiffeisen Bank Polska S.A. 4. Confirmed assignments of rights from subordinated loans from shareholders /sponsors To be established after the drawdown to the ESCROW account <ol style="list-style-type: none"> 5. First ranking joint mortgage over the Property and buildings in favour of the Lender, up to 150% of the amount of loans (all

	<p>tranches) and limits (IRS)</p> <p>To be established after the disbursement from the ESCROW</p> <ol style="list-style-type: none"> Confirmed assignments of receivables under lease agreements (current and future)). Debt Service Reserve which equals to the amount of Debt Service of 12-month period deposited on the Debt Service Reserve Account (DSRA) created from proceeds from free cash flow generated by the Project during first 18 months after the loan disbursement*. Confirmed assignments of rights from property insurance
Conditions precedent	<p>Investment Loan:</p> <ol style="list-style-type: none"> Signing the ESCROW account agreement between the Borrower, the Bank and the Seller that outlines terms and conditions between parties of releasing funds for the Property purchase. Delivery of the Notary Deed of the Property purchase, with a mortgage established for the benefit of the Bank (with its content and conditions approved by the Bank). Delivery of: <ul style="list-style-type: none"> ■ Technical Due Dilligence Report prepared by a technical advisor approved by the Bank ■ Legal DD of the properties (may be prepared by in-house counsel verified by a Lender's counsel) Delivery of a valid occupancy permit for the Properties. Delivery of the Borrower's declaration that no actual or potential default has occurred . Concluding Interest Rate Swap (IRS) Transaction with Raiffeisen Bank Polska S.A. for the Investment Loan, that hedges 70% of the loan Documenting the possession of full rights and consents from the shareholders to enter into and exercise rights and duties arising from the loan agreement and collateral agreements. Delivery of current (not older than 1 month) certificates from the Tax Office and the Social Insurance Institution (ZUS) stating that the company has no overdue payments. Delivery of the property valuation to the Bank, (valuation based on the income approach), including the potential rental income and all the costs related to the real property maintenance. Legal opinion in respect of the facility and security documents and the binding creation of all securities. In the case of registered pledge and mortgages – the Bank accept a presentation of requests for entry of the mortgage and a registry of pledges and a confirmation that the requests were actually made Payment of all the fees due under the Loan in accordance with the loan agreement. Presentation of a current rent-roll with lease agreements ensuring annual income of EUR 1,800,000

	<p><i>In case when the Properties are being refinanced by the Lender:</i></p> <ol style="list-style-type: none"> 13. Delivery of a notary-confirmed Borrower's resignation from the vacated mortgage field after the mortgage entry for the benefit of current financing bank 14. Delivery of documents relating to the already existing loan and existing security 15. an original copy of the executed pay-off letter (or a similar irrevocable and unconditional statement) of the financing bank under existing loan: 16. consenting to the signing of the Loan and Security agreements in relation to the assets encumbered by the existing security; 17. consenting to the repayment of the existing loan on the drawdown date (if such consent is required); 18. confirming the total amount, the payment of which on the drawdown date results in the full repayment of the existing loan and/or the full release of the existing security ; 19. indicating the bank account into which the amount specified in section above is to be paid on the drawdown date; and 20. undertaking for the full release of the existing security if the amount specified in point 3 above is repaid on the drawdown date, in form and substance satisfactory to the Lender; and 21. final draft of the release letter to be issued by the bank under the existing loan and existing security, in form and substance satisfactory to the Lender. <p>VAT Loan:</p> <ol style="list-style-type: none"> 22. Fulfilment of all conditions of launching of the loan, concerning the Investment Loan. 23. Delivery to the Bank of an "update notification" NIP-2, which indicates a bank account, administered by the Bank, as the account appropriate for the return of the Value Added Tax (VAT) – a true copy of the document sealed by the Tax Office. <p>The decision on whether above conditions are fulfilled is made by the Bank at its sole discretion.</p>
Financial Covenants	<ol style="list-style-type: none"> 1. DSCR for the Project not lower than 1,20 throughout the loan period DSCR shall be calculated based on financial statements using the following formula: <ul style="list-style-type: none"> • Numerator: profit on sales + amortisation – income tax (current part) • Denominator: Debt service + IRS settlement The DSCR shall be tested on the last day of each quarter of each year for the 6 months period ending at the end of the relevant quarter and in forward-looking manner for the next 6 months period in the next quarters; The calculation of the DSCR will be prepared

	<p>quarterly by the Borrower and delivered to the Lender;</p> <p>2. LTV ratio (loan amount to real property value) may not exceed 65%. The property value calculated based on the real property valuation made by the Independent Property Appraiser approved by the Bank – annual verification.</p>
Distribution / Cash Sweep	<p>1. If the Financial Covenants are met, free cash flow (NOI less Debt Service less OPEX less contribution to Repair Accountless required contributions to Debt Service Reserve account) shall be transferred on monthly basis from the Project Account to the Current Account .</p> <p>2. Dividend payment after Lender's consent.</p> <p>3. If Financial Covenants are not met (DSCR between 1.20x and 1.10x and LTV between 65% and 70%) , Cash Trap mechanism is applied (free cash flow is collected on DSRA)</p> <p>If covenants are not cured within 6 months, collected cash shall be transferred semi-annually for the loan prepayment. In the above case. This mechanism shall remain in force until the end of the quarter in which the ratios return to the required levels.</p> <p>Cash Trap mechanism is also applied until 12 M Debt Service Reserve id created on the DSRA.</p> <p>After 12 M DSRA is created, 30% of free cashflow will be swept to DSRA for quarterly prepayment of the ballon</p> <p>The Bank may reconsider the cash sweep mechanism 24 months after disbursement of the loan (subject to Borrower's request) in relation to the ability of the Borrower to extend the lease(s) with Piotr & Pawel and / or in relation to the ability of the Borrower to re-let the space to another retailer to the satisfaction of the Bank (decision is at sole discretion of the Lender).</p> <p>4. DSCR below 1.10 or LTV ratio above 70% shall be deemed as an Event of Default</p> <p>5. If covenants are met, the Borrower may repay subordinated debt and interest from access cash flow (after OPEX, capex, DSRA, other mandatory payments). Each repayment should be reported on the quarterly compliance certificate.</p> <p>6. Management fee shall be on the market conditions and shall be approved by the Lender</p>
Accounts	<p>1. The Borrower shall procure that the accounts are opened with the Lender.</p> <p>2. The Borrower shall open the Project Account (blocked Lender's account). All rent payments will be collected on the blocked Project Account. At the end of each month during repayment period funds collected on the Project Account will be transferred for the debt repayment, creation of DSRA and CAPEX reserve (if needed), operating costs (if not covered with Service Charge).</p> <p>3. Any other distribution of funds from the Project Account possible after</p>

	<p>repayment of all outstanding liabilities towards the Lender and LTV/DSCR covenants are met</p> <ol style="list-style-type: none"> 4. Since 01 Jan 2017 5% of monthly NOI will be swept to the Repair Reserve Account (blocked Borrower's account). The Borrower will utilise the Reserve for required CAPEX expenditures in the Properties (verification by the Lender upon presentation of invoices or pro-formas). Amounts remaining on the account will repay the balloon on the maturity. 5. Any service charges will be collected on the Service Charge Account and paid from this account (blocked Borrower's account) 6. Daily business shall be routed via the Operating Account (Borrower's account) 7. VAT will be routed via VAT Account opened with the Lender (blocked Borrower's account) 8. Should the acquisition price be financed directly from the loans, the Borrower is supposed to open the Escrow Account for loans disbursement 9. Debt Service Reserve will be deposited on the Debt Service Reserve Account (DSRA) (blocked Lender's account)
Events of Default	<p>An Event of Default is each event set out below:</p> <ol style="list-style-type: none"> 1. Non-payment 2. Breach of financial covenants 3. Misrepresentation 4. Creditors' process - any attachment (zajęcie), injunction (zabezpieczenie), commenced enforcement proceedings or analogous event affects any asset or shares of the Borrower 5. Major damage 6. Cessation of business; abandonment and suspension of the Project Completion 7. The Change of Control without prior written consent of the Lender. 8. Insolvency or Insolvency proceedings 9. Cross default with other loans/limits 10. Total Project Costs exceeded 11. Material adverse effect 12. Negative own funds 13. DSCR < 1,10; LTV > 70% <p>On the occurrence of an Event of Default which is continuing, the Lender may, by notice to the Borrower:</p> <ul style="list-style-type: none"> • cancel the Commitment under the Facilities; and/or • subject to the mandatory termination periods under Polish law,

	<p>terminate this Agreement and declare that all or part of the Loan be payable on demand, whereupon they shall immediately become payable on demand by the Lender; and/or</p> <ul style="list-style-type: none"> • take any step to enforce any of the security, or exercise any or all of its rights, remedies and powers under the Finance Documents; and / or • request additional Security; and /or • request the Borrower to prepare the remedy plan
Basic conditions of the agreement	<ol style="list-style-type: none"> 1. The Borrower will create, perfect and maintain in force, at the Borrower's cost, the Security in a manner satisfactory to the Lender; 2. The Borrower will conduct his daily banking transactions the Bank and will close all accounts not required in connection with the Project; 3. The Borrower will give the Lender immediate written notice upon the occurrence of an event of default; 4. The Borrower will not enter into any agreements for providing additional debt financing without the prior written approval from the Lender except subordinated loans from shareholders 5. The Borrower will apply any and all funds received by it in consideration of any sale of any of its assets for prepayment of the outstanding Facility. 6. The Borrower will ensure that payments under the lease agreements regarding will be made exclusively to the Project Account held by the Lender. 7. The Borrower will keep any equity or subordinated debt at all times invested in the Project until all obligations versus the Lender have been fulfilled by the Borrower (except for permitted payments out of excess cash flow – subject to fulfilment of facility agreement's conditions. 8. The Borrower will provide the Bank with: <ul style="list-style-type: none"> ▪ audited annually financial statements and quarterly financial statements (income statement, balance sheet and cash flow statement), ▪ rent-roll in a form to be agreed with the Bank - quarterly, ▪ periodical valuation of the Project (valuator and time-periods to be agreed with the Bank – min. 2 years) ▪ all reasonable information related to the project and requested by the Bank. <p>✓ Kalisz property – to be developed and commercialized within 24 months from the first disbursement. If the condition is not fulfilled, free cash flow will be swept for the Tranche B prepayment.</p> <p>Tranche B will not be consolidated with Tranche A and should be fully repaid at its Maturity.</p>

Transfer of rights and obligations under the Loan Agreement	<ol style="list-style-type: none"> 1. The Lender may assign any of its rights and transfer any of its obligations under the Loan Agreement (including any Security) to another bank or financial institution. 2. The Borrower shall not transfer any of its rights and obligations under the Loan Agreement (including any Security) without written consent from the Lender.
Governing Law	Polish Law

The proposed financing, its principal terms and conditions, which are set out below, were approved by the Credit Committee and remain subject to concluding of a loan and security documentation with Raiffeisen Bank Polska S.A. and fulfillment of the conditions precedent for disbursement of the loans (the decision on whether conditions precedent are fulfilled is made by the Bank at its sole discretion).

The offer is valid till 15 Dec 2016 (first disbursement).

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