**Castle Private Equity AG**

# *Listing Memorandum and Offering Circular*

*maximum of 800 000 bearer shares of CHF 50.– par value each*

*October 18, 2000*

# Castle Private Equity AG

A joint stock corporation under the laws of Switzerland

## Listing Memorandum and Offering Circular

relating to the issue of maximum 800 000 bearer Shares of CHF 50.– par value each

by way of subscription rights and public placement.

Application has been made to list the Shares on the SWX Swiss Exchange and the Bourse de Luxembourg.

October 18, 2000

This Listing Memorandum and Offering Circular contains information a prospective investor should know before investing and should be retained for future reference. This is not a traditional investment; please read carefully the paragraph on investment risks included in this Listing Memorandum and Offering Circular.

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# 1. Notice to investors

This Listing Memorandum and Offering Circular is furnished to potential investors for the purpose of providing information relating to Castle Private Equity AG (the «Company»), Zug. The description in this Listing Memorandum and Offering Circular of the Articles of Association of the Company and of the other agreements mentioned herein is not complete and is qualified by and subject to the detailed provisions of such documents.

No person has been authorized to give any information or to make any representations not contained in this Listing Memorandum and Offering Circular and any information or representations not contained or incorporated by reference herein must not be relied upon as having been authorized by the Company.

**Investment in the Shares of the Company requires the financial ability and willingness to accept certain risks. See «Investment risks» contained herein. Each prospective investor should consult his own professional advisers as to the legal, tax, financial or other matters relevant to the suitability of an investment in the Shares of the Company for such investor.**

The distribution of this Listing Memorandum and Offering Circular in certain jurisdictions may be restricted by law. Persons reading this Listing Memorandum and Offering Circular should inform themselves as to (i) the possible tax consequences, (ii) the legal requirements and (iii) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their citizenship, residence or domicile and which might be relevant to the purchase, holding or disposal of the Shares.

No action has been taken to permit the distribution of the Listing Memorandum and Offering Circular in any jurisdiction where such action is required to be taken. Accordingly, this Listing Memorandum and Offering Circular may not be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

The Shares have not been and will not be registered under the United States Securities Act of 1933 (the «Securities Act»). They may not be offered, sold or delivered within the United States of America or to or for the account or benefit of U.S. persons (as defined in the Securities Act). Accordingly, the offer to subscribe for the Shares is not being made in the United States of America and no offering material with respect to the offering may be distributed or sent to the United States and no Shares may be sold to United States citizens or residents pursuant to this offering.

The Company has not authorized any offer to the public of the Shares in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. The Shares may not be offered or sold to persons in the United Kingdom except in circumstances which do not result in an offer to the public in the United Kingdom within the meaning of such Regulations or otherwise in compliance with all applicable provisions of such Regulations. This document may not be issued or passed on in the United Kingdom except to a person who is of a kind described in Article 11 (3) of The Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 or is a person to whom such document may otherwise be lawfully issued or passed on.

The Directors of the Company accept the responsibility for the information contained in this document and have taken all reasonable care to ensure that, to the best of their belief and knowledge, the information contained in this document is in accordance with the facts and does not omit any materially relevant information.

In this Listing Memorandum and Offering Circular, unless otherwise specified or the context otherwise requires, references to «CHF» are to Swiss Francs and references to «USD» are to United States Dollars.

# 2. Capital increase

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| **Share offering** | Minimum 200 000 and maximum 800 000 shares with a par value of CHF 50.– each |
| **Purpose** | The Company intends to use the proceeds of the capital increase to realize new investment opportunities for the benefit of its investors. |
| **Issue price** | The issue price will be fixed on November 8, 2000 based on the average of the closing prices of the Shares on the SWX Swiss Exchange between November 2 and November 8, 2000 minus 5%, but not less than the Net Asset Value of the Shares as of November 08, 2000. The federal stamp duty will be paid by the Company. |
| **Offering periods** | Offering period for the exercise of subscription rights: October 18, 2000 until November 8, 2000, noon.<br>Offering period for the public: October 18, 2000 until November 08, 2000, noon. |
| **Publication of issue price and listing** | The issue price and exact number of shares to be listed will be published on November 10, 2000 in newspapers of general circulation in Switzerland and Luxembourg, expected to be *Finanz und Wirtschaft*, *Neue Zürcher Zeitung* and *Luxemburger Wort*. |
| **Ex-date** | October 18, 2000 |
| **Payment date** | November 13, 2000 |
| **Subscription rights** | Five bearer shares with a par value of CHF 50.– each give entitlement to subscribe to one new bearer share with a par value of CHF 50.–. No trading will take place in subscription rights. Subscription rights that are not exercised will lapse without compensation. |
| **Public placing** | The company can publicly place shares not subscribed under the subscription offer: If all subscription rights are exercised, no shares will be placed with new Shareholders. Should the number of shares placed by subscription and public offering remain below the minimum amount of 200 000 shares, the lead manager shall absorb those shares short of the minimum amount. |
| **Shareholder rights** | The new shares shall be entitled to dividends beginning January 1, 2000. All shares of the company in issue are ranking pari-passu with each other regarding dividends and all other pecuniary rights associated with the ownership of shares. |
| **Resolutions** | The capital increase of maximum 800 000 shares of CHF 50.– par value each will be effected through a draw down of authorized share capital. By virtue of a resolution adopted at a general meeting of shareholders on June 23, 1999, the Board of Directors was instructed to create the company's authorized share capital of not more than CHF 100 000 000 as follows:<br><br>*«The general meeting of shareholders unanimously resolves:*<br>*1. to create an authorized share capital of CHF 100 000 000 in addition* |

*to the ordinary capital;*
*2. to enable the board of directors to implement such capital increase until no later than June 23, 2001;*
*3. to amend the articles of association as follows:*

*Art. 3a Authorized Share Capital*

*«The board of directors is authorized, at any time until June 23, 2001, to increase the share capital up to a maximum aggregate amount of CHF 100 000 000 through the issuance of a maximum of 2 000 000 bearer shares which shall be fully paid-in, with a par value of CHF 50 each. Increases by underwriting as well as partial increases are permissible. The issue price, the date for entitlement to dividends and the kind of contribution shall be determined by the Board of Directors.*

*The Board of Directors is authorized to exclude the shareholders' subscription rights and allocate them to third parties if the new shares are issued at market conditions and are to be used for the placement with investors at stock markets abroad. Subscription rights issued that have not been exercised are to be allocated under market conditions.» »*

The Board of Directors decided on August 21, 2000 to increase the equity capital from CHF 200 million to a maximum of CHF 240 million by issuing a maximum of 800 000 bearer Shares with a par value of CHF 50.– each.

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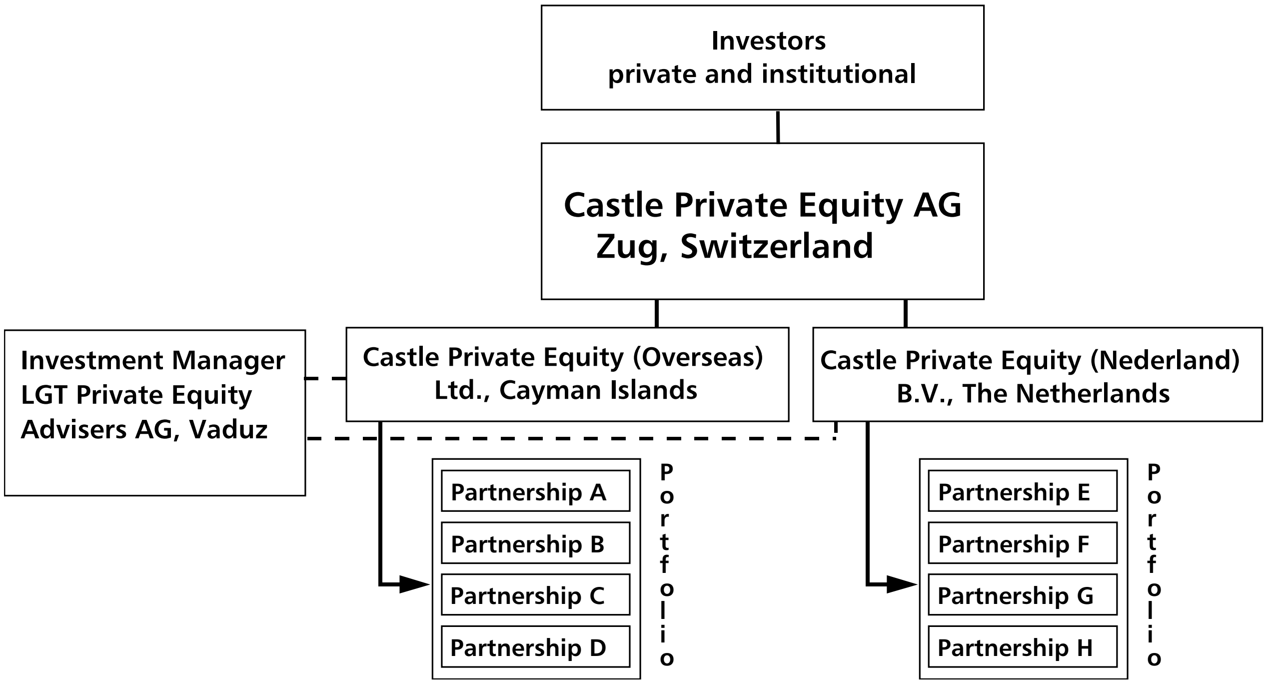
| **Lead manager** | LGT Bank in Liechtenstein Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein. |
| **Principal paying agent** | LGT Bank in Liechtenstein Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein. |
| **Paying agent Luxembourg** | Banque de Luxembourg, 14, boulevard Royal , L – 2449 Luxembourg<br>Subscriptions in Luxembourg will be excepted by Banque de Luxembourg. |
| **Delivery** | A global share certificate will be issued for the new bearer shares and deposited with SegaInterSettle. The new Shares will be cleared through SIS SegaIntersettle, Euroclear and Clearstream. Shareholders may not request that single share certificates be issued, unless the printing of single Share certificates is required by law. |
| **Charges** | No commissions will be charge by the Company for the execution of the subscription rights. Fees may be charged by the depository bank of individual Shareholders. |
| **Swiss security number** | 597.816 |
| **ISIN code** | CH0005978165 |
| **German security number** | 906.206 |
| **Common code** | 007424558 |

# 3. Investment structure




The following summary is qualified in its entirety by reference to the more detailed information included elsewhere in this Listing Memorandum and Offering Circular.

**The Company**

Castle Private Equity AG, Zug, is a corporation duly organized and existing under the laws of Switzerland. The registered office of the Company is located at Baarerstrasse 37, 6304 Zug.

**The Subsidiaries**

Castle Private Equity (Overseas) Ltd., c/o CITCO Fund Services (Cayman Islands) Ltd. P.O. Box 31106, Seven Mile Beach, Grand Cayman, Cayman Islands, B.W.I., is a company duly organized and existing under the laws of the Cayman Islands.

Castle Private Equity (Nederland) B.V., c/o CITCO (Nederland) B.V., Strawinskylaan 1725, 1077 XX Amsterdam, the Netherlands, is a company duly organized and existing under the laws of the Netherlands.

**Investment objective and policy**

The Company's investment objective is to maximize the long-term returns to Shareholders by investing, through its Subsidiaries or through such other subsidiaries as the Company may from time to time establish, in a portfolio of private equity investments. For the purpose of this Listing Memorandum and Offering Circular, private equity investments means professionally managed equity investments in the securities of private and public companies. Equity investments can take the form of a security which has an equity participation feature. The most common forms are common stock, convertible preferred stock, and subordinated debt with conversion privileges or warrants. Investments are made alongside the management to start, develop or transform companies which demonstrate the potential for significant growth. It comprises investments into financing stages: (i) seed, (ii) early, (iii) later, (iv) mezzanine, (v) middle market private firms and (vi) public buyouts such as MBOs and LBOs.

Each of the Company and the Subsidiaries seeks to achieve this objective by the allocation of the Company's and/or the Subsidiaries' assets to sophisticated Private Equity Managers and direct investments into private equity. Support has been and will be obtained from Invesco Private Capital, New York, a former subsidiary of Liechtenstein Global Trust Aktiengesellschaft, which is, among others, specialized in the private equity sector. No assurance can be given that the Company's and / or the Subsidiaries' investment objective will be achieved and investment results may vary substantially over time. The investment objective and policies are contained in the investment guidelines enacted by each of the Boards of Directors of the Company and the Subsidiaries.

Due to the nature of the investment process, it is likely that from time to time the Company and/or the Subsidiaries will hold cash positions. Furthermore, the characteristics of private equity business may make it necessary to bridge short-term cash inflows. In both cases the Company and/or the Subsidiaries may invest into short-term (less than 12 months to maturity) and medium-term (not greater than 5 years to maturity) debt securities or hold cash with prime banks. The Company intends to invest only in debt securities that are rated A or better by Standard & Poor's Ratings Group («S&P») or Moody's Investors Service Inc. («Moody's») issued by governments, financial institutions or companies, denominated in any freely convertible currency.
In addition, each of the Company and the Subsidiaries may place all or part of its assets in temporary investments for cash management purposes pending investments of initial or subsequent subscription moneys in accordance with the Company's investment policies, in order to make distributions to Shareholders and to meet its operational expenses.

The Company and/or the Subsidiaries will normally not hedge their currency risk. For the time being it is intended that all material non-USD investments will be hedged into USD.

As of the date of this Listing Memorandum and Offering Circular, the Company has issued and has outstanding 4 000 000 bearer Shares with a par value of CHF 50.– each.

**Listing**

The Company's Shares are listed in CHF at the SWX Swiss Exchange and in USD at the Bourse de Luxembourg.

**Investment Manager**

LGT Private Equity Advisers Aktiengesellschaft (the «Investment Manager»), was formed on February 24, 1997, and is wholly owned by Liechtenstein Global Trust Aktiengesellschaft, Vaduz, and Partners Group AG, Zug. Pursuant to the investment management agreement entered into with the Subsidiaries, the Investment Manager advises the Subsidiaries in view of the investment of the Subsidiaries' portfolio in accordance with the investment objective and policy.

**Custody**

As of the date of this Listing Memorandum and Offering Circular, the Company has not engaged a custodian, as the investments contemplated by the Company to date are principally entered into by means of privately negotiated agreements. A custodian might be appointed at a later stage.

**Administrator**

LGT Capital Management Aktiengesellschaft, Vaduz, is acting as Administrator for the Subsidiaries and calculates the Net Asset Value of the Subsidiaries.

# 4. Definitions

In this Prospectus the following words and phrases have the meanings set forth below:

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| «Administrator» | means LGT Capital Management Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein; |
| «Auditor» | means Arthur Andersen AG, Binzmühlestrasse 14, CH – 8050 Zurich, Switzerland; |
| «Articles of Association» | means the Articles of Association of the Company; |
| «Board of Directors» | means the Board of Directors of the Company and / or the Subsidiaries |
| «Business Day» | means a day (except Saturday or Sunday) on which banks in Zurich are open for business; |
| «Cayman Subsidiary» | means Castle Private Equity (Overseas) Ltd., c/o CITCO Fund Services (Cayman Islands) Ltd., P.O. Box 31106, Seven Mile Beach, Grand Cayman, Cayman Islands, B.W.I.; |
| «Company» | means Castle Private Equity AG, Baarerstrasse 37, CH – 6304 Zug, Switzerland; |
| «Dutch Subsidiary» | means Castle Private Equity (Nederland) B.V., c/o CITCO (Nederland) B.V., Strawinskylaan 1725, NL – 1077 XX Amsterdam, the Netherlands; |
| «Founder» | means the Liechtenstein Global Trust Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein; |
| «Investment Manager» | means LGT Private Equity Advisers Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein; |
| «LGT Bank» | means LGT Bank in Liechtenstein Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein; |
| «Listing Agent Luxembourg» | means Banque de Luxembourg, 14 Boulevard Royal, L – 2449 Luxembourg; |
| «Listing Agent Switzerland» | means Niederer Kraft & Frey, Bahnhofstrasse 13, CH – 8001 Zurich; |
| «Net Asset Value» | means the Net Asset Value of the Company or the Subsidiaries, as the case may be, calculated as described herein; |
| «Paying Agent(s)» | means LGT Bank in Liechtenstein Aktiengesellschaft, Niederlassung Zürich, Gladbachstrasse 105, CH – 8044 Zurich, Switzerland, and Banque de Luxembourg, 14 Boulevard Royal, L – 2449 Luxembourg; |
| «Principal Paying Agent» | means LGT Bank in Liechtenstein Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein; |
| «Private Equity» | means professionally managed equity investments in the securities of private and public companies. Equity investments can take the form of a security which has an equity participation feature. The most common |

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| | forms are common stock, convertible preferred stock, and subordinate debt with conversion privileges or warrants. Investments are made alongside the management to start, develop or transform companies which demonstrate the potential for significant growth. It comprizes investments into financing stages: (i) seed, (ii) early, (iii) later, (iv) mezzanine, (v) middle market private firms and (vi) public buyouts such as MBOs and LBOs.; |
| «Private Equity Manager» | means the person(s) who are actually managing the private equity assets by making the investment decisions. Private Equity Managers normally organize their funds as limited partnerships; |
| «Share» | means a bearer share of the Company with a CHF 50.– par value; |
| «Shareholder» | means a holder of Shares in the Company; |
| «Subsidiaries» | means the Cayman Subsidiary and the Dutch Subsidiary; |
| «U.S.» or «United States» | means the United States of America, its territories and possessions including the States and the District of Columbia; |
| «U.S. Person» | means any citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any person falling within the definition of the term «U.S. Person» under Regulation S promulgated under the U.S. Securities Act of 1933 (as amended); |

# 5. Investment risks

**The following specific risks are brought to the attention of investors, but the list does not purport to be exhaustive.**

**General considerations**

**Investors should recognize that investing in the Company involves risks and special considerations not typically associated with investing in other securities and that the asset allocation is not structured as a complete investment program. Investments in the Company may only be suitable for sophisticated investors who are prepared to lose part of their investment.**

**In the normal course of the business of private equity investment vehicles, the Investment Manager and Private Equity Managers trade various financial instruments and enter into various investment activities with different risk profiles. With respect to the investment strategy utilized by the Investment Manager, there is always some, and occasionally a significant degree of market risk. The Company gives no assurances that its investment objective of maximizing return on investment will be achieved.**

**Political and / or regulatory risks**

**The value of the Company's assets may be affected by uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which the Company's assets are invested.**

**Currency risk**

**The Net Asset Value per Share will be computed in USD, whereas the Company's investments may be acquired in currencies other than USD. It may not be possible or practicable to hedge against the consequent currency risk exposure. Since the Net Asset Value of the Company is calculated and reported in USD, a fluctuation in foreign currencies could substantially impact the performance of the Company. Furthermore, the value of the assets of the Company and its income, as measured in USD, may be affected by fluctuations in currency rates and exchange control regulations.**

**Underlying asset risk**

**Although the Company's Shares have an active market maker, the underlying holdings of the investments through the money managers are primarily non-quoted stocks. A liquidation of the underlying holdings may be difficult and the real value of these investments is realized only after several years. Therefore the investment into the Company should be done in view of a long-term perspective.**

**Market risk**

**The market risk for private equity depends to a certain degree upon the respective industry sector of the small cap IPO market. The IPO market represents an exit strategy for many private equity investments. Whenever the IPO market is inactive, lesser exit strategies for private equity projects thus resulting in lower returns for private equity investments. The quantity of interesting and attractive private equity opportunities might decrease in the future. In case of such an unlikely shortage, the Company can give no assurance of being able to invest into those Private Equity Managers**

**it wishes to invest in nor of being able to fully invest its proceeds into private equity.**

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| **Hedging risk** | **To the extent that the Investment Manager's expectations in employing techniques and instruments for the purpose of hedging against currency or other risks are incorrect, the Company may suffer a loss.** |
| **Valuation risk** | **It is possible that the Shares may trade at a discount to the Net Asset Value and/or to the offering price.** |
| **Accounting, auditing and financial reporting standards** | **The accounting, auditing, financial and disclosure requirements and reporting standards applicable to companies in which the Company invests may be less extensive than those applicable to Swiss companies and therefore the financial accounts or information available to the Company or the Investment Manager may not provide the same degree of information to investors as would generally apply internationally.** |

# 6. The Company

## 6.1. General information

**Founders**

The Company was founded by Liechtenstein Global Trust Aktiengesellschaft which provided the initial capital of Castle Private Equity AG. Liechtenstein Global Trust is a leading private banking and asset management group with over CHF 50 billion in assets under administration and over 700 employees worldwide.

**Listing**

The Company's shares are listed in CHF at the SWX Swiss Exchange and in USD at the Bourse de Luxembourg.

**Material contracts**

The material contracts of the Company and the Subsidiaries are as follows:

1. The investment management agreement between the Subsidiaries and the Investment Manager;
2. The administrative services agreement between the Subsidiaries and LGT Capital Management Aktiengesellschaft, Vaduz.

Copies of the Articles of Association of the Company including organization regulations, as amended to the date hereof and of material contracts may be inspected at the principal office of Banque de Luxembourg S.A. and may be obtained at the office of the Company.

For as long as the Shares are listed on the SWX Swiss Exchange, copies of all notices to Shareholders in the Company will be published in two leading newspapers of general circulation in Switzerland in German language (expected to be the *Finanz und Wirtschaft* and *Neue Zürcher Zeitung*). For as long as the Shares are listed on the Bourse de Luxembourg, copies of all notices to Shareholders in the Company will be published in a newspaper of general circulation in Luxembourg (expected to be the *Luxemburger Wort*).

In addition, for as long as the Shares are listed on the SWX Swiss Exchange, copies of the consolidated annual and semi-annual and quarterly reports and all other relevant information about the Company may be obtained at the offices of the Listing Agent Switzerland. For as long as the Shares are listed on the Bourse de Luxembourg, copies of the consolidated annual and semi-annual and quarterly reports and all other relevant information about the Company may be obtained at the offices of the Listing Agent Luxembourg.

**Principal paying agent and paying agent**

The Company has appointed LGT Bank as principal paying agent. Furthermore LGT Bank in Liechtenstein Aktiengesellschaft, Niederlassung Zürich and Banque de Luxembourg S.A. serve as paying agents for the Company.

**Name, registered office and duration**

The Company is a duly organized joint stock corporation established for an indefinite period in the canton of Zug, Switzerland, by deed dated February 19, 1997. The Company was registered in the main commercial register of the canton of Zug on February 20, 1997. The updated statutory documents are registered with the commercial register of the canton of Zug and can be consulted by the public. Copies thereof and of any other material contracts may be inspected and/or obtained at the office of the Investment Manager. Register number of the Company is CH-170.3.021.212-0.

The registered office of the Company is located at Baarerstrasse 37, 6304 Zug. The first financial year of the Company ended December 31, 1997.

**Applicable law and jurisdiction**

This Listing Memorandum and Offering Circular, the Articles of Association of the Company, including the organization regulations, as well as the relationship between the Shareholders and the Company are governed by and construed in accordance with Swiss law. Any legal action or proceeding in respect thereof shall be brought in the ordinary courts of the canton of Zug, venue being in the city of Zug, with the right of appeal to the Swiss Federal Court in Lausanne, where the law permits, and whose decision shall be final.

The restated Articles of Association reflecting the capital increase and the legal notice have been filed with the chief registrar of the district court in Luxembourg.

**Purpose**

The purpose of the Company, as stated in Article 2 of the Company's Articles of Association, is as follows (free English translation of the German original):

«*The Company's purpose is the direct or indirect acquisition, the continuous management and the sale of participations in domestic and foreign companies which are specialized in the investment in private equity and venture capital as well as the cash management connected therewith, in particular the holding of Shares of Castle Private Equity (Overseas) Ltd. The Company may create branches and other subsidiaries in Switzerland and abroad and may acquire participations in other companies. The Company may engage in any commercial, financial and other business falling directly or indirectly within the scope of its activity.*»

**Board of Directors**

The Board of Directors is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Directors may delegate certain functions to third parties, subject to supervision and direction by the Directors. The Directors are listed indicating their domicile and principal activities they might hold outside the Company.

**Dr. Konrad Bächinger, Chairman** (Swiss citizen, residing in Sevelen, Switzerland, born 1950) received a Ph. D. in law from the University of Zurich. He has been working for the LGT Group since 1984. He started as General Counsel for LGT Bank in Liechtenstein Aktiengesellschaft. 1989 he was appointed Managing Director and Head of Division Legal Matters and Project Department. 1990 he became Member of the Executive Board of the Bank, heading Commercial Banking and Legal Matters. Since 1998 he is Chief Executive Officer of LGT Capital Management AG.

**Dr. Marcel Erni** (Swiss citizen, residing in Oberägeri, Switzerland, born 1965) did his undergraduate studies in economics and finance at the University of St. Gall, received an MBA from the University of

Chicago and a Ph.D. in finance from the University of St. Gall. After internships in the finance department of Marc Rich & Co. in Zug, Dr. Erni worked three years for McKinsey & Co. in Switzerland. His work as a consultant and engagement manager included international and national projects in the field of banking, insurance, machinery industry and information technology, both on a strategic and operational level. Dr. Erni joined Goldman, Sachs & Co. Bank in Zurich in 1994 and worked as a private and investment banker. In January 1996, he was one of the cofounders of Partners Group AG (formerly Asset Management Partners Zug), Zug. He currently serves on the Board of Directors and is a managing partner of Partners Group AG.

**Willy Frauenknecht** (Swiss citizen, residing in Chur, Switzerland, born 1950). He started his business experience in organization and began his career in banking some years later. In 1976 he joined Bank Hapoalim (Switzerland) Ltd., Zurich, as Head of Money Market and Foreign Exchange Dealing. Mr. Frauenknecht has been working for LGT Bank, Vaduz, since 1987. In 1989 he was appointed Head of Treasury, in 1990 Head of Dealing Division and 1997 Head of Trading/Treasury.

**Heinz Nipp** (citizen of the Principality of Liechtenstein, born 1951). Studies include a banking apprenticeship and training as a financial analyst which were later followed by Executive Management Studies at Stanford University, California. Prior to joining LGT Bank, Vaduz, in 1982, Mr. Nipp spent several years abroad to gain practical banking experience. Mr. Nipp is the CEO of LGT Bank.

**HSH Prince Philipp von und zu Liechtenstein** (citizen of the Principality of Liechtenstein, residing in Vaduz, Principality of Liechtenstein, born 1946) studied history and social sciences at the Universities of Bonn and Basle. His professional career led him to assignments with Hambros Bank, London, Agents de change Gorgeu-Percquel-Kruckner, Paris, and Banque Rothschild, Paris. Prince Philipp founded and was Executive Director of HORUS International, Paris, a company specialized in international commerce and investments. In 1979 he became Chairman of the Supervisory Board of Liechtensteinische Landesbank, Vaduz. Prince Philipp left this position in 1981 in order to become Vice Chairman of the Board of Directors of LGT Bank, Vaduz. Since 1990 he holds the position of Chairman of the Board of Directors and Chief Executive Officer of Liechtenstein Global Trust Aktiengesellschaft.

According to the Articles of Association the Board of Directors of the Company is entitled to receive compensation for its services rendered to the Company and to be reimbursed for expenses incurred with regard to the Company. The Board of Directors itself determines the level of remuneration it will receive (within the general limits of the law). However, for the time being the Board of Directors has waived its rights to receive a remuneration for its services rendered to the Company. To the Company's and the Subsidiaries' knowledge no member of the administrative, management and supervisory bodies has engaged since the incorporation in transactions affecting the Company which are unusual in their nature or conditions.

The Company has granted no outstanding loans or guarantees.

**Auditors**

Arthur Andersen AG, Binzmühlestrasse 14, CH – 8050 Zurich, Switzerland.

## 6.2. Capital

**Major Shareholders**

As of August 31, 2000, the Company has the following major Shareholders as far as they are known to the Company: Schweizerische Lebensversicherungs- und Rentenanstalt with 12.5% of Shares.

**Share capital**

The Company's Share capital is divided into bearer Shares. As of the date of this Listing Memorandum and Offering Circular, 4 000 000 bearer Shares with a par value of CHF 50.– each are issued and outstanding.

The Shares rank equally as to dividends and all other pecuniary rights associated with the ownership of Shares. In the event of liquidation of the Company, each Share is entitled to its proportion of the Company's assets after deduction of all debts and expenses in accordance with the applicable laws.

Changes in the Company's capital and variation of Shareholders' rights can only be effected by vote of a general meeting of Shareholders as set out in «Voting rights» below. The bearer Shares are freely negotiable.

**Authorized and conditional Share capital**

There exists no conditional capital for the time being. By virtue of a resolution adopted at a general meeting of shareholders on June 23, 1999, the Board of Directors has been authorized to increase the Company's Share capital by not more than CHF 100 000 000 as follows (free English translation of the German original):

*«The Board of Directors is authorized, at any time until June 23, 2001, to increase the share capital up to a maximum aggregate amount of CHF 100 000 000 through the issuance of a maximum of 2 000 000 bearer shares which shall be fully paid-in, with a par value of CHF 50 each. Increases by underwriting as well as partial increases are permissible. The issue price, the date for entitlement to dividends and the kind of contribution shall be determined by the Board of Directors.*

*The Board of Directors is authorized to exclude the shareholders' subscription rights and allocate them to third parties if the new Shares are issued at market conditions and are to be used for the placement with investors at stock markets abroad. Subscription rights issued that have not been exercised are to be allocated under market conditions.»*

**Voting rights**

Each Share entitles the holder to exercise one vote. Voting rights are exercised at general meetings of Shareholders at which resolutions must be passed by an absolute majority of the votes allocated to the Shares represented at the Shareholders' meetings, except as provided otherwise by the Articles of Association or by Swiss company law for certain important resolutions, such as e.g. the withdrawal of Shareholders' subscription rights or the creation or increase of authorized or conditional capital, which require the approval of at least two-thirds of the votes represented and the absolute majority in terms of the par value of the Shares represented.

**Shareholder meetings**

Annual general meetings of Shareholders will be held in Switzerland on such date and in such place as the Directors may determine, but within 6 months of the close of the fiscal year.

**Notice to Shareholders**

Notices convening each general meeting containing the agenda will be published in the Swiss Commercial Gazette and the Luxemburg Wort not later than twenty days before the day fixed for the meeting.

**Art. 32 and 52 SESTA**

The Company has stated in its Articles of Association that an offer or who acquires a certain threshold amount of Shares **shall not** be required to make a public offer to acquire all the listed securities of the Company pursuant to Art. 32 and 52 of the Federal Act on Stock Exchanges and Securities Trading («SESTA») of March 24, 1995.

**Printing of certificates**

The Shares have been accepted for clearance through SIS under Swiss Security Number 597.816 and Euroclear and Clearstream under the Common Code 007424558 and the ISIN Code CH 0005978165. Two global share certificates for the Shares and the subscription rights, respectively, have been deposited with SIS SEGAInterSettleAG («SIS») and transfers of Shares are effected through a book-entry system maintained by SIS. **Shareholders may not request that single Share certificates be issued, unless the printing of single Share certificates is required by law.**

**Replacement of lost or mutilated certificates**

A lost or destroyed certificate, if printed, may be replaced, at the Shareholder's written request, by a duplicate certificate under such conditions and indemnities as the Board of Directors of the Company shall determine, including a guarantee delivered by an insurance company. A mutilated certificate may be exchanged for a duplicate certificate upon the delivery of the mutilated certificate to the Company. All related costs shall be borne by the respective Shareholder.

## 6.3. Administration of the Company

**Determination of Net Asset Value (NAV)**

The Company holds through its investments in Private Equity Managers or its direct investments a large amount of unquoted and a small amount of quoted stocks of many different kinds of companies. These Private Equity Managers report a Net Asset Value (NAV) on a quarterly basis, the standard in the private equity industry. Direct investments made by the Company will also be valued quarterly. The Company publishes the NAV to give to its investors a better understanding of the value of the Company. Although the NAV will be published weekly, there will be only one official USD-NAV per month that will reflect the development of the underlying investment over the last months. The cash position is invested in time deposits, USD T-Bills or similar short-term, high quality USD commercial paper. Therefore, there is no duration, currency or credit risk. Due to possible currency fluctuations, the CHF-NAV can change more frequently and is easily calculated by converting the USD-NAV into CHF. Therefore the Company will publish the CHF-NAV on a weekly basis.

The Administrator of the Subsidiaries shall determine the Net Asset Value of these underlying partnerships together with the Private Equity Managers in accordance with the U.S. standards («Venture Economics») or European standards («EVCA»), respectively, for private equity investments or in accordance with other internationally accepted accounting standards and the Investment Manager shall thereafter determine the Net Asset Value of the Company. The Net Asset Value of the Company shall be calculated by ascertaining the value of the total assets of the Company and deducting therefrom the total liabilities of the

Company. The Net Asset Value per Share shall be determined by dividing the Net Asset Value of the Company by the number of Shares issued and outstanding.

Arthur Andersen AG will audit the calculation of the Net Asset Value no less frequently than annually. The weekly and the monthly Net Asset Value will not be audited by Arthur Andersen AG.

**Valuation standards generally applied in the private equity industry**

Within the private equity industry in Europe, the following valuation standards of the European Venture Capital Association Private Equity Industry are usually applied (similar standards exist in the US):

For the sake of these guidelines, investments held by venture capital funds have been divided into three categories:

1. Unquoted venture investments which are investments in immature companies (including seed, start up and early stage investments) and will be held as such until they can be classed as unquoted development investments.
2. Unquoted development investments which are investments in mature companies having a maintainable trend of sustainable profits and where an exit (by way of flotation or trade sale) can be reasonably foreseen (but is not necessarily anticipated).
3. Quoted investments are those which have achieved an exit by flotation or where regular third party transactions take place.

*Unquoted venture investments*

In view of the immaturity of unquoted venture investments these should be valued at cost (rather than market value) unless this basis is untenable.

It is likely that a greater value may be ascribed to the investment where:
1. Cost is untenable because a new financing round, involving a material investment by a third party which is deemed to be at arm's length, values the company at a significantly higher value, in which case the valuation is based on the transaction price.
2. Cost is untenable because the valuation of the company is normally based on net asset value and that Net Asset Value (including intangibles) significantly exceeds the valuation at cost, in which case the valuation will take account of the relevant proportion of net assets.
3. Cost is untenable because the investee company is earning significant profits, in which case an appropriate price/earnings ratio is applied to maintainable earnings discounted to take account of non-marketability and vulnerability caused by the relatively short profit record.

It would be unusual to revalue an investment upwards before the company has generated turnover, or in the initial period post investment, without the existence of an independent third party transaction.

It is likely that a lesser value may be ascribed to the investment where:
1. Results are significantly below those originally projected, leading to a permanent diminution in value.
2. The company is facing major long-term problems and as a result requires further finance.

3. A transaction involving an independent third party at arm's length values the company at less than the original cost.

If a lesser value to be ascribed, the investment should be revalued as soon as possible.

*Unquoted development investments*

In view of the maturity of unquoted development investments it is considered appropriate to revalue such investments with reference to open market value at periodic intervals. It would normally be inappropriate to revalue investments in the initial post investment period. If carried out by independent third parties or managers who have experience in such valuations acquired over a period of time, this will ensure that there is no undue increase in valuation at the point of exit beyond the realization of the effect of discounts in respect of non marketability previously applied.

Valuation will normally entail the application of a suitable price / earnings ratio to the maintainable earnings discounted to take account of the lack of marketability and any other relevant facts (e.g. attitude of entrepreneurs to exit). Such a method could lead to frequent increases or decreases in the valuation.

If the fund managers do not consider it appropriate to carry out such a valuation it is considered acceptable to value in accordance with the guidelines applying to unquoted venture investments but omitting any additional discount in respect of the relatively short profit record.

*Quoted investments*

Quoted investments should be valued on the basis of their quoted mid-market value. The use of the mid-market value is recommended in order to recognize the long-term nature of the investment and to accord with the generally accepted accounting principles for the valuation of fixed asset investments. Any formal restriction or practical limitation on the marketability of the shares should be recognized by applying a discount to the quoted price.

No discount is recommended in respect of quoted shares, the market in which is insubstantial, if it is likely that the investment will be distributed in specie to the fund's investors. If, however, the fund's managers continue to maintain a significant involvement in the management of the investment and choose to defer distribution in specie, and they are remunerated by reference to the value of the quoted investment, a suitable discount should be applied if the market in the shares is substantially less than the fund's holding.

The valuation standards of the European Venture Capital Association can be obtained from the Company.

**Publication of the Net Asset Value and price of the Shares**

The NAV will be published weekly on Reuters, Bloomberg, in the «Finanz und Wirtschaft», in the «Neue Zürcher Zeitung» and on the website www.castle.li. The bid-offer price of the Shares is published daily on Telekurs, Reuters and Bloomberg.

Shareholders holding at least 10% of the total outstanding capital of the Company are at any time entitled to request from the Board of Directors the calculation of the audited Net Asset Value of the Company free of charge. Such request must be filed by qualifying Shareholders in writing to the office of the Company. The Board of Directors shall provide the requested information within a period of no later than 6 weeks to the requesting Shareholders.

The Company will furthermore:

- publish the composition of the substantial holdings in the annual reports,
- publish the balance sheet, profit and loss account and statutory auditors' report annually,
- publish general information (such as bid-offer price, NAV, address of the Investment Manager, etc.) on the Company via Telekurs, Reuters, Bloomberg, and the Company's website www.castle.li.

All information mentioned in this paragraph is also available from the Listing Agent Luxembourg.

**Quarterly reports**

The Company will publish unaudited quarterly reports which will cover the period from January 1 to March 31 and from January 1 to September 30 of the prevailing year respectively. The quarterly reports will contain at least the following information:

- performance of the Net Asset Value in the period under review;
- commentary to the investment process;
- proportionate development of the cash positions in the period under review;
- number of own Shares held by the Company at the end of the period under review.

Shareholders may obtain such reports free of charge at the registered office of the Company, the Listing Agent Switzerland and the Listing Agent Luxembourg, a request in writing not being necessary.

**Semi-annual and annual reports**

The Company will publish one unaudited semi-annual report covering the period from January 1 to June 30 and one audited annual report covering the period from January 1 to December 31 of the respective year. The semi-annual report will contain a consolidated balance sheet, income statement, and a cash flow statement. The annual report will contain the following information:

- consolidated financial statements (balance sheet, income statement, cash flow statement and notes to the accounts) according to International Accounting Standards (IAS);
- parent only financial statement (balance sheet, income statement and notes to the accounts) according to Swiss Company Law (Swiss Code of Obligations).

Shareholders may obtain such reports free of charge at the registered office of the Company and the Listing Agent Switzerland and the Listing Agent Luxembourg, a request in writing not being necessary.

**Dividend policy**

It is the current intention of the Directors to propose to the Shareholders' meeting not to declare any dividends and to reinvest any amounts available for distribution in accordance with the investment policy of the Company. The Articles of Association provide however that distributions may be made out of net profits. No dividends have been paid as of the date of this Listing Memorandum and Offering Circular.

In accordance with Swiss law claims for dividend payments shall be barred after a period of 5 years calculated from the respective due date. The statutes of limitation operate in favor of the Company.

## 6.4. Business year and financial accounts

**Business year**

The Company's business year commences on January 1 and ends on December 31 of each year. The first business year of the Company ended on December 31, 1997, beginning on the date of incorporation.

**Accounting standards**

The Company's statutory accounts are expressed in CHF and the consolidated accounts in USD. The consolidated statements are prepared in conformity with International Accounting Standards (IAS).

**Reports to Shareholders**

The Company will make available to Shareholders, upon request, audited annual and unaudited quarterly and semi-annual financial statements and such other material as is required by applicable laws. The first audited accounts have been made up to December 31, 1997 and thereafter audited accounts will be prepared to December 31 of each year. The audited accounts as per December 31 of each year are made available to the public by the Company.

## 6.5. Audited financial statements

An audited financial statement of the Company as of December 31, 1999, is included as appendix 1 to this Listing Memorandum and Offering Circular.

| | | |
|---|---|---|
| EPS: | 1997 | USD 1.20 |
| | 1998 | USD 7.91 |
| | 1999 | USD 31.56 |

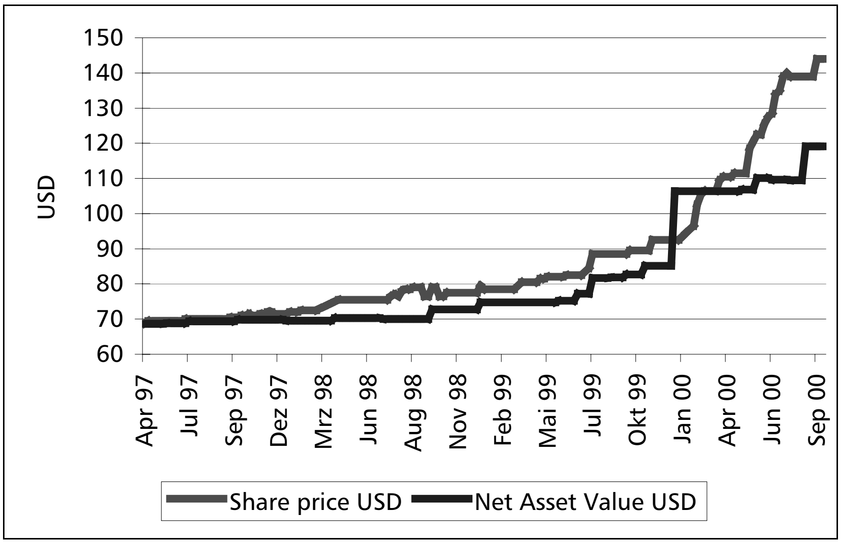
## 6.6. Material change in financial position

There has not been any material change in the financial position or prospects of the Company since December 31, 1999 and since the semi annual report as of June 30, 2000.

## 6.7. Litigation

There are no legal, arbitration or administrative proceedings pending or to the best of the Company's and the Subsidiaries' knowledge, threatened against the Company, which may have a significant effect on its financial position.

## 6.8. Share price development until September 2000




**Share price USD** The share price USD denotes the mid-market price, i.e. the average between the bid and ask price at day end.

**Recent share price and NAV** The share price per October 13, 2000 equalled USD 144. The Net Asset Value per October 13, 2000 was USD 119.08 (value per end of August 2000).

**Notice** Investors should note that past performance is not indicative for future performance.

# 7. The Cayman Subsidiary

**General**

The Company will invest some of its assets through Castle Private Equity (Overseas) Ltd., the Cayman Subsidiary, in accordance with the Company's investment objective and policy.

**Incorporation**

The Cayman Subsidiary was incorporated with limited liability on February 28, 1997 as an exempted company under the laws of the Cayman Islands.

**Purpose**

The purpose of the Cayman Subsidiary is to carry on the business of an investment company and to acquire, invest in and hold all kinds of securities and rights. The investments of the Cayman Subsidiary are monitored by the Investment Manager in accordance with the investment guidelines set out in this document.

**Capital**

The Cayman Subsidiary has issued voting non-redeemable shares held by Liechtenstein Global Trust Aktiengesellschaft, Vaduz. The Cayman Subsidiary has further issue redeemable and repurchaseable non-voting shares which are held by the Company. These shares are redeemable with the consent of the Board of Directors of the Cayman Subsidiary. The capital of the Cayman Subsidiary will be increased by issuing non-voting shares in accordance with the increase of the Share capital of the Company.

**Investors in the Company must be aware that due to the structure of voting and non-voting shares the Cayman Subsidiary is and will remain fully controlled by the holders of the voting share capital, i.e. Liechtenstein Global Trust Aktiengesellschaft, Vaduz. The Company and Liechtenstein Global Trust have agreed as follows: If the Shareholders of the Company resolve with a majority of 80% of all votes that the Company be dissolved and liquidated, the Company or its Board of Directors, respectively, has the right to request from Liechtenstein Global Trust Aktiengesellschaft that in a shareholder's meeting of the Subsidiary to be held within three weeks after said request Liechtenstein Global Trust Aktiengesellschaft vote for a dissolution of the Cayman Subsidiary.**

**Board of Directors**

The Cayman Subsidiary has a Board of Directors whose function is to review and supervise the general conduct of the affairs of the Cayman Subsidiary and decide about the general business policy. The Cayman Subsidiary is responsible for selecting the Investment Manager. The names of the present Directors are set forth below, together with their principal occupations and their professional CVs.

**Dr. Konrad Bächinger, Chairman** (Swiss citizen, residing in Sevelen, Switzerland, born 1950) received a Ph.D. in law from the University of Zurich. He has been working for the LGT Group since 1984. He started as General Counsel for LGT Bank in Liechtenstein Aktiengesellschaft. 1989 he was appointed Managing Director and Head of Division Legal Matters and Project Department. 1990 he became Member of the Executive Board of the Bank, heading Commercial Banking and Legal Matters. Since 1998 he is Chief Executive Officer of LGT Capital Management AG

**Michael Bürge** (Swiss citizen, born 1966) completed a commercial apprenticeship and is a qualified SEBA economist. In 1999 he received a post graduation as Financial Consultant CFP. In 1987 Mr. Bürge joined Bank J. Vontobel & Co. where he started in the Private Clients Department. He moved on to market making in Futures and Options and was made responsible for building up a sales team in the Futures and Options business. He started with LGT Bank in 1991 where he has been Head of the Projects Department. Mr. Bürge joined LGT Capital Management Limited in 1998 as Vice President and Head of Financial Controlling.

**Heinz Nipp** (citizen of the Principality of Liechtenstein, born 1951). Studies include a banking apprenticeship and training as a financial analyst which were later followed by Executive Management Studies at Stanford University, California. Prior to joining LGT Bank, Vaduz, in 1982, Mr. Nipp spent several years abroad to gain practical banking experience. Mr. Nipp is the CEO of LGT Bank in Liechtenstein Aktiengesellschaft.

**CTC Corporation Ltd.,** Corporate Center, West Bay Road, P.O. Box, Seven Mile Beach, Grand Cayman, Cayman Islands, B.W.I.

**The administrator**

The Cayman Subsidiary's affairs will be administrated by LGT Capital Management Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein.

**Auditors**

Arthur Andersen LLP, Caledonia House, Georgetown, Grand Cayman, Cayman Islands, B.W.I., have consented to act as auditors to the Cayman Subsidiary.

# 8. The Dutch Subsidiary

**General**

The Company will invest some of its assets - mainly for European investments - through Castle Private Equity (Nederland) B.V., the Dutch Subsidiary, in accordance with the Company's investment objective and policy.

**Incorporation**

The Dutch Subsidiary was incorporated on May 3, 1978, under the name of Beheer- en Beleggingsmaatschappij Vehoca B.V. On September 26, 1997, it was acquired by the Company and the name was changed to Castle Private Equity (Nederland) B.V. on February 2, 1998.

**Purpose**

The objectives of the Dutch Subsidiary are:
- the participation in, the financing of, the cooperation with, conducting the management of and providing advice and other services to legal persons or to other enterprises;
- the acquisition, exploitation, lease, management and sale of registered goods and other goods;
- the acquisition, exploitation and sale of industrial and intellectual property rights;
- providing collateral for the debts of legal persons or other companies with which the company is affiliated in a group or third parties as well as undertaking all that which is connected with the above or which could be conducive thereto, all this in the widest sense of the words.

**Capital**

The authorized capital amounts to one hundred thousand guilders (NLG 100 000), divided into one hundred (100) registered shares of one thousand guilders (NLG 1 000). As per October 14, 1998, the Dutch Subsidiary was provided with a share premium of USD 3 100 000.

The Dutch Subsidiary is not entitled to stipulate that, when a share is taken, the amount to be paid thereon will be lower than the par value.

The Dutch Subsidiary grants no cooperation to the issue of depositary receipts for shares.

A right of lien cannot be created on shares in the Dutch Subsidiary.

In case of usufruct on shares, only the shareholder is entitled to exercise the voting rights.

**Board of Directors**

The Dutch Subsidiary has a Board of Directors whose function is to review and supervise the general conduct of the affairs of the Dutch Subsidiary and decide about the general business policy. The Dutch Subsidiary is responsible for selecting the Investment Manager. The names of the present Directors are set forth below, together with their principal occupations and their professional CVs.

**Dr. Konrad Bächinger, Chairman** (Swiss citizen, residing in Sevelen, Switzerland, born 1950) received a Ph.D. in law from the University of Zurich. He has been working for the LGT Group since 1984. He started as General Counsel for LGT Bank in Liechtenstein Aktiengesellschaft. 1989 he was appointed Managing Director and Head of Division Legal Matters and Project Department. 1990 he became Member of the Executive Board of the Bank, heading Commercial Banking and Legal Matters. Since 1998 he is Chief Executive Officer of LGT Capital Management AG.

**Michael Bürge** (Swiss citizen, born 1966) completed a commercial apprenticeship and is a qualified SEBA economist. In 1999 he received a post graduation as Financial Consultant CFP. In 1987 Mr. Bürge joined Bank J. Vontobel & Co. where he started in the Private Clients Department. He moved on to market making in Futures and Options and was made responsible for building up a sales team in the Futures and Options business. He started with LGT Bank in 1991 where he has been Head of the Projects Department. Mr. Bürge joined LGT Capital Management Limited in 1998 as Vice President and Head of Financial Controlling.

**Heinz Nipp** (citizen of the Principality of Liechtenstein, born 1951) studies include a banking apprenticeship and training as a financial analyst which were later followed by Executive Management Studies at Stanford University, California. Prior to joining LGT Bank, Vaduz, in 1982, Mr. Nipp spent several years abroad to gain practical banking experience. Mr. Nipp is the CEO of LGT Bank in Liechtenstein Aktiengesellschaft.

**Trust International Management (T.I.M) B.V.,** World Trade Centre Amsterdam, Tower B, 17th Floor, Strawinskylaan 1725, PO Box 7241, 1007 JE Amsterdam, the Netherlands.

**The administrator**

The Dutch Subsidiary's affairs will be administrated by LGT Capital Management Aktiengesellschaft, Herrengasse 12, FL – 9490 Vaduz, Principality of Liechtenstein.

**Auditors**

Arthur Andersen & Co. Accountants, Amstelveen, the Netherlands.

# 9. The Investment Manager

**General**

Under a separate investment management agreement, the Subsidiaries appointed the Investment Manager with certain responsibilities as regards the identification, purchase, sale, exchange and disposal of the Subsidiaries' investments. The investment management agreement dated March 6, 1997 between the Subsidiaries and the Investment Manager provides that, in the absence of negligence, willful misconduct, default or bad faith, the Investment Manager shall not be liable to the Subsidiaries or to its Shareholders for any act or omission of the Investment Manager in the performance of its obligations and duties.

The investment management agreement has been entered into for a fixed period until December 31, 1999 and thereafter continues in force for an indefinite period unless terminated by either party as per June 30 or December 31 of each year by giving to the other party at least twelve months notice. It is governed by the laws of the Cayman Islands. The Investment Manager will advise the Subsidiaries periodically about the investments of the Subsidiaries, review the investment process, consult with the investment advisory group for the evaluation of the investment vehicles and monitor the performance of the Subsidiaries' overall investment program as well as that of each specific allocation.

The Investment Manager shall be entitled to an investment management fee as set out in the section «Fees and expenses» of this Listing Memorandum and Offering Circular.

**Name**

LGT Private Equity Advisers Aktiengesellschaft

**Incorporation**

The Investment Manager was established in Vaduz on February 24, 1997 and its Shareholders are Liechtenstein Global Trust Aktiengesellschaft, Vaduz, and Partners Group AG, Zug.

**Directors**

Details of the directors and managers are set out below.

**Alfred Gantner** (Swiss citizen, born 1968) received his Master of Business Administration (MBA) from the Brigham Young University in Provo, Utah, with a specialization in Finance. During his studies he completed an internship at the Structured Products Group of Bankers Trust in New York. Mr. Gantner joined Goldman, Sachs & Co. and in 1994 was transferred to Zurich, after stops in New York and London, to build-up the institutional coverage of independent Money Managers in Switzerland. Prior to his post-graduate studies in the U.S., Mr. Gantner worked for three years at Cantrade Privatbank AG (affiliated with Union Bank of Switzerland) in Zurich and Geneva. He was trading in various European equities markets and has earned a trader degree from the Zurich Stock Exchange. In January 1996, Mr. Gantner was one of the co-founders of Partners Group AG (formerly Asset Management Partners Zug), Zug. He currently serves on the board of directors and is a managing partner of Partners Group AG.

**Dr. André Lagger** (Swiss citizen, born 1962) received a Ph.D. in Business Administration from the University of Bern and completed studies at the Swiss Banking School. He began his career as Group Controller for Union Bank of Switzerland in Zurich. In 1994, he became Head of

Corporate Development of UBS London. In 1996, he moved back to Head Office in Zurich as Vice President Management Information. In 1997, he joined LGT Services in Zurich as Head of Corporate Controlling. Since 1998, he is Member of the Executive Board and Chief Financial Officer of LGT Capital Management AG, Vaduz.

**Heinz Nipp** (citizen of the Principality of Liechtenstein, born 1951) studies include a banking apprenticeship and training as a financial analyst which were later followed by Executive Management Studies at Stanford University, California. Prior to joining LGT Bank, Vaduz, in 1982, Mr. Nipp spent several years abroad to gain practical banking experience. Mr. Nipp is the CEO of LGT Bank in Liechtenstein Aktiengesellschaft.

**Dr. Roberto Paganoni, Chairman** (Dutch citizen, born 1961) completed his mechanical engineering studies at the technical university of Aachen, Germany and received a Ph.D. in Business Administration from the University of St. Gall («HSG»). After assignments in marketing and management consulting in the Netherlands and in New York, he joined McKinsey & Co. in Dusseldorf in 1989. In 1993 he transferred to McKinsey & Co. in Switzerland after having spent a year in McKinsey's Eurocenter in Brussels. With McKinsey & Co. Dr. Paganoni managed international projects in the areas of industrial goods, airlines, telecommunications and financial services. In 1997, he joined Liechtenstein Global Trust Aktiengesellschaft as Head of Alternative Assets. Since 1998, he is Member of the Executive Board and Head of Alternative Investments of LGT Capital Management Aktiengesellschaft, Vaduz.

**Urs Wietlisbach** (Swiss citizen, born 1961) received his graduate degree from the University of St. Gall, Switzerland with specialization in banking and economics. He also attended the Corporate Finance & Capital Markets Program of Credit Suisse's International Banking School in New York. After extensive training with Goldman, Sachs & Co. in New York, London, Tokyo and Hong Kong, Mr. Wietlisbach was appointed head of the Goldman, Sachs & Co. institutional sales desk in Zurich in 1994. Prior to joining Goldman, Sachs & Co., Mr. Wietlisbach was the relationship manager for Swedish and Danish multinational companies at Credit Suisse. In 1996, Mr. Wietlisbach was one of the co-founders of Partners Group AG (formerly Asset Management Partners Zug), Zug. He currently serves on the board of directors and is a managing partner of Partners Group AG.

# 10. External advisers

The Subsidiaries may on specific occasions call upon specialized external advisers. These advisers will be reputable experts in the field of private equity and venture capital. This advice can be of qualitative as well as of quantitative nature. These experts will work on an advisory basis only and will have no decision power.

# 11. The custodian

As of the date of this Listing Memorandum and Offering Circular, the Company has not engaged a custodian, as the investments contemplated by the Company to date are principally entered into by means of privately negotiated agreements. A custodian might be appointed at a later stage.

# 12. Investment objective and policy

The investment guidelines are contained in the Company's organization regulations which are enacted by the Board of Directors in accordance with Art. 13 of the Company's Articles of Association.

The Company’s investment objective is to maximize the long-term returns to Shareholders by investing, through its Subsidiaries or through such other subsidiaries as the Company may from time to time establish, in a portfolio of private equity investments. For the purpose of this Listing Memorandum and Offering Circular, private equity investments means professionally managed equity investments in the securities of private and public companies. Equity investments can take the form of a security which has an equity participation feature. The most common forms are common stock, convertible preferred stock, and subordinated debt with conversion privileges or warrants. Investments are made alongside the management to start, develop or transform companies which demonstrate the potential for significant growth. It comprises investments into financing stages: (i) seed, (ii) early, (iii) later, (iv) mezzanine, (v) middle market private firms and (vi) public buyouts such as MBOs and LBOs. Venture capital is a subsection of private equity, normally referring to seed and early stage financing.

Each of the Company and the Subsidiaries seeks to achieve this objective by the allocation of the Company’s and/or the Subsidiaries' assets to sophisticated Private Equity Managers and direct investments into private equity/venture capital. Support has been and will be obtained from Invesco Private Capital, New York, a former subsidiary of Liechtenstein Global Trust Aktiengesellschaft, which is, among others, specialized in the private equity sector. No assurance can be given that the Company’s and/or the Subsidiaries' investment objective will be achieved and investment results may vary substantially over time. The investment objective and policies are contained in the investment guidelines enacted by each of the Board of Directors of the Company and the Subsidiaries.

Due to the nature of the investment process, it is likely that from time to time the Company and/or the Subsidiaries will hold cash positions. Furthermore, the characteristics of private equity business may make it necessary to bridge short-term cash inflows. In both cases the Company and/or the Subsidiaries may invest into short-term (less than 12 months to maturity) and medium-term (not more than 5 years to maturity) debt securities or hold cash with prime banks. The Company intends to invest only in debt securities that are rated A or better by Standard & Poor’s Ratings Group («S&P») or Moody’s Investors Service Inc. («Moody’s») issued by governments, financial institutions or companies, denominated in any freely convertible currency.

In addition, each of the Company and the Subsidiaries may place all or part of its assets in temporary investments for cash management purposes pending investments of initial or subsequent subscription moneys in accordance with the Company’s investment policies, in order to make distributions to Shareholders and to meet its operational expenses.

The Company and/or the Subsidiaries will normally not hedge its currency risk. For the time being it is intended that all material non USD investments will be hedged into USD.

The Company and/or the Subsidiaries may under certain circumstances make use of various forms of leverage up to 30% of their Net Asset Value as calculated on the most recent valuation date, in a manner commensurate with reasonable risk management.

The Company and/or the Subsidiaries may enter into securities lending transactions as a means of efficient portfolio management, provided that (i) such securities lending transactions are made within a standardized lending system organized by a recognized securities clearing institution or by a highly rated financial institution and (ii) the Company or the Subsidiaries receive adequate securities or guarantees until termination of the lending agreement.

Within the limits of the Company's and/or the Subsidiaries' purpose, the Company's and the Subsidiaries' investment objective and policy may be amended or changed by majority decision of the Board of Directors at any time, in whole or in part.

**Overcommitment strategy**

In 1998, the Company began the planned overcommitment strategy. Investments in private equity have the following peculiarity: the investor gives a commitment over a certain amount to a new (primary) partnership which has a terminated life of approximately 10 years. Over a 3-5 year period the partnership draws down the commitments on a need-by-need basis, as soon as attractive investment opportunities arise. However, in most cases the first distributions of realizations are returned to the investors before the last commitment is drawn down. That means that an investor never has 100% investment exposure to private equity. Historical data has shown that the average exposure rate lies only between 60% and 70%. However, the high returns for private equity are calculated solely on the money invested. Since the investor never knows when his commitment will be drawn down by the partnership, he has to invest the amount in commercial papers in the meantime, which dilutes the overall return on his commitment.

Mindful of this fact, the Company will undertake an overcommitment, with the objective to have in principal all shareholders' funds invested in private equity. The overcommitment strategy is closely monitored and adjusted through a sophisticated cash-flow model. Should, through an unforeseen event, the exposure surpass 100%, the Cayman Subsidiary has a credit line available with LGT Bank of up to 30% of its Net Asset Value.

# 13. Details of the investment policy

**General**

It is the Company's policy, under normal conditions, to invest, through its Subsidiaries or through such other subsidiaries as the Company may from time to time establish, substantially all of its assets in private equity investments. The investment objective is to have a portfolio which will constantly be optimally allocated over the various (i) industry sectors (e.g. technology, healthcare/biotech, retail, etc.), (ii) geographical regions (e.g. USA, Europe, etc.) and (iii) stages of financing (e.g. seed, early stage, later stage, public buyouts, etc.). The investment vehicles and their respective Private Equity Managers are selected on qualitative criteria including (i) past performance in relation to investment style, expected returns, benchmarks and degree of risk, (ii) business structure and team organization of the Private Equity Manager, (iii) fit of the Private Equity Manager/investment vehicle into the overall portfolio, (iv) amount under management and commitment of the principals of the Private Equity Manager and (v) cost structure.

The Company, directly or through its Subsidiaries, will allocate the majority of its assets at cost to Private Equity Managers with a proven performance record of several years. The objective is to invest into top quality Private Equity Managers of the respective sectors. A minority part of the assets at cost will be invested with new and emerging Private Equity Managers. Private Equity Managers refers to persons who are actually managing the private equity assets by making the investment decisions. Private Equity Managers normally organize their funds as limited partnerships. Please refer to appendix 4 for a detailed description of which Private Equity Managers the Company has invested in.

The Company, directly or through its Subsidiaries, will not allocate more than 20% of the Net Asset Value at cost to one investment vehicle. The Company has invested approx. 7.6% of its assets into the partnership Chancellor Private Capital Offshore Partners II which is managed by Invesco Private Capital, which is among others, specialized in the private equity sector and which used to belong to the LGT Group.

Under normal circumstances, no allocation to a Private Equity Manager will be made prior to a visit by the Investment Manager to the Private Equity Manager's business location. It will include a proper evaluation concerning the Private Equity Manager's business structure, its key employees, its track record, its relation with third parties and other relevant aspects.

The Investment Manager has introduced a monitoring procedure in order to implement the following risk control parameters: (i) changes in a Private Equity Manager's structure and organization, (ii) major deviations from expected returns, (iii) changes regarding the fit into the overall portfolio, (iv) changes in investment styles, and (v) comparisons of Private Equity Managers performance versus that of their underlying investments.

Information concerning the issuer's activities are included in appendix 4 of the present Listing Memorandum and Offering Circular.

# 14. Stock exchange listing and market maker

**Listing**

The Shares of the Company have been listed on the Luxembourg Stock Exchange in USD from September 24, 1997, onwards and in CHF on the SWX Swiss Exchange from September 4, 1998 onwards.

**Market making**

LGT Bank will maintain a market in the Shares.

# 15. Fees and expenses

**Investment Manager's fee**

Pursuant to the investment management agreement, the Subsidiaries will pay a management fee at an aggregate annual rate of total 2% of the Company's total Net Asset Value in USD as at the close of business on the final business day of each quarter. The management fee will be paid quarterly in arrears within 15 days after the Net Asset Value calculation. Due to the multimanager concept of the investment process there are two levels of fees for the investors: Those of the Private Equity Managers and those of the Investment Manager.

The Investment Manager decides into which Private Equity Managers the assets of the Company are invested. Private Equity Managers refer to persons who are actually making the decision into which the private equity portfolio companies the assets will be invested. Private Equity Managers are normally organized in limited partnerships. Private Equity Managers normally receive an annual 2% management fee of the capital committed to them and a 20% performance fee on the net return to the Company in relation to the capital committed to them.

The Investment Manager will receive in addition from the Subsidiaries an annual performance fee of 10% of the net new trading gains of the Company's Shares since the previous payment of such performance fee. The net trading gains shall be based upon the lower of either (i) the Net Asset Value of the Company in USD per Share or (ii) the Share price on the respective stock exchange or quoted by the respective market maker(s) as per the last trading day of each year. This performance fee will be paid annually and any previous losses shall be recouped before payment of such performance fee («high water mark»).

The Investment Manager will also be reimbursed for all reasonable out-of-pocket costs and expenses incurred for the benefit of the Company. Such costs and expenses shall never exceed 0.1% of the total Net Asset Value on an annual basis. External advisers which may be called upon for specific occasions shall be remunerated by the Subsidiaries.

**Rebates for investments**

The Investment Manager negotiates the fees for any investment on behalf of the Subsidiaries. Any rebates from investments will be reimbursed to the Subsidiaries.

**Administrator's fees**

The Subsidiaries shall pay its administrator a fee which will, depending on the size of the bearer capital, be between 0.03% and 0.06% per annum of the Net Asset Value of the Subsidiaries calculated quarterly on the last dealing day of each month and payable quarterly in arrears in USD. Currently the Administrator is paid 0.04% per annum of the Net Asset Value of the Subsidiaries. The Administrator shall also be entitled to reimbursement of reasonable out-of-pocket expenses incurred for the benefit of the Subsidiaries.

**Miscellaneous fees, costs and expenses**

The Company and/or the Subsidiaries will bear all of their expenses, including organization expenses (which include out-of-pocket expenses, administrative and legal expenses) and offering expenses (including placement fees, expenses of marketing, printing of the offering documents and advertising the offering) legal expenses; auditing and accounting expenses; taxes and governmental fees; stock exchange listing fees, if any; dues and expenses incurred in connection with membership in investment company organizations; portfolio pricing services, including costs of determination of the Company's Net Asset Value; expenses in connection with the issuance and offering of securities issued by the Company; custodian's fees; administrator's fees; expenses relating to investor and public relations; expenses of registering or qualifying securities of the Company for sale; freight, insurance and other charges in connection with the shipment of the Company's portfolio securities; brokerage commissions or other costs of acquiring or disposing of the Company's portfolio securities; expenses of preparing and distributing reports, notices and distributions to Shareholders; publications to the Shareholders; costs of stationery; any litigation expenses; remuneration of the members of the Board of Directors; liability insurance for the members of the Board of Directors, and costs of Shareholders' and other meetings, and any other expenses which the Board of Directors may authorize and are incurred in the pursuit of its stated objectives.

The Company and/or the Subsidiaries will also pay certain other costs and expenses incurred in its operation, including without limitation, taxes, sub-custody fees and expenses and expenses for legal, auditing and consulting services, registration fees and other expenses due to supervisory authorities in various jurisdictions, insurance, interest, brokerage costs, the obtaining of authorizations or registrations with the regulatory authorities in certain jurisdictions and all professional and other fees and expenses in connection therewith and the cost of publication of the Net Asset Value of the Shares.

# 16. Taxation

**General**

The following tax summary is of a general nature only, is based on current law and practice and is therefore subject to changes therein, and is not intended to be, nor should it be construed as being, legal or tax advice to any particular purchaser. Prospective purchasers of Shares should consult their own tax advisers as to the potential tax consequences of the acquisition, holding or disposition of the Shares, or the receipt of distributions under the laws of the countries of their citizenship, residence or domicile.

The taxation of income, capital gains and net wealth (capital) of the Shareholders is subject to the laws and practice of Switzerland or the jurisdictions in which Shareholders are resident or otherwise subject to tax.

The Company will make and hold substantially all of its investments through the Cayman Subsidiary and the Dutch Subsidiary.

The investment structure through the Subsidiaries may be changed and the Company may decide to refrain from the use of the Subsidiaries in the case of changes in the fiscal, economic and political environment in the Cayman Islands and the Netherlands. If the Board of Directors of the Company deems it appropriate for achieving the investment objectives of the Company, it may incorporate additional subsidiaries in the Cayman Islands and the Netherlands or elsewhere and liquidate or merge such subsidiaries.

**Cayman Island tax considerations**

The Company's investments are made primarily through the Cayman Subsidiary. The Cayman Subsidiary is incorporated with limited liability as an exempted company, and its purpose is to acquire, sell and hold securities as beneficial owner.

The Cayman Islands do at present not levy any withholding tax on payments of interest or dividends or the redemption of capital.

**Dutch tax considerations**

Part of the Company's investments are made through the Dutch Subsidiary. The Dutch Subsidiary invests in corporate entities and partnerships, which from a tax perspective can not efficiently be held directly by the Cayman Subsidiary. Currently the Dutch Subsidiary has invested in a Dutch company: Strategic European Technologies N.V. and in an UK partnership: 3i Eurofund II Partnership.

The Dutch subsidiary is incorporated with limited liability and is regularly subject to Dutch corporate income tax. The Netherlands levies Dutch corporate income tax on the worldwide profits at a flat tax rate of 35% for 1998. The Dutch Subsidiary is regularly subject to Dutch corporate income tax, but as a consequence of high leveraging the effective tax rate is substantially reduced.

The Dutch participation exemption should apply to the investment in Strategic European Technologies NV as long as the Dutch Subsidiary holds at least 5% of the share capital of that entity. Currently this is the case and the Dutch Subsidiary intends to maintain this situation in the future. This implies that dividend income and capital gains realized with the sale of these shares are in principle exempt from Dutch corporate income tax, while capital losses cannot be deducted.

For profits from its investment in 3i Eurofund II Partners the Dutch Subsidiary seeks to claim an exemption from Dutch corporate income tax under the applicable tax treaties. However, no guarantee can be given that such a claim will be honored.

In case of capital increases of the Dutch subsidiary normally Dutch capital registration tax of 1% is due on the value of the contribution. Under certain conditions an exemption may be available.

Under certain conditions, effectively no Dutch dividend withholding tax is due on dividend distributions by the Dutch Subsidiary to its 100% shareholder, the Company, under application of the double taxation treaty between the Netherlands and Switzerland.

**Swiss tax considerations**

For Swiss tax purposes, the Company may be characterized as a holding company. For Zug cantonal and communal tax purposes, the Company has been granted a holding company status by the Zug cantonal tax administration. The Company is, therefore, exempt from Zug cantonal and communal profit taxes and will pay a reduced annual capital tax of at present 0.10 – 0.15% of the paid-in Share capital including certain reserves. For Swiss Federal Direct Tax purposes, the Company will qualify for the participation relief with regard to dividend income from qualifying participations such as the Subsidiaries, whereas other income is subject to a profit tax at rates of 8.5%.

The profit earned by the Subsidiaries is not subject to direct taxation in Switzerland. Any profit distributions received by the Company from the Subsidiaries are only subject to a minor federal income tax charge in Switzerland.

In the case of capital increases of the Company, the Swiss federal issue stamp duty (tax rate at present 1%) will become due.

The Company has to withhold 35% Swiss federal anticipatory tax on all distributions of profits or equity reserves to its Shareholders. Swiss resident Shareholders may recover such federal anticipatory tax in full. Non-resident Shareholders may recover the withholding tax in full or in part in accordance with the terms of applicable double taxation treaties, if any, concluded between Switzerland and the Shareholder's country of residence.

A redemption by the Company of its own Shares may, for tax purposes, be treated as a partial liquidation (if certain criteria are not met). Both partial and full liquidations are taxable events for federal withholding tax purposes and for income and profit tax purposes. The difference between the redemption price and the face value of Shares will be subject to 35% federal anticipatory tax. If the Shares are the private property of resident individuals, federal income tax is owed by the Shareholder on the difference between the proceeds from the redemption and the face value of the Shares, irrespective of the price at which the Shares were bought by the Shareholder. The cantonal personal income taxation may deviate from the federal income tax treatment. If the Shares are owned by resident individuals for business purposes or by resident corporate entities, the profit as reported in the taxpayer's profit and loss account for statutory purposes is the basis for determining the taxable net profit (subject to a possible participation relief). Certain business units such as pension funds may be exempt from profit taxation; corporate entities including companies may benefit from a factual exemption through the participation relief which applies to corporate equity participations of at least 20% or of a market value of at least CHF 2 million.

**Taxation in Luxembourg**

The Company and the Subsidiaries are not subject to any taxation in Luxembourg.

# 17. Related transactions

Liechtenstein Global Trust Aktiengesellschaft or one of its affiliated companies, the Directors of the Company, the directors of the Subsidiaries, the directors of the Investment Manager and the directors of Partners Group AG as well as Partners Group AG and LGT Private Equity Advisers Aktiengesellschaft may hold Shares for their own account.
The Board of Directors of the Company as well as of the Investment Manager firmly believe in the success of the Company and have invested part of their private wealth into the Company. The members of the Board of Directors of the Investment Manager of the Company hold 5 850 Shares of the Company. The members of the Board of Directors of the Company hold 18 200 Shares of the Company. It is unknown whether members of remaining administrative and supervisory bodies have invested into the Company.

No options have been granted to members of the administrative, management and supervisory bodies of the Company.

Members of the group of the Investment Manager may be directors of the targeted companies and provide similar services to other investment vehicles.

LGT Bank or related entities may be dealing with counterparties of the Company and/or the Subsidiaries in respect of loans, foreign exchange transactions and other financial operations related to the activity of the Company and/or the Subsidiaries.

The Company and/or the Subsidiaries may invest in investment products which are offered by group companies of Liechtenstein Global Trust Aktiengesellschaft.

The Administrator may act as manager, administrator, registrar, trustee, custodian, distributor, investment manager or adviser to, or be otherwise involved in, other corporations, funds or collective investment schemes which have similar investment objectives to those of the Company and the Subsidiaries.

The Investment Manager may accept further advisory mandates in the future and his services are not limited to the Subsidiaries.

# Appendices

**Page references**

Please take note that the Appendices 1, 2 and 3 are excerpts from the original documents previously published. As such, page references refer to the pages in the original documents and not to the pages of this Listing Memorandum and Offering Circular.

**Approval of 1999 financial statements**

The financial statements of the 1999 financial year have been approved by the annual general meeting of June 20, 2000.

# Appendix 1

## Consolidated Financial Statements as of December 31, 1999 together with Group Auditors' Report

***Report of the group auditors to the General Meeting of the Shareholders of Castle Private Equity AG, Zug***

As auditors of the group, we have audited the consolidated financial statements (balance sheet, statement of income, statement of cash flows and notes, pages 33 to 42) of Castle Private Equity AG for the year ended December 31, 1999.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession and with the International Standards on Auditing issued by the International Federation of Accountants (IFAC), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Accounting Standards (IAS).

As discussed in Note 4, the financial statements include investments valued at USD 397,395,143 as determined by the Directors in the absence of readily ascertainable market values. We have reviewed the procedures applied by the Directors in valuing such investments and have inspected underlying documentation, and, in the circumstances, we believe the procedures are reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, the Director's estimate of fair value may differ from the values that would have been used had a ready market existed for the investments, and the difference could be material.

We recommend that the consolidated financial statements submitted to you be approved.

ARTHUR ANDERSEN AG

Stefan Fuchs Cataldo Castagna

Auditors in charge

Zurich, May 12, 2000

**Consolidated balance sheet** as of December 31, 1999 (amounts in U.S. Dollars)

| Assets | Note | 1999 | 1998 |
|---|---|---|---|
| *Current assets:* | | | |
| Cash and cash equivalents | 3 | 36,999,294 | 6,245,888 |
| Investments short-term | | - | 61,195,300 |
| Other current assets | | 154,804 | 1,754,037 |
| Total current assets | | 37,154,098 | 69,195,225 |
| *Non current assets:* | | | |
| Financial Assets - Investments at fair value (at cost 260,853,835; 1998: 203,328,613) | 4 | 397,395,143 | 234,007,403 |
| **Total assets** | | **434,549,241** | **303,202,628** |

| Liabilities and shareholders' equity | | | |
|---|---|---|---|
| *Current liabilities:* | | | |
| Accounts payable and accrued liabilities | | 9,118,013 | 3,975,868 |
| Accrued capital taxes | | 110,457 | 129,237 |
| Total current liabilities | | 9,228,470 | 4,105,105 |
| *Shareholders' equity:* | | | |
| Share capital | 5 | 138,102,078 | 138,102,078 |
| Additional paid-in capital | 5 | 138,843,761 | 138,843,761 |
| Revaluation surplus | 5 | 138,294,569 | 30,803,522 |
| Retained earnings/(accumulated deficit) | 5 | 10,080,363 | (8,651,838) |
| Total shareholders' equity | | 425,320,771 | 299,097,523 |
| **Total liabilities and shareholders' equity** | | **434,549,241** | **303,202,628** |
| Net asset value per share: | | | |
| Shares outstanding | | 4,000,000 | 4,000,000 |
| Net asset value per share | | 106,33 | 74,77 |

## Consolidated statement of income

for the year ended December 31, 1999 (amounts in U.S. Dollars)

| | Note | 1999 | 1998 |
|---|---|---|---|
| *Income from current assets:* | | | |
| Gains (losses) on foreign exchange, net | | 2,956,140 | (89,093) |
| Interest income | 7 | 2,372,811 | 7,754,821 |
| Other income | | 117,745 | 35,388 |
| | | 5,446,696 | 7,701,116 |
| *Realized gains on investments* | 8 | 31,470,398 | 1,284,398 |
| *Value increase (decrease) of investments, net* | 9 | (1,628,529) | 1,875,763 |
| *Expenses:* | | | |
| Management and advisory fees | 10 | (15,839,635) | (8,686,478) |
| Other expenses | | (591,729) | (519,930) |
| | | (16,431,364) | (9,206,408) |
| Net income before taxes | | 18,857,201 | 1,654,869 |
| *Taxes* | | (125,000) | (129,499) |
| **Net income for the year** | | **18,732,201** | **1,525,370** |
| *Comprehensive statement of income and expenses:* | | | |
| Net income from consolidated statement of income | | 18,732,201 | 1,525,370 |
| Unrealized gain from fair value valuation of investments credited to equity, net | | 107,491,047 | 30,126,038 |
| **Total income and expenses, net** | | **126,223,248** | **31,651,408** |
| Earnings per share (EPS): | | | |
| ø shares outstanding during the time period | | 4,000,000 | 4,000,000 |
| EPS[1)] | | USD 31.56 | USD 7.91 |

1) based on the total income and expenses, net, as per the comprehensive statement of income and expenses

## Consolidated statement of cash flows

for the year ended December 31, 1999 (amounts in U.S. Dollars)

| | 1999 | 1998 |
|---|---|---|
| *Cash flows from (used in) operating activities:* | | |
| Purchase of financial assets | (141,403,122) | (182,949,417) |
| Proceeds from return of invested capital in financial assets | 84,750,634 | 17,557,643 |
| Sale of investments short-term, net | 61,195,300 | 122,908,238 |
| Interest income | 5,186,208 | 7,842,649 |
| Realized gain on investments | 31,470,398 | 1,284,264 |
| Realized gain (loss) on foreign exchange | 2,901,090 | (93,990) |
| Other realized income | 509,602 | 35,388 |
| Taxes paid | (143,780) | (299,787) |
| Operating expenses paid | (13,712,924) | (8,122,585) |
| **Net cash from (used in) operating activities** | **30,753,406** | **(41,837,597)** |
| *Net increase (decrease) in cash and cash equivalents* | 30,753,406 | (41,837,597) |
| *Cash and cash equivalents, beginning of year* | 6,245,888 | 48,083,485 |
| ***Cash and cash equivalents, end of year*** | **36,999,294** | **6,245,888** |
| *Cash and cash equivalents consist of the following, as of December 31:* | | |
| Cash (overdraft) at banks | (6,396) | 6,245,888 |
| Time deposits < 30 days | 37,005,690 | - |
| | **36,999,294** | **6,245,888** |

## Notes to the consolidated financial statements for the year ended December 31, 1999 (amounts in U.S. Dollars)

### *1. Organization and business activity*

Castle Private Equity AG, Zug («the Company»), is a stock corporation established for an indefinite period in the Canton of Zug, Switzerland, by deed dated February 19, 1997. The Company's business is principally conducted through two subsidiaries («the Subsidiaries»), Castle Private Equity (Overseas) Ltd. («the Overseas Subsidiary»), a company incorporated as an exempted company under the laws of the Cayman Islands, and Castle Private Equity (Netherlands) B.V. («the Netherlands Subsidiary») a company incorporated as a private limited liability company under the laws of the Netherlands.

The Castle Private Equity Group («the Group») currently consists of the Company, the Overseas Subsidiary and the Netherlands Subsidiary.

The share capital of the Overseas Subsidiary is divided into voting non-participating management shares and participating non-voting ordinary shares, which are entirely held by Castle Private Equity AG, Zug. Liechtenstein Global Trust Aktiengesellschaft, Vaduz, holds the voting non-participating management shares. The share capital of the Netherlands Subsidiary is entirely held by Castle Private Equity AG, Zug.

The Group's investment objective is to maximize the long-term returns to shareholders by investing in a portfolio of private equity and venture capital investments. Private equity and venture capital investments mean professionally managed equity investments in the securities of private and public companies (e.g. during the restriction period after an Initial Public Offering («IPO»)). Equity investments can take the form of a security, which has an equity participation feature. Investments are made alongside the management to start, develop or transform privately owned companies, which demonstrate the potential for significant growth. It comprises investments in various financing stages; seed, early, later, mezzanine, middle market private firms and public buyouts such as management buyouts and leveraged buyouts.

The Group seeks to achieve this objective by the allocation of the Group's assets to sophisticated money managers and direct investments in private equity/venture capital. Support is obtained from Invesco Private Capital Inc., New York, which is specialized in the private equity/venture capital sector. No assurance can be given that the Group's investment objective will be achieved and investment results may vary substantially over time.

The functional currency of the Company is USD. In 1999 the Company hedged all material non-USD investments of the Group into USD. The term of the hedge was until December 23, 1999 and a new transaction, hedging the non-USD foreign exchange positions was made on January 24, 2000. The foreign currency exposure is measured on the level of the partnerships and due to its fund of funds structure also on the level of the underlying partnerships. The Company normally hedges foreign currency positions exceeding 5% of the Group's Net Asset Value.

Since September 24, 1997, the shares of the Company have been listed on the Luxembourg Stock Exchange and since September 4, 1998, on the Swiss Stock Exchange (SWX).

### *2. Summary of accounting policies for the consolidated financial statements*

(a) Basis of presentation
The consolidated financial statements of the Group have been prepared in accordance with International Accounting Standards (IAS) and in accordance with Swiss law.

(b) Use of estimates
The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(c) Basis of consolidation
The consolidated financial statements include all the assets and liabilities of the Company and the Subsidiaries which it controls. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the share capital of an enterprise or where there is the implicit power to govern its financial and operating policies. All material intercompany transactions and balances are eliminated.

(d) Foreign currency transactions
Transactions in foreign currencies are recorded at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are revalued into USD at the exchange rates prevailing at the balance sheet date. Unrealized exchange gains resulting from the revaluation of investments denominated in foreign currency are credited to shareholders' equity as revaluation surplus. Other exchange gains and losses are included in the statement of income.

(e) Investments

a) Investments are accounted for on a trade date basis.
b) Investments in securities and in other financial instruments which are traded on recognized exchanges (including bonds, equities, futures contracts, options and funds), are valued at the last reported sales price on the valuation date. Investments in securities and in other financial instruments traded in the over-the-counter market and listed securities for which no trade is

reported on the valuation date are valued at the last reported bid and ask price for long and short positions, respectively. The valuation of the investments is done on a regular basis but at least quarterly.

c) Positions in forward foreign currency contracts are valued based upon forward rates available from the counterparty bank or other reputable established sources.

d) Other investments which mainly reflect non-current financial assets and for which market quotations are not readily available are valued at their fair value as determined in good faith by the Directors in consultation with the investment manager. In this respect, investments in other investment companies which are not publicly traded are normally valued at the underlying net asset value as advised by the managers or administrators of these investment companies, unless the Directors are aware of good reasons why such a valuation would not be the most appropriate indicator of fair value. All fair valuations may differ significantly from values that would have been used had ready markets existed, and the differences could be material.

e) Dividends are recognized in the statement of income at the time upon the declaration of such dividends.

f) Realized gains and realized and unrealized losses on investments are recognized in the statement of income, whereas unrealized gains are credited to shareholders equity as revaluation surplus. Unrealized gains that offset unrealized losses recognized in prior periods are credited to income to the extent that they offset the gains previously recorded. Unrealized losses are debited to revaluation surplus to the extent they offset unrealized gains previously recorded for the same investment. A gain is realized when the proceeds exceed the cost value of a particular investment and this is clearly distinguishable. Otherwise no realized profit is recognized for capital distributions received until the cumulative returns on invested capital exceed the cost of a particular investment.

(f) Taxes

Taxes are provided based on reported income and include taxes on capital. Taxes also include non-recoverable tax withheld on interest and dividends. The activity of the Group is not subject to any income, withholding or capital gains taxes in the Cayman Islands but the Group is partially liable for income taxes in the Netherlands. For cantonal/communal taxes in Switzerland, the Company is taxed as a holding company and is as such liable for capital taxes. In addition, the Company, on a stand alone basis, is liable for federal income taxes in Switzerland.

(g) Incorporation Costs

In accordance with IAS 38 «Intangible Assets» incorporation costs are expensed when incurred. Due to the early application of IAS 38 as of December 31, 1998, the Group charged the incorporation costs directly to the shareholders' equity in 1998.

### *3. Cash and cash equivalents*

Cash and cash equivalents consist of:

| | 1999 | 1998 |
|---|---|---|
| Cash (overdraft) | (6,396) | 6,245,888 |
| Time Deposit | 37,005,690 | - |
| | **36,999,294** | **6,245,888** |

Based on an agreement dated October 18, 1999 and the first amendment dated November 26, 1999, the Overseas Subsidiary has a credit line available with LGT Bank in Liechtenstein Aktiengesellschaft, Vaduz totaling USD 40 million.

### *4. Long-term investments and commitments*

As of December 31, 1999, the Group had subscribed interests in twenty-one venture capital limited partnerships domiciled in the United States of America, the Cayman Islands and Europe. The total committed capital amounted to USD 548,958,650 of which USD 362,720,075 were paid in. The details of the investments are shown in the investment table below.

### Investments as of December 31, 1999

| Investee | Total Commitment in USD | Commitment in foreign currency, if applicable | Thereof paid | Other payments | Return of invested capital | Carrying value | Fair value | Accumulated unrealized gain (loss) |
|---|---|---|---|---|---|---|---|---|
| Carlyle International Partners L.P. | 3,000,000 | | 2,958,908 | 425,526 | (607,942) | 2,776,492 | 3,389,764 | 613,272 |
| Chancellor Private Capital Offshore Partners II L.P. | 50,000,000 | | 34,652,040 | - | (2,960,517) | 31,691,523 | 43,115,295 | 11,423,772 |
| Chancellor Offshore Partnership Fund L.P. | 235,000,000 | | 153,322,853 | - | (12,972,597) | 140,350,256 | 204,145,803 | 63,795,546 |
| Chancellor Partnership Fund, L.P. | 14,518,000 | | 9,478,908 | 16,510 | (1,260,344) | 8,235,074 | 17,827,941 | 9,592,867 |
| Clayton, Dubilier & Rice Fund, VI | 10,000,000 | | 192,494 | - | - | 192,494 | 145,035 | (47,459) |
| Coller International Partners II, LLC | 47,000,000 | | 45,760,248 | - | (33,922,465) | 11,837,783 | 31,474,585 | 19,636,802 |
| Coller International Partners II, L.P. | 62,000,000 | | 57,083,452 | - | (40,373,273) | 16,710,179 | 37,976,299 | 21,266,120 |
| Doughty Hanson & Co III L.P. Number 15 | 10,000,000 | | 2,541,460 | - | - | 2,541,460 | 2,478,568 | (62,892) |
| Eurofund III Unit Trust | 10,025,000 | EUR 10,000,000 | 1,117,998 | - | - | 1,117,998 | 991,736 | (126,262) |
| Galileo II | 6,113,206 | FRF 40,000,000 | 3,052,952 | - | (610,994) | 2,441,958 | 4,168,675 | 1,726,717 |
| Global Life Science | 5,125,701 | DEM 10,000,000 | 2,431,818 | - | - | 2,431,818 | 1,884,230 | (547,588) |
| Index Ventures (Jersey) L.P. | 7,500,000 | | 1,362,437 | - | - | 1,362,437 | 1,768,463 | 406,026 |
| Invesco Venture Partnership Fund II L.P. | 15,000,000 | | 5,441,783 | - | (2,674,475) | 2,767,308 | 3,097,851 | 330,544 |
| Landmark Equity Partners III L.P.[1] | 12,563,840 | | 12,162,870 | - | (6,401,929) | 5,760,941 | 9,306,834 | 3,545,893 |
| Newbridge Asia II L.P. | 10,000,000 | | 3,546,855 | - | - | 3,546,855 | 3,918,649 | 371,794 |
| Silver Lake Technology Fund | 5,000,000 | | 89,836 | - | - | 89,836 | 89,836 | - |
| TCV III. | 3,500,000 | | 3,036,250 | - | (157,040) | 2,879,210 | 5,742,972 | 2,863,762 |
| Triton Fund (No.2) L.P. | 8,713,692 | DEM 17,000,000 | 1,222,735 | - | - | 1,222,735 | 1,219,850 | (2,885) |
| WCAS Capital Partners III L.P. | 15,000,000 | | 7,500,000 | - | (335,847) | 7,164,153 | 9,885,607 | 2,721,454 |
| 3i Europartners II L.P. | 12,030,000 | EUR 12,000,000 | 12,723,071 | - | (30,853) | 12,692,218 | 12,162,391 | (529,827) |
| Strategic European Technologies N.V. | 6,869,211 | NLG 15,100,000 | 3,041,107 | - | - | 3,041,107 | 2,604,759 | (436,348) |
| **Total** | **548,958,650** | | **362,720,075** | **442,036** | **(102,308,276)** | **260,853,835** | **397,395,143** | **136,541,308** |

1) Additionally, a commitment of USD 359,195 is maintained as a contingency reserve, should Landmark Equity Partners III require capital for operating expenses.
For the investments Coller International Partners II LLC, Coller International Partners II L.P. and Landmark Equity Partners III L.P. no realized profit is recognized for capital distributions received until the cumulative returns on invested capital exceed the cost of a particular investment.

### Investments as of December 31, 1998

| Investee | Total Commitment in USD | Commitment in foreign currency, if applicable | Thereof paid | Other payments | Return of invested capital | Carrying value | Fair value | Accumulated unrealized gain (loss) |
|---|---|---|---|---|---|---|---|---|
| Carlyle International Partners L.P. | 3,000,000 | | 1,686,623 | 425,526 | (104,073) | 2,008,076 | 2,790,475 | 782,399 |
| Chancellor Private Capital Offshore Partners II L.P. | 50,000,000 | | 18,861,990 | - | (1,503,767) | 17,358,223 | 18,027,975 | 669,752 |
| Chancellor Offshore Partnership Fund L.P. | 235,000,000 | | 64,861,996 | - | - | 64,861,996 | 66,751,066 | 1,889,070 |
| Chancellor Partnership Fund, L.P. | 14,518,000 | | 5,288,344 | 16,510 | - | 5,304,854 | 5,974,327 | 669,473 |

| Investee | Total Commitment in USD | Commitment in foreign currency, if applicable | Thereof paid | Other payments | Return of invested capital | Carrying value | Fair value | Accumulated unrealized gain (loss) |
|---|---|---|---|---|---|---|---|---|
| Coller International Partners II, LLC [2] | 47,000,000 | | 44,727,266 | - | (5,539,509) | 39,187,757 | 50,132,226 | 10,944,469 |
| Coller International Partners II, L.P. [2] | 62,000,000 | | 55,180,000 | - | (6,494,800) | 48,685,200 | 60,789,552 | 12,104,352 |
| Doughty Hanson & Co III | 10,000,000 | | 971,236 | - | - | 971,236 | 971,236 | - |
| Galileo II | 7,103,116 | FRF 40,000,000 | 1,020,554 | - | - | 1,020,554 | 1,073,393 | 52,839 |
| Global Life Science | 6,024,931 | DEM 10,000,000 | 1,523,714 | - | - | 1,523,714 | 1,506,413 | (17,301) |
| Landmark Equity Partners III L.P.[1)2)] | 12,563,840 | | 12,162,870 | - | (3,915,494) | 8,247,376 | 11.161,929 | 2,914,553 |
| WCAS Capital Partners III L.P. | 15,000,000 | | 3,000,000 | - | - | 3,000,000 | 3,768,106 | 768,106 |
| 3i Europartners II L.P. | 13,769,041 | EUR 12,000,000 | 9,211,139 | - | - | 9,211,139 | 9,219,648 | 8,509 |
| Strategic European Technologies N.V. | 7,973,065 | NLG 15,100,000 | 1,948,488 | - | - | 1,948,488 | 1,841,057 | (107,431) |
| **Total** | **483,951,993** | | **220,444,220** | **442,036** | **(17,557,643)** | **203,328,613** | **234,007,403** | **30,678,790** |

1) Additionally, a commitment of USD 359,195 is maintained as a contingency reserve, should Landmark Equity Partners lll require capital for operating expenses.
2) For the investments Coller International Partners II LLC, Coller International Partners II L.P. and Landmark Equity Partners III L.P. no realized profit is recognized for capital distributions received until the cumulative returns on invested capital exceed the cost of a particular investment.

The auditors' opinions on the financial statements of Chancellor Offshore Partnership Fund, L.P. and Chancellor Partnership Fund, L.P. for the year ending December 31, 1999 include a qualification with respect to unreasonable valuation procedures and inappropriate documentation to determine the fair value of certain investments of the Chancellor Offshore Partnership Fund, L.P. and Chancellor Partnership Fund, L.P. The carrying value of these investments amounts to USD 29.9 million (1998: USD 20.3 million), being 7% of the net asset value of the group (1998: 6.8% of the net asset value). The Directors of the Company believe, based on their monitoring and risk assessment process, that the valuation received by Chancellor Offshore Partnership Fund, L.P. and Chancellor Partnership Fund, L.P. is a conservative and appropriate basis to account for those investments, and that the effect of a valuation adjustment to the carrying value of these investments, if any, resulting from such a qualification is not material to the fair value attributed by the Directors to Chancellor Offshore Partnership Fund, L.P. and Chancellor Partnership Fund, L.P.

All investments have an investment period of nine years or more and are therefore subject to restrictions on transferability or disposal. The following partnerships do not directly invest into individual companies but invest in other private equity or venture capital partnerships:

- Chancellor Offshore Partnership Fund L.P.
- Chancellor Partnership Fund L.P.
- Coller International Partners II LLC
- Coller International Partners II L.P.
- Landmark Equity Partners III
- Invesco Venture Partnership Fund II L.P.

The commitments in the different investments are segmented as follows:

| | 1999 (in USD '000) | in % | 1998 (in USD '000) | in % |
|---|---|---|---|---|
| Large Buyout | 236,053 | 43% | 212,939 | 44% |
| Later Stage Venture Small Buyout | 137,240 | 25% | 120,988 | 25% |
| Early Stage Venture | 131,750 | 24% | 111,309 | 23% |
| Mezzanine | 21,958 | 4% | 19,358 | 4% |
| Distressed | 21,958 | 4% | 19,358 | 4% |
| | **548,959** | **100%** | **483,952** | **100%** |

Investments which are not readily marketable are valued at fair value as determined by the general partners. The fair market values assigned to the investments by the general partners correspond to the balances of the interest in the investees as of the balance sheet date as reported in the audited financial statements of the investees. The interest in the investees takes account of the partner's capital, including appreciation gains on the assets owned by the investees.

Unquoted investments are valued at the net asset value of investee funds as ascertained from periodic (usually quarterly) valuations provided by the general partners or managers of such funds. Their valuations are necessarily dependent on the reasonable exercise of judgement by the general partners or managers in valuing the underlying investee companies. The valuation made is not necessarily indicative of amounts, which the partnership may finally realize as a result of a future sale or other disposal of its interest.

Revaluation reserve may include performance fee due to partnerships, which generally are due upon realization. Such fees are computed according to the individual agreements between the Group and the partnerships. As at December 31, 1999, such fees on unrealized gains due to partnerships amounts to USD 3.6 Mio. This is not necessarily indicative of amounts, which the Group may finally pay as a result of a disposal of its interest.

### *5. Shareholders' equity*

The share capital of the Company at December 31, 1999 amounts to CHF 200,000,000 (USD 138,102,078) consisting of 4,000,000 registered shares with a par value of CHF 50 each. The translation in USD has been done at the corresponding historical foreign exchange rate. Each share entitles the holder to participate in any distribution of income and capital.

| | Share Capital | Additional Paid-in capital | Revaluation Surplus | Retained Earnings (Accumulated Deficit) | Total |
|---|---|---|---|---|---|
| **December 31, 1998** | **138,102,078** | **138,843,761** | **30,803,522** | **(8,651,838)** | **299,097,523** |
| Unrealized gain on investmentsas at December 31, 1999 | - | - | 107,491,047 | - | 107,491,047 |
| Net income for the year 1999 | - | - | - | 18,732,201 | 18,732,201 |
| **December 31, 1999** | **138,102,078** | **138,843,761** | **138,294,569** | **10,080,363** | **425,320,771** |

On June 23, 1999 the general meeting of shareholders decided to authorize the Board of Directors to increase the share capital by a maximum of CHF 100,000,000 by means of issuing at maximum 2,000,000 bearer shares at a par value of CHF 50 until June 23, 2001.

### *6. Major shareholders*

As at December 31, the following major shareholders are known by the Company:

| | 1999 | 1998 |
|---|---|---|
| More than 10% | Rentenanstalt/Swiss Life, Zürich | Liechtenstein Global Trust, Vaduz<br>Rentenanstalt/Swiss Life, Zürich |

### *7. Interest income*

Interest income for the period was earned on:

| | 1999 | 1998 |
|---|---|---|
| Cash and cash equivalents | 967,233 | 939,213 |
| Investments short-term | 1,405,578 | 6,815,608 |
| | **2,372,811** | **7,754,821** |

### *8. Realized gains on investments*

Realized gains on investments was earned on:

| Investee | 1999 | 1998 |
|---|---|---|
| Chancellor Offshore Partnership Fund L.P. | 29,614,293 | 1,028,247 |
| 3i Europartners II, L.P. | 762,636 | - |
| Carlyle International Partners L.P. | 641,459 | 103,577 |
| WCAS Capital Partners III, L.P. | 452,010 | 152,574 |
| **Total** | **31,470,398** | **1,284,398** |

### *9. Value decrease of investments, net*

Value decrease of investments is composed as follows:

| Investee | Decrease of carrying amount | Cumulative Unrealized Loss 1999 | Cumulative Unrealized Loss 1998 |
|---|---|---|---|
| Clayton, Dubilier & Rice Fund VI | (47,459) | (47,459) | - |
| Doughty Hanson & Co. III L.P. No.15 | (62,892) | (62,892) | - |
| Eurofund III Unit Trust | (126,262) | (126,262) | - |
| Global Life Science | (530,287) | (547,588) | (17,301) |
| Triton Fund (No. 2) L.P. | (2,885) | (2,885) | - |
| 3i Euro-Partners II L.P. | (529,827) | (529,827) | - |
| Strategic European Technologies N.V. | (328,917) | (436,348) | (107,431) |
| | **(1,628,529)** | **(1,753,261)** | **(124,732)** |

As explained in note 2 (e), increases in the carrying value of investments which were depreciated in prior periods are credited to income to the extent that they offset the decrease previously recorded.

### *10. Management and advisory fees*

Management and advisory fees are composed as follows:

| | 1999 | 1998 |
|---|---|---|
| To the fund adviser of the investments | 2,275,283 | 582,939 |
| To the fund adviser of the Group: | | |
| - Fixed portion | 6,474,104 | 5,819,586 |
| - Performance based portion | 7,090,248 | 2,283,953 |
| | **15,839,635** | **8,686,478** |

### *11. Significant fee agreements*

In relation to its investment and administration activity the Company and/or its Subsidiaries entered into the following agreements:

(a) LGT Private Equity Advisers Aktiengesellschaft, Vaduz, acts as the investment manager and receives a management fee of total 2% (before deduction of the performance fee) per annum of the total consolidated net assets of Castle Private Equity AG, Zug, in U.S. Dollars as at the close of business on the final business day of each quarter. The management fee is due quarterly (0.5%) in U.S. Dollars in arrear within 15 days after the net asset value calculation. The investment manager receives a performance fee of 10 % of the net trading gains of the Company since the previous payment of such performance fee. The net trading gains shall be based upon the lower of either (i) the Net Asset Value of Castle Private Equity AG, Zug, per share or (ii) the Share price on the respective stock exchange or quoted by the respective market makers as per the last trading day of each year of Castle Private Equity AG in U.S. Dollars. The investment manager is also entitled to receive out-of pocket costs and expenses incurred for the benefit of Castle Private Equity AG, Zug. Such costs and expenses shall never exceed 0.1% of the total net asset value on an annual basis.

(b) Citco Bank Nederland N.V., Amsterdam, and Citco Global Custody N.V., Amsterdam, act as the custodians and receive a fee equivalent to 0.04% with a maximum of USD 100,000 per annum of the average portfolio assets in their custody. The Custodians are also entitled to transaction and registration fees at normal commercial rates.

(c) Citco Fund Services (Europe) B.V., Amsterdam, acts as the Administrator and receives a leveled fee of 0.04% to 0.06% per annum of the net asset value at the end of each quarter. Any disbursement incurred will be charged separately.

### *12. Significant transactions with related parties*

Liechtenstein Global Trust Aktiengesellschaft, Vaduz, is the majority shareholder of the investment manager, LGT Private Equity Advisers Aktiengesellschaft, Vaduz.

The investment manager received a management fee of USD 6,474,104 (1998: USD 5,819,586) from the Overseas and Netherlands Subsidiary and a performance fee of USD 7,090,248 (1998: USD 2,283,953).

Cash and cash equivalents are partly deposited with LGT Bank in Liechtenstein Aktiengesellschaft, Vaduz. LGT Bank in Liechtenstein Aktiengesellschaft, Vaduz, acts as custodian for Castle Private Equity AG, Zug. In addition, LGT Bank in Liechtenstein Aktiengesellschaft, Vaduz granted the Overseas Subsidiary a credit line of USD 40 Mio. as of December 31, 1999.

### *13. Financial instruments and associated risks*

*Disclosures about fair value of financial instruments*

International Accounting Standards No. 32 «Financial Instruments: Disclosure and Presentation» requires the disclosure of fair value information about financial instruments, whether or not recognized in the financial statements, for which it is practicable to estimate the value. The carrying amounts of all financial instruments in the financial statements are reasonable estimates of fair values.

*Financial instruments and associated risks*

The Company is exposed to various risks in respect to its financial instruments. A summary of these risks is as follows:

– Interest rate risk - that the cash and cash equivalents and short term investments will fluctuate due to changes in market prices. The influence of changes in the market rates of interest is not expected to be significant.

– Underlying asset risk- that the investments held in the portfolio may be realized only after several years and their fair values may change significantly. However the strategy of the Group is to diversify its investments by allocating no more than 20% of the Net Asset Value to one investment vehicle.

– Credit risk - that the counterparties for cash and cash equivalents and investments will fail to discharge the obligation to repay. The group seeks to mitigate its exposure to credit risk by conducting its contractual transaction with institutions which are reputable and well established.

– Liquidity risk - that the Company may have an inability to raise additional funds or to use credit lines, if any, to satisfy the different commitments to the different partnerships. The group applies a sophisticated cash flow model to estimate future cash flows.

– Currency risk - most of the investment activities of the Company are denominated in U.S. Dollars and all important non-USD investments are hedged into USD. The Group doesn't normally hedge foreign exchange positions that represent less than 5 % of its Net Asset Value. Consequently the Company is not materially exposed to currency risk.

### *14. Commitments, contingencies and other off balance sheet transactions*

In addition to those commitments disclosed in Note 4 the Company has no off-balance-sheet transactions open at December 31, 1999 (1998: off-balance-sheet transaction with a contract volume of USD 24,564,800). As explained in Note 1, a new transaction, hedging the non-USD foreign exchange positions with a contract volume of USD 69,793,500 was made on January 24, 2000.

Positions in foreign exchange forward contracts are valued based upon forward rates available from the counterparty bank or other reputable established sources.

The operations of the Company are affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary. The Management concludes that as of December 31, 1999, no proceedings exist which could have any material effect on the financial position of the Company.

### *15. Subsequent Events*

Until May, 10, 2000, the following capital calls have been made by the partnerships under the commitments existing as of December 31, 1999 (in USD '000):

| | |
|---|---|
| Chancellor Offshore Partnership Fund L.P. | 27,109 |
| Chancellor Partnership Fund, L.P. | 6,857 |
| Newbridge Asia II, L.P. | 3,208 |
| Chancellor Private Capital Offshore Partners II L.P. | 2,685 |
| TCV III | 2,177 |
| Invesco Venture Partnership Fund II, L.P. | 2,155 |
| Doughty Hanson & Co. II, L.P. Number 15 | 2,016 |
| Other | 8,803 |
| **Total** | **55,010** |
| Other capital calls, not under the existing commitments | 7,926 |
| **Total capital calls until May 10, 2000** | **62,936** |

# Financial Statements as of December 31, 1999 together with Statutory Auditors' Report

***Report of the statutory auditors to the General Meeting of the Shareholders of Castle Private Equity AG, Zug***

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and accumulated deficit and notes, pages 44 to 46) of Castle Private Equity AG for the year ended December 31, 1999.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and the financial statements comply with Swiss law and the Company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

*Arthur Andersen AG*

*Stefan Fuchs* *Cataldo Castagna*

*Auditors in charge*

*Zurich, May 12, 2000*

**Balance sheet** as of December 31, 1999 (amounts in Swiss francs)

| Assets | 1999 | 1998 |
|---|---|---|
| *Current assets:* | | |
| Cash and cash equivalents | 5,270,559 | 828,273 |
| Other current assets | 39,669 | 6,085 |
| Total current assets | 5,310,228 | 834,358 |
| *Non-current assets:* | | |
| Investments | 378,490,920 | 378,490,920 |
| Incorporation costs, net | 8,578,664 | 12,231,411 |
| Fixed assets, net | 899 | 1,349 |
| Total non-current assets | 387,070,483 | 390,723,680 |
| **Total assets** | **392,380,711** | **391,558,038** |
| **Liabilities and shareholders' equity** | | |
| *Current liabilities:* | | |
| Accrued capital tax | 176,732 | 176,731 |
| Other accrued liabilities | 82,441 | 113,825 |
| Total current liabilities | 259,173 | 290,556 |
| *Deferred translation gain* | 360,379 | - |
| *Shareholders' equity:* | | |
| Share capital | 200,000,000 | 200,000,000 |
| General reserve | 201,066,240 | 201,066,240 |
| Accumulated deficit | (9,305,081) | (9,798,758) |
| Total shareholders' equity | 391,761,159 | 391,267,482 |
| **Total liabilities and shareholders' equity** | **392,380,711** | **391,558,038** |

## Statement of income and accumulated deficit

for the year ended December 31, 1999 (amounts in Swiss francs)

| | 1999 | 1998 |
|---|---|---|
| *Income:* | | |
| Gains (losses) on foreign exchange, net | 4,563,689 | (212,051) |
| Interest income | 27,053 | 6,881 |
| Other income | - | 695 |
| | 4,590,742 | (204,475) |
| *Expenses:* | | |
| Amortisation of incorporation costs | (3,652,748) | (3,652,748) |
| Other expenses | (255,896) | (390,183) |
| Depreciation of fixed assets | (450) | (450) |
| Interest expenses | (109) | (49) |
| | (3,909,203) | (4,043,430) |
| *Translation Loss; Net* | - | (2,195,879) |
| Net gain (loss) before taxes | 681,539 | (6,443,784) |
| *Taxes:* | (187,862) | (187,825) |
| **Net gain (loss) for the year** | **493,677** | **(6,631,609)** |
| *Accumulated deficit:* | | |
| Balance, beginning of year | (9,798,758) | (3,167,149) |
| Net gain (loss) for the year | 493,677 | (6,631,609) |
| **Balance, end of year** | **(9,305,081)** | **(9,798,758)** |

## Notes to the financial statements for the year ended December 31, 1999

(Amounts in Swiss Francs)

**1. *Organization and business activity***

Castle Private Equity AG, Zug («the Company») was incorporated on February 19, 1997 as a limited company under Swiss laws.

The main activity of the Company is investing in a portfolio of private equity and venture capital investments, through its two Subsidiaries, Castle Private Equity (Overseas) Ltd., Cayman («the Overseas Subsidiary») and Castle Private Equity (Nederland) B.V., Amsterdam («the Netherlands Subsidiary»).

**2. *Accounting principles***

a) Investments

Investments in subsidiaries are stated at acquisition cost or, in case of a permanent impairment of the value of the subsidiaries, at the lower net realizable value.

b) Intangible assets

Capitalized costs in connection with the incorporation and issuance of shares included in intangible assets are amortized on a straight-line basis over a period of five years.

c) Translation of financial statements

The books of the Company are kept in USD. Exchange differences arising from currencies other than USD are reflected in the statement of income. The USD financial statements were translated into Swiss Francs as follows:

- Assets and liabilities by applying the year-end exchange rate except for the investments, the incorporation costs and the shareholders' equity which were translated at the historical exchange rate.

- Income and expenses at the average exchange rate for the year except for depreciation which was translated at the historical exchange rates.

In accordance with local practice, net translation losses are charged to the statement of income, whereas net translation gains are deferred.

d) Hedge Policy

In 1999, the Company hedged all material non-USD investments of its subsidiaries into USD. The term of the hedge was until December 23, 1999 and a new transaction, hedging the non-USD foreign exchange positions with a contract volume of USD 69,793,500 was made on January 24, 2000. The foreign currency exposure is measured on the level of the partnerships and due to its fund of funds structure also on the level of the underlying partnerships. The Company normally hedges foreign currency positions exceeding 5% of the Group's Net Asset Value.

### *3. Investments*

The Company's investments as of December 31, 1999 and December 31, 1998 are composed as follows (in CHF):

| | Overseas Subsidiary | Netherlands Subsidiary | Total |
|---|---|---|---|
| Investments | 373,920,000 | 4,570,920 | 378,490,920 |

### *4. Taxes*

The Company is taxed as a holding company and is as such only liable for cantonal/communal capital taxes (reduced rates) and Swiss federal income taxes. The actual tax expenses cover all taxes through December 31, 1999.

### *5. Commitments, contingencies and other off-balance-sheet transactions*

The Company has no off-balance-sheet transactions open at December 31, 1999 (1998: open off-balance sheet transactions with a contract volume of CHF 33,592,364).

# Appendix 2

## *Unaudited consolidated balance sheet as of June 30, 1999 (amounts in US Dollars)*

| **Assets** | |
|---|---|
| *Current assets:* | |
| Cash and cash equivalents | 30,484,766 |
| Investments short term | 29,391,750 |
| Other current assets | 2,838,426 |
| **Total current assets** | **62,714,942** |
| *Non current assets:* | |
| Financial assets - investments at fair value | 251,460,311 |
| **Total non current assets** | **251,460,311** |
| **Total Assets** | **314,175,253** |

| **Liabilities and shareholders' equity** | |
|---|---|
| *Current liabilities:* | |
| Accounts payable and accrued liabilities | 5,131,026 |
| Accrued capital taxes | 49,504 |
| **Total current liabilities** | **5,180,530** |
| *Shareholders' equity:* | |
| Shares | 138,102,078 |
| Additional paid-in capital | 138,843,761 |
| Revaluation surplus | 39,699,956 |
| Retained earnings | (7,651,072) |
| **Total shareholders' equity** | **308,994,723** |
| **Total liabilities and shareholders' equity** | **314,175,253** |

## *Unaudited consolidated statement of income as of June 30, 1999 (amounts in US Dollars)*

| | |
|---|---|
| *Income from current assets:* | |
| Interest income | 5,598,937 |
| Gains on foreign exchange, net | 2,553,656 |
| Other income | 12,026 |
| **Total income from current assets** | **8,164,619** |
| *Value increase (decrease) from investments* | *(765,705)* |
| *Expenses:* | |
| Management and advisory fees | 5,676,115 |
| Other expenses | 657,517 |
| **Total expenses** | **6,333,632** |
| Net income before taxes | 1,065,282 |
| Taxes | (64,516) |
| **Net income** | **1,000,766** |
| Unrealised gain from fair value valuation of investments credited to equity, net | 8,896,434 |
| **Total income and expenses, net** | **9,897,200** |

Notes: Most partnership evaluations are based upon March 31, 1999 figures.

## Unaudited consolidated balance sheet
as of June 30, 2000 (amounts in US Dollars)

| | |
|---|---|
| **Assets** | |
| *Current assets:* | |
| Cash and cash equivalents | 2,649,518 |
| Investments short term | 886,168 |
| Other current assets | 4,479,339 |
| **Total current assets** | **8,015.025** |
| *Non current assets:* | |
| Financial assets - investments at fair value | 447,846,664 |
| **Total non current assets** | **447,846,664** |
| **Total assets** | **455,861,689** |
| **Liabilities and shareholders' equity** | |
| *Current liabilities:* | |
| Due to banks | 7,000,000 |
| Accounts payable and accrued liabilities | 10,163,422 |
| Accrued capital taxes | 61,444 |
| **Total current liabilities** | **17,224,866** |
| *Shareholders' equity:* | |
| Shares | 138,102,078 |
| Additional paid-in capital | 138,843,761 |
| Revaluation surplus | 146,717,525 |
| Retained earnings | 14,973,459 |
| **Total shareholders' equity** | **438,636,823** |
| **Total liabilities and shareholders' equity** | **455,861,689** |

## Unaudited consolidated statement of income
as of June 30, 2000 (amounts in US Dollars)

| | |
|---|---|
| *Income from current assets:* | |
| Interest income | 487,962 |
| Gains on foreign exchange, net | 4,089,408 |
| Other income | 13,344 |
| **Total income from current assets** | **4,590,714** |
| Value increase from investments | 13,808,720 |
| *Expenses:* | |
| Management and advisory fees | 12,848,302 |
| Other expenses | 378,882 |
| **Total expenses** | **13,227,184** |
| Net income before taxes | 5,172,250 |
| Taxes | (279,154) |
| **Net income** | **4,893,096** |
| Unrealized gain from fair value valuation of investments credited to equity, net | 8,422,956 |
| **Total income and expenses, net** | **13,316,052** |

## Unaudited consolidated statement of cash flows
for the period ended June 30, 2000 (amounts in U.S. Dollars)

| | |
|---|---|
| *Cash flows (used in) from operating activities:* | |
| Purchase of financial assets | (74,169,290) |
| Proceeds from return of invested capital in financial assets | 30,486,793 |
| Sale of investments short-term | 105,170 |
| Interest Income | 1,015,923 |
| Realized gain on investments | 11,471,314 |
| Realized loss on foreign exchange | (79,077) |
| Other realized income | (192,673) |
| Taxes paid | (328,167) |
| Operating expenses paid | (12,659,769) |
| **Net cash used in operating activities** | **(44,349,776)** |
| *Cash flows from financing activities:* | |
| Issuance of share capital | 3,000,000 |
| Bank loans | 7,000,000 |
| **Net cash from financing activities** | **10,000,000** |
| *Net decrease in cash and cash equivalents* | (34,349,776) |
| *Cash and cash equivalents,* beginning of period | 36,999,294 |
| *Cash and cash equivalents,* end of period | 2,649,518 |
| *Cash and cash equivalents* consist of the following, as of June 30: | |
| Cash at banks | 11,251 |
| Time deposits 30 days | 2,638,267 |
| | **2,649,518** |

**Investments** as of June 30, 2000, amounts in US Dollars

| | Opening fair value | Capital contributions | Return of capital | Unrealized gain / (loss) | Fair value 30.6.00 |
|---|---|---|---|---|---|
| Atlas Venture Fund V, LP | - | 1,468,203 | 0 | (212) | 1,467,991 |
| Carlyle International Partners L.P. | 3,389,764 | 340,344 | (13,561) | 433,506 | 4,150,053 |
| Chancellor Offshore Partnership Fund L.P. | 204,145,803 | 27,108,705 | (12,140,552) | 0 | 219,113,956 |
| Chancellor Partnership Fund L.P. | 17,827,941 | 3,374,040 | (3,374,040) | 0 | 17,827,941 |
| Chancellor Private Capital Offshore Partners II, L.P. | 43,115,295 | 8,571,430 | (362,940) | (2,718,700) | 48,605,085 |
| Chancellor V | - | 2,568,926 | 0 | 0 | 2,568,926 |
| Clayton, Dubilier & Rice Fund VI | 145,035 | 1,852,841 | 0 | (44,003) | 1,953,873 |
| Coller International Partners II, L.P. | 37,976,299 | - | (6,628,651) | 3,518,152 | 34,865,800 |
| Coller International Partners II, LLC | 31,474,585 | - | (5,624,843) | 2,785,772 | 28,635,514 |
| Doughty Hanson & Co III, L.P. | 2,478,568 | 2,015,910 | 0 | 0 | 4,494,478 |
| Eurofund III Unit Trust | 991,736 | 737,202 | 0 | 231,098 | 1,960,036 |
| Galileo II | 4,168,675 | 2,335,781 | (296,353) | (184,229) | 6,023,874 |
| Global Life Science | 1,884,230 | 362,782 | 0 | 1,314,990 | 3,562,002 |
| Index Ventures (Jersey) L.P. | 1,768,463 | 3,046,722 | (55,347) | 731,227 | 5,491,065 |
| Invesco Venutre Partnership Fund II, L.P. | 3,097,851 | 3,209,144 | (263,823) | 0 | 6,043,172 |
| Landmark Equity Partners III, L.P. | 9,306,834 | - | (577,399) | (161,500) | 8,567,935 |
| Newbridge Asia | 3,918,649 | 3,412,425 | (191,710) | (360,653) | 6,778,711 |
| Sliver Lake Technology Fund | 89,836 | 736,599 | 0 | 478 | 826,913 |
| Technology Crossover Ventures III, L.P. | 5,742,972 | 357,000 | (126,506) | 780,253 | 6,753,719 |
| Technology Crossover Ventures IV, L.P. | - | 1,820,000 | 0 | (99,781) | 1,720,219 |
| Triton Fund L.P. | 1,219,850 | 492,033 | 0 | (21,081) | 1,690,802 |
| TPG Parallel III, LP | - | 923,465 | 0 | (23,106) | 900,359 |
| T3 Parallel LP | - | 2,613,810 | 0 | (25,894) | 2,587,916 |
| Warburg Pincus International Partners | - | 1,000,000 | 0 | 0 | 1,000,000 |
| WCAS Capital Patners III, L.P. | 9,885,607 | 1,500,000 | 0 | 1,716,873 | 13,102,480 |
| 3i EuroPartners II, L.P. | 12,162,391 | - | (910,950) | 1,505,122 | 12,756,563 |
| Strategic European Technologies N.V. | 2,604,759 | 1,321,928 | 0 | 470,594 | 4,397,281 |
| **Total financial assets** | **397,395,143** | **71,169,290** | **(30,566,675)** | **9,848,906** | **447,846,664** |

# Appendix 4 Information about the current - activities of the Company

The Company will invest substantially all of its assets through the Cayman Subsidiary and the Dutch Subsidiary. Approx. 100% of the Company's assets have been invested in private equity partnerships.

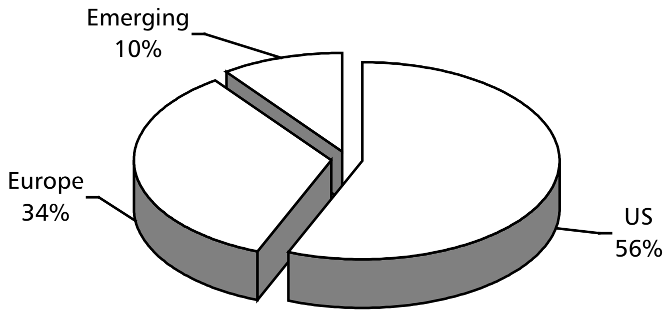
## Overview of the Company's partnership exposure as of September 2000

| Main Focus / Sectors | USA | Europe | Emerging Markets |
|---|---|---|---|
| **Venture** | Accel III and VI<br>Atlas Venture Fund V<br>Battery Ventures IV<br>Chancellor V<br>Chancellor Private Capital Offshore Partners II<br>Columbia Capital Equity Partners<br>Columbine Venture Fund II<br>Cornerstone Equity Partners IV<br>Enterprise Partners IV<br>Essex Woodlands Health Ventures IV<br>Invesco Venture Partnership Fund II<br>MPM Bio Ventures II<br>New Enterprise Associates VII and VIII<br>Oak Investment Partners VII and VIII<br>Philadelphia Ventures II<br>Salix Venture Partners<br>Sevin Rosen VI<br>Sierra Venture VI<br>Skyline Venture Partners<br>Summit Ventures V<br>Technology Crossover Ventures III and IV<br>Triad Ventures II<br>Warburg Pincus Investors 1989<br>Worldview Technology Partners I and II | Abingworth Bioventures II<br>Benchmark Europe I<br>Cambridge Research & Innovation<br>Galileo II and III<br>GeoCapital Europe<br>Global Life Science<br>Index Ventures I<br>Kiwi I and II<br>Strategic European Technologies N.V.<br>Warburg Pincus International Partners | Baring Asia Private Equity Fund<br>Israel Seed Partners II<br>Jerusalem Venture Partners |
| **Buyout** | AM Fund I<br>American Industrial Partners<br>Apollo Investment Fund IV<br>Berkshire Fund V<br>Blackstone Capital Partners III<br>Carlyle International Partners II<br>Catterton-Simon Partners III<br>Charterhouse Equity Partners III<br>Clayton, Dubilier & Rice Fund VI<br>DLJ Merchant Banking Partners II<br>GE Inv. Private Placements Partners I & Insurance I<br>Media/Communications Partners III<br>O'Donnell & Masur Prudential Private Equity III<br>Ripplewood Partners<br>RRE Investors<br>Silver Lake Partners<br>$T^3$ Partners<br>TPG Partners III<br>Thomas H.Lee Fund 1990 and Equity Fund IV<br>Welsh Carson Anderson & Stowe VIII<br>Zell/Chilmark 1990 | 3i Eurofund II and III<br>BC European Capital IV, V and VII<br>BVP Europe<br>Candover 1997<br>Doughty Hanson Fund III<br>France Private Equity (Walte Butler) II<br>Industri Kapital 1997<br>MerCapital Spanish Private Equity Partners<br>Pfingsten Executive Fund II<br>Procuritas Capital Partners II<br>Schroder Ventures European Fund II<br>The Triton Fund | Hicks Muse Tate & Furst Latin America Fund<br>Latin-American Capital Partners II<br>Newbridge Asia II and III |
| **Mezzanine** | Equitable Capital Income & Equity II<br>Rice Sangalis Toole & Wilson Partners III<br>Welsh Carson Anderson & Stowe III | | |
| **Distressed** | MD Sass Corporate Resurgence Partners<br>Pegasus Related Partners<br>TCW Special Placements III | | |
| **Special Situations** | Abry Broadcast Partners III<br>Landmark Private Equity III | Coller International Partners II LLC and LP | AIF Telecommunication<br>Orchid-Asia II |

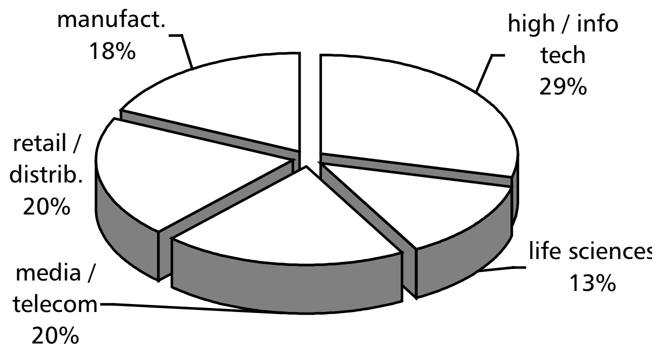
# Description of main investments and commitments per September 2000

The Subsidiaries have made investments and/or commitments of their assets to the following geographical regions, industry sectors, financing stages and vintage years:

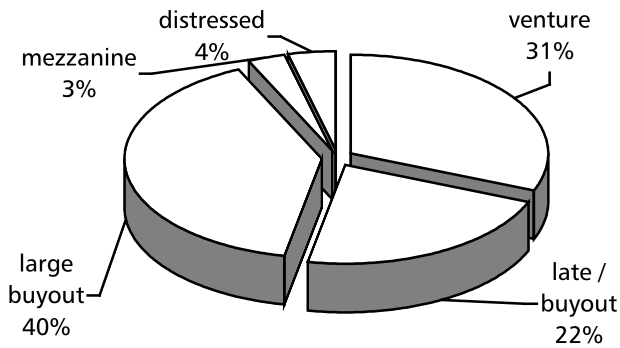
**Geographical allocation**



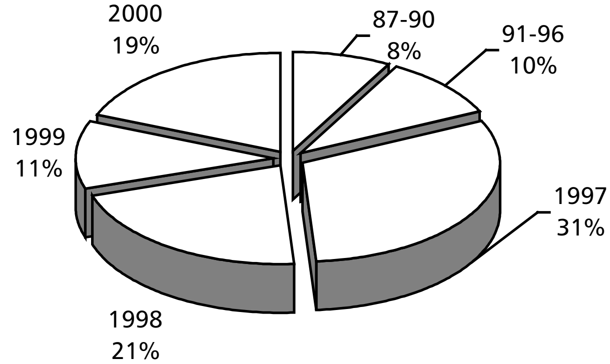

**Industry allocation**




**Financing stage allocation**




**Vintage year allocation**



# Castle Private Equity's Top 30 Partnerships as of September 2000 (alphabetical order)

## 3i Eurofund II

| | |
|---|---|
| Vintage year | 1997 |
| Company name (Private Equity Manager) | 3i Group, London |
| Total size of partnership | USD 284 million |
| Amount committed | USD 10.6 million |
| Percentage of portfolio | 1.6% |
| Financing stage | Later Stage/Small Buyouts, Larger Buyouts |
| Geographical Focus | Europe |
| Industry Focus | Various industries |
| Strategic focus | The sponsor of the 3i Eurofund II is 3i Group plc, one of Europe's leading Private Equity partnerships with 28 offices throughout the UK and Continental Europe. The partnership is diversified across a range of industries and includes growth capital, replacement capital, MBOs and MBIs primarily in Germany, France, Italy and Spain |

## 3i Eurofund III

| | |
|---|---|
| Vintage year | 1999 |
| Company name (Private Equity Manager) | 3i Group, London |
| Total size of partnership | USD 1 664 million |
| Amount committed | USD 8.8 million |
| Percentage of portfolio | 1.4% |
| Financing stage | Later Stage/Small Buyouts, Larger Buyouts |
| Geographical focus | Europe |
| Industry focus | Various industries |
| Strategic focus | The partnership is a follow-on fund to 3i Eurofund II and will invest primarily in unquoted companies, principally in the major continental European economies of France, Germany, Italy and Spain. Investments will be majority and minority equity stakes and equity-related instruments in a variety of industrial sectors via buyout transactions as well as through venture capital and replacement capital investments. |

## Accel VI

| | |
|---|---|
| Vintage year | 1998 |
| Company name (Private Equity Manager) | Accel Partners, Princeton, NJ |
| Total size of partnership | USD 275 million |
| Amount committed | USD 7.9 million |
| Percentage of portfolio | 1.2% |
| Financing stage | Early Stage |
| Geographical focus | USA |
| Industry focus | High-/Information Technology, Life Sciences |
| Strategic focus | The partnership invests primarily in start-up and early-stage high technology businesses with a particular emphasis on communication and information technology, as well as healthcare devices and services. |

## BC European Capital V

| | |
|---|---|
| Vintage year | 1994 |
| Company name (Private Equity Manager) | BC Partners, London |
| Total size of partnership | USD 494 million |
| Amount committed | USD 30.4 million |
| Percentage of portfolio | 4.6% |
| Financing stage | Larger Buyouts |
| Geographical focus | Europe |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | The partnership focuses on acquiring controlling positions in larger buyout transactions of family-owned businesses and divestitures from larger companies. Investments are mainly located in Continental Europe. |

## BC European Capital VII

| | |
|---|---|
| Vintage year | 2000 |
| Company name (Private Equity Manager) | BC Partners, London |
| Total size of partnership | USD 3 235 million |
| Amount committed | USD 8.8 million |
| Percentage of portfolio | 1.3% |
| Financing stage | Larger Buyouts |
| Geographical focus | USA / Europe |
| Industry focus | Various industries |
| Strategic focus | BC Partners is a leading European investor in buyout transactions. The Fund seeks to invest in a diversified portfolio of management buyouts in Western Europe, primarily in the UK, France, Italy and Germany. Occasionally, investments may be based elsewhere when there are significant businesses or operations in Europe. Investments will be equity and equity-related in medium to larger size businesses with capitalizations ranging from €150 million to €2 billion. |

## Benchmark Europe I

| | |
|---|---|
| Vintage year | 2000 |
| Company name (Private Equity Manager) | Benchmark Capital, Delaware, DE |
| Total size of partnership | USD 750 million |
| Amount committed | USD 8.0 million |
| Percentage of portfolio | 1.2% |
| Financing stage | Larger Buyouts |
| Geographical focus | Europe |
| Industry focus | High-/Information Technology and Infrastructure, Internet, Media/Telecom, Retail/Distribution |
| Strategic focus | Benchmark Capital is a leading US venture capital firm which was founded in 1995. The Partnership will focus on many of the areas in which Benchmark has demonstrated success, including Internet infrastructure services and equipment, e-commerce, application services, semiconductors, software and consumer devices. Benchmark Europe I seeks to provide European entrepreneurs value-added services, including high impact executive recruiting, help refining corporate strategy, and assistance with developing key strategic partnerships. |

## Blackstone Capital Partners III

| | |
|---|---|
| Vintage year | 1997 |
| Company name (Private Equity Manager) | The Blackstone Group, New York, NY |
| Total size of partnership | USD 4 000 million |
| Amount committed | USD 26.0 million |
| Percentage of portfolio | 3.9% |
| Financing stage | Larger Buyouts |
| Geographical focus | USA / Europe |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | Blackstone is one of the premier US buyout partnerships employing a strategy built around corporate joint ventures that allows major corporations to acquire and develop new businesses using off balance sheet financing structures |

## Clayton, Dubilier & Rice Fund VI

| | |
|---|---|
| Vintage year | 1999 |
| Company name (Private Equity Manager) | Clayton, Dubilier & Rice, New York, NY |
| Total size of partnership | USD 2 500 million |
| Amount committed | USD 10.0 million |
| Percentage of portfolio | 1.5% |
| Financing stage | Larger Buyouts |
| Geographical focus | USA |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | Clayton, Dubilier & Rice is one of the most renowned US buyout partnerships, which during its history has consistenly produced superior returns for its investors. The partnership's good network of contacts, its solid investment team and its excellent reputation gives it a competitive advantage in sourcing investment opportunities. Clayton, Dubilier & Rice Fund VI will mainly invest in opportunities to build businesses with the management of non-core divisions of large corporations. |

## Chancellor LGT Private Capital Offshore Partners II

| | |
|---|---|
| Vintage year | 1997 |
| Company name (Private Equity Manager) | Invesco Private Capital, New York, NY |
| Total size of partnership | USD 88 million |
| Amount committed | USD 50.0 million |
| Percentage of portfolio | 7.6% |
| Financing stage | Later Stage / Small Buyouts |
| Geographical focus | USA |
| Industry focus | High-/Information Technology, Life Sciences, Media/Telecom |
| Strategic focus | Invesco's Private Equity group is one of the oldest and most active investors in the private equity field. The fund's focus is on later stage venture opportunities in the technology, health and retail sectors. |

## Chancellor V

| | |
|---|---|
| Vintage year | 2000 |
| Company name (Private Equity Manager) | Invesco Private Capital, New York, NY |
| Total size of partnership | USD 156 million |
| Amount committed | USD 20.0 million |
| Percentage of portfolio | 3.0% |
| Financing stage | Early Stage, Later Stage Venture/Small Buyouts |
| Geographical focus | USA |
| Industry focus | High-/Information Technology, Life Sciences, Media/Telecom |
| Strategic focus | Chancellor V is managed by Invesco Private Capital, one of the largest and most active investors in the venture capital field with a special focus on the US market. Competitive advantages of the group are unique access to deal flow and industry expertise of investment professionals. Chancellor V will seek direct investments in mid- to later-stage venture financings for companies in areas of IT, healthcare and consumer retailing in the US. |

## Coller International Partners II LP and LLC

| | |
|---|---|
| Vintage year | 1998 |
| Company name (Private Equity Manager) | Coller Capital, London |
| Total size of partnership | USD 240 million |
| Amount committed | USD 8.7 million |
| Percentage of portfolio | 1.3% |
| Financing stage | Early Stage, Later Stage/Small Buyouts, Larger Buyouts |
| Geographical focus | USA/Europe/Emerging Markets |
| Industry focus | Various industries |
| Strategic focus | The partnership seeks to purchase positions in venture capital partnerships, buyout partnerships and investments acquired in the secondary market, i.e. from existing investors. Coller expects to receive cash distributions in the early years of its term due to the reduced time to investment realization of secondaries. |

## Doughty Hanson Fund III

| | |
|---|---|
| Vintage year | 1997 |
| Company name (Private Equity Manager) | Doughty Hanson, London |
| Total size of partnership | USD 2 660 million |
| Amount committed | USD 10.0 million |
| Percentage of portfolio | 1.5% |
| Financing stage | Larger Buyouts |
| Geographical focus | Europe |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | Doughty Hanson is a large and well-established European buyout group. The fund will focus in acquiring controlling interests in world or European market-leading businesses, and on selected smaller investments in high maintenance pre-IPO situations. Geographical focus is on German-speaking Europe, Scandinavia and to a lesser extent the US. |

## Enterprise Partners IV

| | |
|---|---|
| Vintage year | 1997 |
| Company name (Private Equity Manager) | Enterprise Partners, Newport, CA |
| Total size of partnership | USD 203 million |
| Amount committed | USD 9.1 million |
| Percentage of portfolio | 1.4% |
| Financing stage | Early Stage |
| Geographical focus | USA |
| Industry focus | High-/Information Technology, Life Sciences |
| Strategic focus | Enterprise is one of the few private equity groups that has a history of successfully investing in both early stage ventures and smaller buyouts. It remains one of the leading firms in southern California for venture capital financings. |

## Galileo III

| | |
|---|---|
| Vintage year | 2000 |
| Company name (Private Equity Manager) | Galileo Partners, Paris |
| Total size of partnership | USD 231 million |
| Amount committed | USD 8.8 million |
| Percentage of portfolio | 1.3% |
| Financing stage | Early Stage |
| Geographical focus | Europe |
| Industry focus | High-/Information Technology, Media/Telecom |
| Strategic focus | Since its creation in the early 90's Galileo Partners has established a strong franchise and network of contacts in the French venture capital market based on the team's extensive expertise with over 50 years of cumulative experience in venture investing. Galileo III will continue the investment strategy of its predecessor funds and invest in innovative start-up and early-stage companies with a particular focus on Internet opportunities, primarily in France and to a lesser extent continental Europe. |

## Hicks, Muse, Tate & Furst Latin America Fund

| | |
|---|---|
| Vintage year | 1998 |
| Company name (Private Equity Manager) | Hicks, Muse, Tate & Furst, Dallas, TX |
| Total size of partnership | USD 965 million |
| Amount committed | USD 10.0 million |
| Percentage of portfolio | 1.5% |
| Financing stage | Larger Buyouts |
| Geographical focus | Emerging Markets |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | The partnership implements a buy and build strategy in sectors where the partnership has substantial experience, i.e. media, manufacturing and food. |

## Index Ventures I

| | |
|---|---|
| Vintage year | 1999 |
| Company name (Private Equity Manager) | Index Ventures, Geneva |
| Total size of partnership | USD 183 million |
| Amount committed | USD 7.5 million |
| Percentage of portfolio | 1.1% |
| Financing stage | Early Stage, Later Stage/Small Buyouts |
| Geographical focus | USA/Europe |
| Industry focus | High-/Information Technology, Life Sciences |
| Strategic focus | Index Ventures I is a European venture capital partnership, targeting investments in information technology and life science companies, with a particular focus on later stage. This partnership has been formed by European investment professionals with US education and training, who have successfully structured, completed and syndicated investments of the types contemplated by the partnership. |

## Industri Kapital 1997

| | |
|---|---|
| Vintage year | 1997 |
| Company name (Private Equity Manager) | Industri Kapital, London |
| Total size of partnership | USD 831 million |
| Amount committed | USD 14.7 million |
| Percentage of portfolio | 2.2% |
| Financing stage | Later Stage/Small Buyouts, Larger Buyouts |
| Geographical focus | Europe |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | Industri Kapital is one of the pioneering buyout groups in Northern Europe. Investment are in companies with a) leading market position, b) ability to generate significant cash flow, c) strong management, d) products which have limited exposure to technological change, or e) substantial earnings growth potential. |

## Invesco Venture Partnership Fund II

| | |
|---|---|
| Vintage year | 1999 |
| Company name (Private Equity Manager) | Invesco Private Capital, New York, NY |
| Total size of partnership | USD 341 million |
| Amount committed | USD 15.0 million |
| Percentage of portfolio | 2.3% |
| Financing stage | Early Stage |
| Geographical focus | USA/Europe/Emerging Markets |
| Industry focus | Various industries |
| Strategic focus | Invesco's management team, experienced and known in the industry, has demonstrated proprietary access to top-quartile venture capital investment opportunities. The Invesco Venture Partnership Fund II will invest in venture capital on a world-wide basis. |

## Landmark Private Equity III

| | |
|---|---|
| Vintage year | 1993 |
| Company name (Private Equity Manager) | Landmark, Simsbury, CT |
| Total size of partnership | USD 348 million |
| Amount committed | USD 12.6 million |
| Percentage of portfolio | 1.9% |
| Financing stage | Early Stage, Later Stage/Small Buyouts, Larger Buyouts, Mezzanine |
| Geographical focus | USA/Europe |
| Industry focus | Various industries |
| Strategic focus | Landmark is a secondaries partnership which has taken investments in 17 underlying venture capital partnerships. |

## Media / Communications Partners III

| | |
|---|---|
| Vintage year | 1996 |
| Company name (Private Equity Manager) | Media / Communications Partners, Boston, MA |
| Total size of partnership | USD 265 million |
| Amount committed | USD 7.8 million |
| Percentage of portfolio | 1.2% |
| Financing stage | Early Stage, Later Stage/Small Buyouts |
| Geographical focus | USA |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | The partnership concentrates investments on emerging companies in the media and communication industries targeting telecommunications, media (TV, cable, radio) and related services capitalising on the dramatic changes in both technology and governmental regulations. |

## Newbridge Asia II

| | |
|---|---|
| Vintage year | 1999 |
| Company name (Private Equity Manager) | Newbridge Capital Group, Fort Worth, TX |
| Total size of partnership | USD 392 million |
| Amount committed | USD 10.0 million |
| Percentage of portfolio | 1.5% |
| Financing stage | Later Stage/Small Buyouts, Larger Buyouts, Distressed |
| Geographical focus | Emerging Markets |
| Industry focus | Various industries |
| Strategic focus | Newbridge Asia II is a private equity partnership with offices in Singapore, Hong Kong, Shanghai and San Francisco that focuses on exploiting capital dislocations and opportunities resulting from the effect of the Asian economic situation. The fund benefits from a local network of dedicated and well-established team of investment professionals in Asia and the general manager's extensive experience in sourcing, structuring and managing private equity investments on a global basis. |

## Newbridge Asia III

| | |
|---|---|
| Vintage year | 2000 |
| Company name (Private Equity Manager) | Newbridge Capital Group, Fort Worth, TX |
| Total size of partnership | USD 1 250 million |
| Amount committed | USD 10.0 million |
| Percentage of portfolio | 1.5% |
| Financing stage | Later Stage/Small Buyouts, Larger Buyouts, Distressed |
| Geographical focus | Emerging Markets |
| Industry focus | Various industries |
| Strategic focus | Newbridge Asia III seeks to invest in companies organised or doing business in Asia, including Greater China, Indonesia, Japan, Republic of Korea, the Philippines, Singapore, India and Thailand. The partnership seeks to capitalise on the investment opportunities offered by the ongoing restructuring of the Asian economies as well as on the enormous growth opportunity of the region also in the Internet and technology space. |

## Pegasus Related Partners

| | |
|---|---|
| Vintage year | 1997 |
| Company name<br>(Private Equity Manager) | Pegasus Partners, Greenwich, CT |
| Total size of partnership | USD 220 million |
| Amount committed | USD 8.4 million |
| Percentage of portfolio | 1.3% |
| Financing stage | Distressed |
| Geographical focus | USA |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | Pegasus focuses on complex transactions including restructurings of troubled companies as well as investments in undervalued businesses in industries that are currently out of favor due to temporary conditions. |

## Schroder Ventures European Fund II

| | |
|---|---|
| Vintage year | 2000 |
| Company name (Private Equity Manager) | Schroder Ventures, London |
| Total size of partnership | USD 3 051 million |
| Amount committed | USD 8.8 million |
| Percentage of portfolio | 1.3% |
| Financing stage | Later Stage/Small Buyouts, Larger Buyouts |
| Geographical focus | Europe |
| Industry focus | Various industries |
| Strategic focus | Schroder Ventures is a leading private equity manager present in 11 countries on 3 continents and currently manages 25 Schroder Ventures' Funds with committed capital of over USD 4 billion. The Partnership will focus on medium to large sized buy-outs of international European businesses. It may also pursue growth capital investment opportunities, within the technology and life sciences sectors leveraging its expertise in these two industries. Preferred sectors are technology, healthcare, engineering and consumer products and services. |

## The Triton Fund

| | |
|---|---|
| Vintage year | 1999 |
| Company name (Private Equity Manager) | Triton Advisers, London |
| Total size of partnership | USD 336 million |
| Amount committed | USD 7.7 million |
| Percentage of portfolio | 1.2% |
| Financing stage | Later Stage/Small Buyouts, Larger Buyouts |
| Geographical focus | Europe |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | Triton is a first-time European buyout partnership, formed by a team of experienced investment professionals seeking investments primarily in high quality, often world leading medium sized family-owned businesses. The geographical focus is on German-speaking and Nordic countries. |

## Warburg Pincus International Partners

| | |
|---|---|
| Vintage year | 2000 |
| Company name (Private Equity Manager) | Warburg Pincus, Delaware, DE |
| Total size of partnership | USD 2 500 million |
| Amount committed | USD 10.0 million |
| Percentage of portfolio | 1.5% |
| Financing stage | Early Stage, Later Stage/Small Buyouts, Larger Buyouts |
| Geographical focus | Europe / Emerging Markets |
| Industry focus | Various industries |
| Strategic focus | Warburg Pincus has one of the longest histories of successful private equity investing in both the US and on a global basis. The firm has currently 82 professionals operating out of offices in New York, London, Hong Kong, Tokyo, Singapore, São Paulo and Munich. Warburg Pincus International Partners seeks to invest in venture capital transactions, developing growth opportunities, buyouts, recapitalizations, and other special situations in companies whose principal place of business is outside the United States. |

## Warburg Pincus Investors

| | |
|---|---|
| Vintage year | 1989 |
| Company name (Private Equity Manager) | Warburg Pincus, Delaware, DE |
| Total size of partnership | USD 1 775 million |
| Amount committed | USD 25.5 million |
| Percentage of portfolio | 3.8% |
| Financing stage | Early Stage, Later Stage/Small Buyouts, Larger Buyouts |
| Geographical focus | USA / Europe / Emerging Markets |
| Industry focus | Various industries |
| Strategic focus | The partnership targets investments in portfolio companies that are broadly diversified by industry and geography. Investments are made in early and later stage companies as well as buyouts. Approximately 25-30% of the investments are made internationally. |

## Welsh, Carson, Anderson & Stowe Capital Partners III

| | |
|---|---|
| Vintage year | 1997 |
| Company name (Private Equity Manager) | Welsh, Carson, Anderson & Stowe, New York, NY |
| Total size of partnership | USD 1 280 million |
| Amount committed | USD 15.0 million |
| Percentage of portfolio | 2.3% |
| Financing stage | Mezzanine |
| Geographical focus | USA |
| Industry focus | High-/Information Technology, Life Sciences, Media/Telecom |
| Strategic focus | WCAS III focuses on mezzanine investments in the information services and healthcare industries in the US. |

## Welsh, Carson, Anderson & Stowe VIII

| | |
|---|---|
| Vintage year | 1998 |
| Company name (Private Equity Manager) | Welsh, Carson, Anderson & Stowe, New York, NY |
| Total size of partnership | USD 3 160 million |
| Amount committed | USD 8.2 million |
| Percentage of portfolio | 1.2% |
| Financing stage | Later Stage/Small Buyouts, Larger Buyouts |
| Geographical focus | USA |
| Industry focus | High-/Information Technology, Life Sciences, Media/Telecom |
| Strategic focus | WCAS VIII focuses on equity investments in the information services and healthcare industries in the US. |

## Zell / Chilmark 1990

| | |
|---|---|
| Vintage year | 1990 |
| Company name (Private Equity Manager) | Zell / Chilmark, Delaware, DE |
| Total size of partnership | USD 1 016 million |
| Amount committed | USD 14.5 million |
| Percentage of portfolio | 2.2% |
| Financing stage | Larger Buyouts |
| Geographical focus | USA |
| Industry focus | Media/Telecom, Retail/Distribution, Manufacturing |
| Strategic focus | Zell / Chilmark follows a buyout strategy and has completed investments in larger media and telecom transactions as well as in the retailing and manufacturing sectors. |

Castle Private Equity

# Appendix 5

Baarerstrasse 37
Postfach
CH-6304 Zug/ZG
Telefon 041 726 85 65
Fax 041 726 85 67

## Capital increase 2000
## Issue of subscription rights and public placement

## Subscription application for investors

Based on a decision of the Ordinary General Meeting of Shareholders of June 23, 1999 concerning the issue of authorized equity capital amounting to a maximum of CHF 100 million, on the resolution of the Board of Directors of August 21, 2000 to increase the equity capital from CHF 200 million to a maximum of CHF 240 million, and with reference to the Listing Memorandum and Offering Circular of October 18, 2000, the:

undersigned ..........................................................................................................

company name: ..........................................................................................................

address: ..........................................................................................................

bank name: ..........................................................................................................

account number: ..........................................................................................................

phone: .......................................................... fax: ..........................................................

subscribes
subscription rights: ❏ as owner of ______ bearer shares Castle Private Equity AG with a par value of CHF 50 each (5 current bearer shares entitle to subscribe 1 new bearer share) and / or
free placement: ❏ as new investor

____ bearer shares of **Castle Private Equity AG, Zug (Swiss security no 597.816)**
and herewith irrevocably commits to fully pay in the bearer shares at the latest by November 13, 2000.

Please debit ❏ the account mentioned ❏ account .......................... at bank ................................................
Please deliver the shares
❏ to my deposit ...................... ❏ at your bank ❏ at..........................................................................................

❏ to my attention at ..........................................................................................................

| | |
|---|---|
| **Subscription period:** | **Wednesday, October 18, 2000 until Wednesday, November 8, 2000 12:00 h. No trading will take place in subscription rights.** |
| **Placing period:** | **Wednesday, October 18, 2000 until Wednesday, November 8, 2000 12:00 h.** |
| **Payment date:** | **November 13, 2000.** |
| **Lead manager:** | **LGT Bank in Liechtenstein Limited, Herrengasse 12, FL – 9490 Vaduz, Fax-no +423 – 375 41 22 (attention Messrs L. Pfiffner or M. Friolet).** |

Subscription rights will be issued by SEGA and Euroclear to Shareholders by October 18, 2000.
The subscription price for the new shares will be determined as follows on November 8, 2000 (end of the subscription period) after 5 p.m. by the Board of Directors: 0.95 multiplied by the arithmetic average of the closing prices of the bearer share on the trading days from November 2, 2000 up to and including November 8, 2000 on the SWX Swiss Exchange, rounded up or down to the nearest half CHF. The closing price is defined as the price last paid on a trading day as fixed by the SWX Swiss Exchange. The subscription price will correspond in any case at least to the net asset value of the current shares (net asset value of the company divided by the number of shares) on the closing date of the subscription period.
Shares not subscribed under the subscription offer can be publicly placed by the company at the end of the subscription period. Subscriptions which exceed the available number of shares will be reduced at the company's discretion.
The articles of association and «notice légale» have been filed with the chief registrar of the district court in Luxembourg.

Location, date: ..........................................................................................................

Signature: ..........................................................................................................

**Please send this application to your bank.**

**THE COMPANY**

Castle Private Equity AG
Baarerstrasse 37
CH – 6304 Zug
Switzerland

**THE SUBSIDIARIES**

Castle Private Equity (Overseas) Ltd.
c/o CITCO Fund Services (Cayman Islands) Ltd.
P.O. Box 31106
Seven Mile Beach, Grand Cayman
Cayman Islands, B.W.I.

Castle Private Equity (Nederland) B.V.
c/o CITCO (Nederland) B.V.
Strawinskylaan 1725
NL – 1077 XX Amsterdam
the Netherlands

**INVESTMENT MANAGER**

LGT Private Equity Advisers Aktiengesellschaft
Herrengasse 12
FL – 9490 Vaduz
Principality of Liechtenstein

**ADMINISTRATOR**

LGT Capital Management Aktiengesellschaft
Herrengasse 12
FL – 9490 Vaduz
Principality of Liechtenstein

**AUDITORS OF THE COMPANY**

Arthur Andersen AG
Binzmühlestrasse 14
CH – 8050 Zurich
Switzerland

**AUDITORS OF THE SUBSIDIARIES**

Arthur Andersen LLP
Caledonia House
Georgetown, Grand Cayman
Cayman Islands, B.W.I.

Arthur Andersen & Co. Accountants
Amstelveen, the Netherlands

**LISTING AGENT LUXEMBOURG**

Banque de Luxembourg
14, boulevard Royal
L – 2449 Luxembourg
Luxembourg

**PRINCIPAL PAYING AGENT**

LGT Bank in Liechtenstein
Herrengasse 12
FL – 9490 Vaduz
Principality of Liechtenstein

**PAYING AGENT**

Bank in Liechtenstein, Niederlassung Zürich
Gladbachstrasse 105
CH – 8044 Zurich
Switzerland

**PAYING AGENT**

Banque de Luxembourg
14, boulevard Royal
L – 2449 Luxembourg
Luxembourg

**SWISS LEGAL ADVISERS TO THE COMPANY
AND LISTING AGENT IN SWITZERLAND**

Niederer Kraft & Frey
Bahnhofstrasse 13
CH – 8001 Zurich
Switzerland