

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

If you are in any doubt about the action you should take in relation to this Circular you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other professional adviser. If you sell or have sold or transferred your shares in Yatra Capital Limited, this Circular and any other related documents should be passed on to the person or persons through/to whom the sale or transfer was effected for transmission to the purchaser or transferee.

# **YATRA CAPITAL**

**Proposals to amend the Company's investment policy, investment management arrangements and amendments to the Company's memorandum and articles of association**

**Notice of an extraordinary general meeting of the Shareholders of Yatra Capital Limited convened for Wednesday, 19 June 2013 is included with this document.**

**You are requested to provide a Written Confirmation and, if necessary, a delegate proxy form in accordance with the instructions printed herein.**

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## PART I

### LETTER FROM THE CHAIRMAN

# YATRA CAPITAL LIMITED

*(Closed-ended investment company incorporated in Jersey with registration number 93576)*

*Directors:*

Richard Boléat (*Chairman*)

George Baird

Shahzaad Dalal

David Hunter

Malcolm King

Christopher Wright

*Registered Office:*

PO Box 218

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Channel Islands

7 May 2013

Dear Shareholder

### Introduction

I am writing on behalf of the Board to provide notice of a forthcoming extraordinary general meeting of Yatra to be held on Wednesday, 19 June 2013 at 12:00pm at the registered office of the Company, 43/45 La Motte Street, St Helier, Jersey JE4 8SD.

It is proposed that the Group cease making any new investments (though it will develop and, if incrementally profitable and in the Shareholders' interest, provide additional funds to complete existing investments) and will focus on realising the maximum value from its existing portfolio and returning the realisation proceeds to Shareholders. In parallel with, and to give effect to, this change of investment policy, the Board has concluded that Revised Investment Management Arrangements with IL&FS Investment Advisors LLC ("IIAL" or "the Investment Manager") are required in order to better align the interests of IIAL and Shareholders. The Board has agreed revised terms with IIAL, details of which are set out in this document and which will be put to Shareholders at the EGM.

The Board is therefore convening the EGM at which a number of resolutions will be proposed to approve the changes which are detailed below. In summary, the resolutions seek:

1. Shareholder confirmation that the investment policy of the Company's Real Estate Shares be amended to restrict new investments solely to support existing investments, for the purpose of protecting, preserving or enhancing such investments, including for completion of their development and to focus future investment management efforts on the realisation of the Group's portfolio and the return of surplus capital and realisation proceeds to Shareholders;
2. conditional upon approving Resolution 3 below, Shareholder approval of a revised Investment Management Agreement which embodies a closer alignment between the Investment Manager and Shareholders and revised remuneration and termination arrangements; and
3. Shareholder approval of changes to the Memorandum and Articles by introducing the ability to issue a new class of shares to invest in a portfolio of Indian infrastructure assets and also to introduce a number of other changes that seek to improve the corporate governance of the Company.

Resolutions 1 and 2 require a simple majority of Shareholders voting to approve them and Resolution 3 requires the approval of 66.67% of Shareholders voting to approve it. In addition, Resolution 2 is conditional on Resolution 3 being passed to become effective.

## **Investment Policy Change**

The Board is proposing, as Resolution 1, to formalise the amendment of the investment policy of the Company's Real Estate Shares to restrict new investments solely to support existing investments, for the purpose of protecting, preserving or enhancing such investments, including for completion of their development, and to focus future investment management efforts on the realisation of the Group's portfolio and the return of surplus capital and net realisation proceeds to Shareholders.

It is proposed that this change will also be reflected in the investment policy of the Group's main investment holding subsidiary, K2. Under the proposed constitution of K2, because realisations of assets at the level of K2 constitute an amendment to K2's current investment policy, such an amendment would need to be approved by IIAL in its capacity as a holder of class C shares in K2. IIAL has agreed to this amendment to be effected by a revision to the constitution of K2 if the other resolutions being proposed at the EGM are approved by Shareholders. If the other resolutions are not approved by Shareholders but the investment policy change is approved, the investment policy of Yatra will change but there can be no certainty that it will be possible for this change to be fully implemented in K2 without the consent of IIAL.

## **Revised Investment Management Fee Arrangements**

The Board has been conscious for some time that the management fee and carried interest arrangements for the Group did not align closely enough the interests of Shareholders and the Investment Manager. In particular, the Board is conscious that the current carried interest arrangements no longer act as an incentive for IIAL as the fall in the Indian real estate market since the global financial crisis of 2008/9 has meant that it is highly unlikely that any carried interest would be earned by IIAL. Similarly, the Board is also conscious that the current base investment management fee of 2% p.a. of Net Capital Commitments, albeit acceptable at the time of Yatra's launch, is now higher than is normal for comparable funds.

At the same time, the Board concluded that IIAL is best placed to continue to manage the Group's portfolio given the depth of its experience in Indian real estate and infrastructure investment management, its deep-seated knowledge of the Group's portfolio and of the Group's joint venture partners and the strong reputation and market position of the Investment Manager's group within the Indian market.

Accordingly the Board resolved to approach IIAL to seek to reduce the level of the base investment management fee and to restructure the carried interest to incentivise IIAL to focus upon achieving realisations from the portfolio so that cash can be returned to Shareholders.

Following extensive negotiations, IIAL has agreed to reduce the base investment management fee to which it is entitled from the current rate of 2% p.a. of Net Capital Commitments to 1.25% p.a. of Net Capital Commitments. IIAL has also agreed that the annual management fees should be computed after deduction, *inter alia*, from Net Capital Commitments of cash held within K2 and investments which have been written off or written down to a nominal sum (i.e. below 5% of original book cost) in K2's accounts. This reduced fee and revised basis for computation would be retrospective to 1<sup>st</sup> April 2013 if Shareholders approve Resolutions 2 and 3 at the EGM.

IIAL has also agreed to revise its carried interest (which replaces the existing carried interest arrangements) to better align its interests with those of Shareholders. Under the Revised Investment Management Arrangements, IIAL will be incentivised to optimise realisations from the Group's portfolio and to facilitate the return of realisation proceeds to Shareholders.

The proposed revised carried interest payable to IIAL will be a percentage of the Net Proceeds of realisation of investments received by K2, calculated as follows (payable partly as a catch up of foregone management fees under the Investment Management Agreement and partly as carried interest):

For investments which have not been written off/written down in K2's accounts, if the Net Proceeds represent:

	<i>Carried interest</i>
Less than 85% of Base Case Valuation	5%
85% or more but less than 115% of Base Case Valuation	7.5%
115% or more of Base Case Valuation	9%

For investments which have been written off/written down to a nominal sum in K2's accounts, then on the amount realised on such divestment

25%

The schedule of Base Case Valuations has been established in Indian rupees and is, in aggregate, 8.7% above the IFRS fair value of K2's investment portfolio as at 30 September 2012. The carried interest will be calculated separately with respect to each investment, without any averaging across the portfolio, and will be payable as a single percentage of the overall proceeds of realisation of the investment in question. By way of example, if the proceeds of realisation of an investment which has not been written off/written down are 115% of the Base Case Valuation, the carried interest will be 9% on the entire 115% (not 5% on the first 84.99%, 7.5% on the next tranche up to 114.99% and 9% on the excess from 115% and upwards). Where there are partial realisations or other interim distributions in relation to an investment these will attract an interim carried interest payment at 5%, 7.5% or 9% depending on whether the investment realisations represent less than 85%, at least 85% or 115% or more, respectively, of the entire Base Case Valuation of the investment, with a balancing payment, if necessary, out of the final realisation proceeds of the investment concerned. The revised carried interest will be payable with respect to all investments held in the portfolio as at 1 April 2013 (excluding proceeds pending to be received by K2 from an investment previously disposed), provided that the Shareholders approve Resolutions 2 and 3 at the EGM.

### **Revised Termination Provisions**

When Yatra was launched in December 2006, it structured its investment into Indian real estate through its subsidiary, K2. Yatra intended that its investment in K2 would have a limited life terminating after a period of seven years, with the seventh anniversary falling in January 2014 (the portfolio attributable to that equity issue being referred to as the "**A Share portfolio**"). Yatra launched a secondary offering in late 2007 and used the proceeds of this issue to subscribe for further capital in K2. This investment also was intended to have a limited life of seven years, with the seventh anniversary falling in January 2015 (the portfolio attributable to that equity issue being referred to as the "**B Share portfolio**").

In each case, Yatra anticipated that there would be a "run-off period" of up to 12 months after the seventh anniversary in which the A Share portfolio or the B Share portfolio would be realised. It was also open to the Board to agree to extend the life of each portfolio by up to two further periods of 12 months each, at its sole discretion.

It has become apparent to the Board that many of the Group's investments will not be fully realised by the seventh anniversary of the respective Yatra equity issue. The Board has therefore agreed with IIAL to amend the provisions concerning the maturity of the underlying A Share and B Share portfolios to enable IIAL to manage the realisation of the Group portfolio for the benefit of Shareholders.

It is, therefore, proposed that the Investment Management Agreement be amended as follows:

- IIAL will continue to manage the A Share portfolio beyond its current wind up date of 16 January 2014 until a new wind up date of 30 September 2016;
- IIAL will continue to manage the B Share portfolio beyond its current wind up date of 7 January 2015 until a new wind up date of 30 September 2016;
- if K2 has not received Net Proceeds from portfolio realisations of at least €10 million in the financial year ending 31 March 2014, and an aggregate of €30 million in the two financial years ending 31 March 2015, the entitlement of IIAL to manage the A and B Share portfolios until 30 September 2016 may be terminated at the discretion of the K2 board. If such termination occurs, the Investment Management Agreement permits K2 to terminate IIAL's appointment as investment manager with immediate effect for the A Share portfolio and with effect from 7 January 2015 for the B Share portfolio (or with immediate effect if the right to terminate is triggered after 7 January 2015); and
- with effect from the termination of the Investment Management Agreement, the right of IIAL to receive further carried interest payments in respect of future sales of Group assets will cease except in respect of sales contracted prior to termination where such sales proceeds are received by K2 within 12 months of the date of termination.

A summary of the revised Investment Management Agreement is set out in Part II of this document.

### **Infrastructure Share class**

As part of the restructuring of the management arrangements described above, it is proposed that the Articles be amended to permit, in certain circumstances, the issue of a new class of shares, Infrastructure Shares, by the Company. It is anticipated that the Infrastructure Shares would be issued to new investors seeking exposure to a portfolio of infrastructure assets in India, managed by IIAL. The Board and IIAL have no current expectations as to the timing of any future issue of Infrastructure Shares and no such issue is planned.

The proposed New Articles contain a number of safeguards to protect the rights of existing Shareholders with respect to the Infrastructure Shares Class. These include:

- a prohibition on the marketing and launch of the Infrastructure Shares until distributions to Yatra Real Estate Shareholders amount to a return of capital of at least 50% of the average market capitalisation of the existing Yatra shares as measured over the five business days preceding 6 May 2013, the business day immediately preceding the publication of this Circular; and
- any Infrastructure Shares issued will have no voting rights (including the right to vote on the appointment or removal of Yatra Directors) (save where changes are proposed to the rights of those shares) until 85% of the Company's net asset value as at 31 March 2013 has been realised and the proceeds returned to Real Estate Shareholders.

A summary of the changes proposed in the New Articles is set out in Part III of this document and a copy of the proposed New Articles is available on the Company's website with the changes proposed highlighted in the draft. The web address for the draft Articles is [www.yatracapital.com/](http://www.yatracapital.com/). A copy of the proposed New Articles will also be available for inspection at the EGM.

If the required majority of Shareholders do not vote in favour of the authorisation of the Infrastructure Shares (Resolution 3), the proposal will lapse and the Revised Investment Management Arrangements, including the reduction in management fee and the introduction of the new carried interest, will not be implemented. For the Infrastructure Share Class to be approved at the EGM, it requires to be voted for by 66.67% of the Shareholders present and voting at the meeting.

## **What happens if the proposals are not approved at the EGM?**

If the proposals are not approved by Shareholders at the EGM, the current investment management agreement will continue in force at the current management fee, which is considerably higher than the level of investment management fee proposed. Further, IIAL will have no financial incentive to achieve realisations from the Group's portfolio. However, Yatra will be able to withdraw its capital by requiring that K2 distribute, in specie, those assets that comprise the A Share portfolio after January 2014 and those that comprise the B Share portfolio after January 2015.

Shareholders should note that the Board anticipates that by January 2014 and January 2015, the A Share and B Share portfolios will still largely comprise investments in Indian real estate and not cash or liquid securities. Whilst these investments may be withdrawn from K2 and effectively therefore from the management of IIAL, the Board will still need to arrange for these assets to be managed on the Group's behalf, possibly by a new investment manager. There can be no certainty that such a new investment manager can be found or terms agreed for them to assume the management of the A Share and B Share portfolios, or that the terms such investment manager proposes would be acceptable to the Board and Shareholders or more cost effective than those agreed with IIAL and being put before Shareholders at the EGM. Securing the services of an appropriate manager on acceptable terms may be even more challenging if the A Share and B Share portfolio are of a reduced size, for example, as a result of successful realisations.

The Board anticipates that before taking any steps to withdraw the A Share and B Share portfolios from K2, they would convene a further Yatra extraordinary general meeting at which proposals would be made. There can be no certainty at this time as to the nature and shape of such proposals or whether they would command the requisite level of Shareholder support at the time.

As well as believing that the Revised Investment Management Arrangements represent the best way forward for the Group and Shareholders, it is the heightened level of uncertainty over the Group's future management arrangements from January 2014 that reinforces the Board's views that continuing with the status quo is the least attractive option for the Company.

## **Risk Factors**

### ***Revised Investment Management Arrangements***

Even if Shareholders approve the revised Investment Management Agreement there can be no certainty that the Investment Manager will be able to realise the Group's portfolio at the current valuations or at valuations which the Company would find attractive. Nor can there be any assurance as to the timing of any realisations.

The Revised Investment Management Arrangements are designed to encourage the Investment Manager, and reinforce the Board's continuing efforts to direct IIAL, to arrange for assets to be sold in a timely manner. The Board will be endeavouring to optimise shareholder value through a prudent realisation process. All such sales will require the Board's prior consent, but to avoid early termination of its appointment under the Investment Management Agreement, the structure of this arrangement may encourage IIAL to seek to sell assets at prices that do not reflect their true value at the time of sale or their potential value if the sale was to be deferred.

The revised carried interest arrangements pay out on an asset by asset basis and IIAL may generate high levels of carried interest on certain assets that do not counter balance the low levels of carried interest payable on other assets when they are sold. The aggregate amount of carried interest paid in such circumstances may be more than if the Revised Investment Management Arrangements included a carried interest payable on the realisation of the Group's entire portfolio and not on an asset by asset basis.

Many of the Group's investments are minority interests in underlying real estate developments which have yet to be completed. As such, the Group and IIAL may be unable to control or influence the management of those assets in the manner they would wish.

Changes to the legal, regulatory or tax environment in one or more of the jurisdictions in which the Group operates may impact on the Group's ability to manage its assets or adversely affect the value of the Group's portfolio.

### ***Infrastructure Share Class***

Although the draft New Articles contain provisions which prevent holders of Infrastructure Shares having any economic rights to the assets attributed to Real Estate Shares and vice versa, it is not possible to ensure that all non-contractual creditors such as tax authorities, regulators, and litigants with non-contractual claims cannot have recourse to all of the assets of the Company (irrespective of which share class they are attributed to). The Board does, however, intend to arrange the affairs of the Company and each share class such that potential liability relating to investments is limited at each stage through the use, where possible, of limited liability special purpose vehicles. Further, the Board will also have power to reallocate assets between the share classes in the event that one share class bears a liability that should properly have been borne by another.

### **Important Considerations**

You are reminded of the need to obtain advice from your financial adviser if you are in any doubt about the action you should take in relation to this Circular. In view of the voting requirements it is important that you exercise your voting rights by providing a Written Confirmation (as described on page 22) and, if necessary, completing a delegate proxy form (as set out on pages 23 and 24) and returning it to the address specified therein.

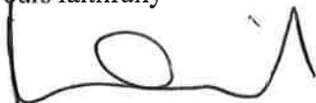
### **Recommendation**

The Independent Directors consider that the Resolutions to be proposed at the EGM are in the best interests of the Company and Shareholders as a whole.

The Independent Directors unanimously recommend Shareholders to vote in favour of the Resolutions to be proposed at the EGM.

The Board intends to vote in favour of the Resolutions in respect of their aggregate shareholdings of 20,967 Shares, representing 0.11% of the Company's share capital.

Yours faithfully



Richard Boléat  
Chairman  
For and on behalf of  
**Yatra Capital Limited**

## **PART II**

### **SUMMARY OF PROPOSED CHANGES TO THE INVESTMENT MANAGEMENT AGREEMENT and K2's CONSTITUTION**

#### **I. Summary of proposed changes to the Investment Management Agreement**

K2's original investment advisor, Saffron Capital Advisors Limited (which subsequently became the Investment Manager), was acquired by IIAL in 2010, at which point IIAL succeeded to the rights and obligations of Saffron Capital Advisors Limited as investment manager to K2. K2 now proposes to enter into a new Investment Management Agreement with IIAL to reflect the changes summarised below.

The new Investment Management Agreement is conditional upon K2's shareholders approving the Revised Investment Management Arrangements on or before 31 July 2013. Assuming that such approval is obtained, the new Investment Management Agreement will be deemed to be effective from 1 April 2013. The following is a summary of the material changes that will be reflected in the new Investment Management Agreement when compared with the existing agreement.

#### **Investment policy**

Under the new Investment Management Agreement, IIAL will explicitly be obliged to comply with the provisions of the Company's prospectus as well as the constitution and investment objectives of K2. This is so that the management of K2 is aligned with the investment policy of the Company, and in particular that IIAL should adhere to the proposed amended investment policy. IIAL will be required to obtain consent from the K2 directors before acquiring or disposing of any of K2's investments other than cash or money market instruments.

The K2 directors will have no discretion to modify K2's investment policy without the consent of IIAL, and provided that IIAL has met the cash return targets referred to below, the K2 directors have relinquished their discretion to withdraw any of K2's investments from the management of IIAL prior to termination. Under the existing investment management arrangements, assets may be removed from the portfolio but fees may still continue to be payable to IIAL on those assets. Additionally, the circumstances under which the Investment Management Agreement may be terminated have been widened, as summarised below.

#### **Management fee**

IIAL's annual management fee will be reduced from 2% per annum of Net Capital Commitments to 1.25% per annum of Net Capital Commitments, calculated and payable every six months in advance. The basis on which the management fee is calculated will also be amended so that Net Capital Commitments are calculated as the aggregate original book cost of the investments held by K2 at the time of determination, excluding investments which have been written off and any cash held by K2 and intercompany balances due by Yatra to K2. The current calculation does not exclude these items.

As the new Investment Management Agreement will have a period of overlap with the payment schedule under the existing management arrangements, the new Investment Management Agreement incorporates a mechanism whereby the fees which have already been paid to IIAL by K2 for the period from 1 April to 30 June 2013, will reduce the fees payable under the Investment Management Agreement, until the amount paid previously has been offset.

As stated, if any of K2's investments are written off, they will be excluded from the calculation of the management fee. However, should IIAL be able to realise these investments during the term of the new Investment Management Agreement, then, once K2 has received proceeds from that realisation, IIAL will be entitled to a deferred management fee equal to the lesser of (i) 1.25% per annum of the original book cost of that investment, calculated for the period during which no management fee was payable on that investment due to it being written off, and (ii) 25% of the Net Proceeds received by K2 from that investment.

IIAL will also be entitled to a performance based carried interest payment, which is described further in the section below – Summary of proposed changes to K2's Constitution. IIAL continues to be entitled to reimbursement of its expenses incurred in negotiating the Revised Investment Management Arrangements; however these expenses are subject to a cap of €100,000.

### **Non-public information and benefits**

Under the existing investment management agreement, IIAL is under no duty to ascertain whether its employees hold any non-public information in relation to K2's investments, nor is it obliged to take into account such information when making a recommendation for the sale or purchase of any investments. The new Investment Management Agreement incorporates an acknowledgement on the part of K2 that IIAL also owes duties to other clients and accordingly, IIAL may have non-public information which could impact the decision making of K2. IIAL is not under any obligation to disclose or act on such information where it is prohibited to do so due to confidentiality restrictions. However, if IIAL is not so prohibited, it will use reasonable efforts to make use of this information for the benefit of K2. IIAL will also now be required to provide the K2 directors with quarterly reports of any commissions paid by K2 to IIAL or any related parties.

### **Termination**

The termination provisions have been revised so that where K2 terminates IIAL's appointment for good cause there will no longer be a requirement for any dispute in this respect to be settled by an expert. K2 will also be able to terminate IIAL's appointment for wilful misconduct rather than gross wilful misconduct. The new Investment Management Agreement will also include a number of new events following which K2 may immediately terminate IIAL's appointment:

- (a) upon the winding up and complete liquidation of K2;
- (b) on or after 30 September 2016;
- (c) if there has been a change of tax law or regulation such that it has become detrimental for K2 to continue to itself hold assets in India. In such a scenario, IIAL shall be entitled to continue as investment manager of the entity which succeeds to the ownership of K2's assets;
- (d) if there has been a change of tax law or regulation such that it has become detrimental for K2 to continue to have its assets managed by an investment manager in India. In such a scenario, IIAL shall be entitled to propose an alternative investment manager to take its place;
- (e) if K2 has not received Net Proceeds from the realisation of K2's investments of at least €10 million during the financial year ending 31 March 2014; or
- (f) if K2 has not received aggregate Net Proceeds of at least €30 million during the two year period ending 31 March 2015.

For the purposes of reaching the thresholds described in (e) and (f) above, if IIAL finds a bona fide (demonstrated to the reasonable satisfaction of the K2 directors) purchaser of an investment who enters into heads of terms to acquire that investment at a price that is at least equal to 85% of the Base Case Valuation of that investment but the K2 directors do not approve the acquisition, then K2 will be deemed to have received an amount equal to the proposed purchase price (less customary expenses). In addition, where amounts are realised before the dates in (e) or (f) but not yet received because of regulatory delays, provided that such amounts are received within 90 days of those dates, they will also count towards the thresholds. The proceeds of a particular identified investment that was recently realised by K2 will count towards the thresholds in (e) and (f), although they will not count towards the calculation of the management fee or the carried interest entitlement.

## **Distributions**

The new Investment Management Agreement will explicitly provide that K2's investments can be distributed in specie, with the consent of the Investment Manager. If an investment is distributed out of K2 in specie, then IIAL will cease to have any rights or obligations in respect of that investment. There is no provision for the distribution of investments in specie in the existing investment management agreement.

## **II. Summary of proposed changes to K2's constitution**

The proposed changes to K2's constitution have been approved by K2's shareholders, conditional on shareholders in the Company also approving these changes. The following is a summary of the principal proposed changes.

### **Portfolios**

The investments held by K2 are currently split into two portfolios (Class A Portfolio and Class B Portfolio). K2's constitution will now specify which investments fall within which portfolios and explicitly record the seven year life of each portfolio (currently only stated in K2's information memorandum and the offering prospectuses of the Company). Accordingly the Class A Portfolio is intended to be wound up within 12 months following 16 January 2014 and the Class B Portfolio is intended to be wound up within 12 months following 7 January 2015. Each seven year period may be extended by a special resolution of the shareholders in the relevant class (being Yatra Capital Limited in both respects).

Under the existing arrangements, IIAL is entitled to carried interest equal to 20% of all profits generated by K2, after the K2 investor shareholders have received a return of at least 11% on their contributions. Under the Revised Investment Management Arrangements, IIAL will receive a revised carried interest entitlement – this is reflected in K2's new constitution. IIAL will be entitled to a variable percentage of the Net Proceeds from each K2 investment that is realised, as follows:

- (a) if an investment is realised at less than 85% of its Base Case Valuation, the carried interest entitlement will be 5% of Net Proceeds;
- (b) if an investment is realised at 85% or more of its Base Case Valuation, but less than 115%, the carried interest entitlement will be 7.5% of Net Proceeds; and
- (c) if an investment is realised at 115% or more of its Base Case Valuation, the carried interest entitlement will be 9% of Net Proceeds.

In addition, for any of K2's investments which have been written off, if K2 receives Net Proceeds during the term of the new Investment Management Agreement (or, if a binding agreement has been entered into before termination of the new Investment Management Agreement, within 12 months of that termination), then IIAL shall be entitled to 25% of those Net Proceeds, less any amounts of deferred management fee that IIAL receives pursuant to the new Investment Management Agreement.

If the Investment Management Agreement is terminated at any time when one of K2's investments is the subject of a binding contract for its realisation, then ILFS shall continue to be entitled to a carried interest in respect of Net Proceeds realised from that investment during the 12 month period following the resolution for winding-up being passed.

K2's new constitution also incorporates a mechanism to address the part realisation of investments – in such situations, IIAL's carried interest entitlement will be calculated based on the Net Proceeds received from that partial realisation (but still using the whole Base Case Valuation rather than a proportion). If the remainder of that investment is realised during the term of the Investment Management Agreement, IIAL's carried interest entitlement will be calculated on the basis of the aggregate Net Proceeds received for that investment and K2 will pay to IIAL any shortfall as necessary.

### **Redemption**

If the new Investment Management Agreement is terminated, the K2 directors may compulsorily redeem all of the shares in K2 (previously this could only be done with IIAL's consent). Under K2's new constitution, this redemption will, in respect of Class A and Class B Shares, be at such price as the K2 directors consider fair and reasonable. In respect of the Class C and Class D shares which are held by IIAL, such a redemption will be at a price equal to the capital contributions made by IIAL less any amounts received by them by way of distribution or return of capital; in each case, such amounts are nominal. As with the winding up of K2, if there are investments which are subject to a binding contract for sale at the time of the compulsory redemption, IIAL shall continue to be entitled to carried interest for a 12 month period.

The new constitution sets out the proposed amended investment policy of K2, which reflects the proposed investment policy for the Company. Accordingly, K2's investment policy shall be to make no new investments, to focus future investment management efforts on the realisation of the Group's portfolio and the return of surplus capital and realisation proceeds to Shareholders, and to provide additional capital to existing investments, but solely for the purpose of protecting, preserving or enhancing such investments, including for the completion of existing development plans.

### **Indemnification and insurance**

The new constitution clarifies the circumstances in which K2 is entitled to provide indemnities and to purchase insurance. In summary, K2 will indemnify any director, officer, employee or agent of K2 or its administrator, custodian or IIAL, except where such person suffers loss due to any negligence, default, breach of duty or breach of trust of such person in relation to K2. The K2 directors may also choose to purchase and maintain insurance, at K2's expense, for all such persons.

### **Distributions on winding up**

K2's new constitution amends the order of priority in which distributions will be made following the winding up of K2 and its portfolios, so that payment will be made first to IIAL to satisfy its carried interest entitlement and thereafter to the Class A and Class B Shareholders, since there will

no longer be a requirement to return capital plus the 11% hurdle to investors before the carried interest entitlement is activated.

### PART III

#### SUMMARY OF PROPOSED AMENDMENTS TO ARTICLES OF ASSOCIATION

Capitalised terms used below bear the meaning provided to them in the Memorandum and Articles of Association of the Company (the “Articles”)

CHANGE	ARTICLE(S) AMENDED
<b>Interpretation</b>	Article 1
Definitions of, amongst other things, "Class", "Infrastructure Shares", "Real Estate Shares" and "Separate Account" added and used to ensure that various existing provisions work in light of there being two classes of shares going forward. All ordinary shares in issue as at the date the new articles are adopted are deemed to have become Real Estate Shares.	Article 1
<b>Preliminary, Listing and Other Expenses</b>	Article 2
Article 2 now makes it clear that the cost of launching a new Class is to be borne by that Class.	
<b>Administration and Custodian</b>	Article 4
Article 4.01 now permits multiple Custodians to be appointed (i.e. different custody arrangements can be put in place for different Classes.) No further approval of shareholders will be required in relation to new agreements entered into by the Company with any Administrator relating to any variations, amendments or new agreements required in order to reflect the services to be provided in connection with the establishment or issue of a new Class.	Article 4.01 and 4.02
<b>Share Capital</b>	Article 5
Article 5.00 now requires the consent of a Special Resolution to the launch of any further new Class.	Article 5.00
Insertion of new article 5.01 (which replaces previous Article 5.02) providing that no Infrastructure Shares may be issued or allotted and no Prospectus in respect of the Infrastructure Share Class shall be issued until such time as distributions by the Company (whether by dividend, repurchase or redemption) have been made with an aggregate value equal to at least 50% of the Reference Market Capital (being the average market capitalisation of the Company for the five business days preceding 6 May 2013). Further, no new Real Estate Shares may be issued or allotted with effect from the date of adoption of the amended Articles unless an Ordinary Resolution has been passed approving such issue and/or allotment.	Article 5.01

<b>Ordinary Shares</b>	Article 6
Insertion of new Article 6.01 which provides that a Member holding a Real Estate Share shall have the right to receive notice of, attend at and vote in respect of such share at any general meeting of the Company.	Article 6.01
Insertion of a new Article 6.02 which provides that a Member holding an Infrastructure Share shall have the right to receive notice of and attend at any general meeting of the Company but shall not have the right to vote in respect of such Share until such time as distributions by the Company (whether by way of dividend, repurchase or redemption) have been made with an aggregate value equal to at least 85% of the Reference NAV (being the NAV of the Company as at 31 March 2013).	Article 6.02
Article 8.00 now additionally provides that the property of each Class shall be invested in accordance with the investment policies powers and limitations prescribed in the Articles and the relevant Investment Policy. All investments made by the Company shall be made through limited liability companies (or other entities or structures conferring limitation of liability upon the Company in respect of its investment).	Article 8.00
Article 8.01 now provides that any amendment to the borrowing or gearing limit applicable to each Class (as set out in Article 31.00) shall always require the consent of Members by Special Resolution.	Article 8.01
<b>Qualified Holders</b>	Article 10
Insertion of new Article 10.05 provides that any amount payable to a holder for the redemption of Ordinary Shares of any Class will be paid out of the relevant Separate Account held in respect of that Class.	Article 10.05
<b>Redemption by Company</b>	Article 12
Article 12.00 now provides that the sanction of a Special resolution (as opposed to an Extraordinary resolution previously) is required for the Directors to redeem all Ordinary Shares (i.e. a compulsory redemption of issued shares of all Classes).	Article 12.00
Insertion of new Article 12.01 permits compulsory redemption of all issued shares of a Class with the consent of a Special Resolution of that Class.	Article 12.01
Articles 12.02 and 12.03 now provide that the sanction of a Special Resolution (as opposed to previously an Extraordinary Resolution) is required for a distribution of assets in specie or the transfer to shareholders of shares or other assets from any buyer of the Company's or a Class's assets to be permitted when the Ordinary Shares of the Company or a Class are to be redeemed.	Articles 12.02 and 12.03
Articles 12.04-12.07 (permitting return of capital by opt-in redemptions) now apply on a Class-by-Class basis.	Articles 12.04-12.07

<b>Separate Accounts</b>	Article 13 (new)
Insertion of a new Article 13 providing that the Directors shall establish and maintain, with respect to Ordinary Shares of each Class, a Separate Account, to record for internal ring fencing purposes the allocation, on a differentiated basis, of the assets and liabilities and income and expenditure of the Company to the holders of Ordinary Shares of that Class. In the case of any asset or liability of the Company which the Directors do not consider is attributable to a particular Separate Account, the Directors shall have absolute discretion to determine the basis upon which any such asset or liability shall be allocated between or among Separate Accounts.	Article 13
<b>Modification of Rights</b>	Article 16
Insertion of a new sub-paragraph (e) into Article 16.03 which provides that, the special rights attached to any Class having preferential rights shall (unless otherwise expressly provided by the conditions of issue of such shares) be deemed not to be varied by:	Article 16.03
(e) the exercise of the powers to allocate assets and charge liabilities to various Separate Accounts or any of them and to transfer the same to and from various Separate Accounts or any of them, as provided for in these Articles.	
Insertion of a new Article 16.04 providing that the Articles may be amended from time to time by Special Resolution.	Article 16.04
Insertion of a new Article 16.05 providing that the following changes to the Company may only take place in accordance with the Law and with the sanction of a Special Resolution:	Article 16.05
(a) a merger of the Company with another company, whether incorporated in Jersey or elsewhere;	
(b) the migration of the Company to another jurisdiction; and	
(c) the transfer of the Company to become a cell of a cell company.	
<b>Notice of General Meetings</b>	Article 24
Article 24.00 now provides that 14 clear days' notice (as opposed to 21 previously) shall be given of every Annual General Meeting and of every Extraordinary General Meeting. Please note that pursuant to Dutch regulations, 42 days' notice is required in any event while Ordinary shares are listed on Euronext but this amendment brings the articles into line with Jersey company law.	Article 24.00

<b>Directors</b>	Article 27
The voting threshold for the appointment and removal of Directors has changed from an Extraordinary Resolution to an Ordinary Resolution.	Articles 27.02 and 27.09
<b>Powers and Duties of Directors</b>	Article 29
<p>Insertion of a revised and new article 29.04 providing that, the Directors shall ensure, when the Company enters into an agreement in respect of a Class:</p> <p>(a) that the other party to the transaction knows or ought reasonably to know that the Company is acting in respect of that Class and that the recourse of such other party is limited to the assets held in respect of that Class (if appropriate); and</p> <p>(b) that the minutes of any meeting of Directors held with regard to the agreement clearly record the fact that the Company was entering into the agreement in respect of that Class.</p> <p>Article 29.04 previously provided that the property of the Company would be invested in accordance with the investment policies, powers and limitations described in the Articles.</p>	Article 29.04
Insertion of a new article 29.05 providing that, the Directors may, if they consider it to be in the best interests of any Class (the "Indemnified Class"), meet any liability, whether or not attributable to another Class, from the assets of the Indemnified Class. Where this is the case, the Directors shall have the power to restore all or any part of such assets (or, where relevant, the monetary equivalent thereof) to the Indemnified Class on such terms as they may determine in their absolute discretion.	Article 29.05
<b>Borrowing Powers</b>	Article 31
<p>Article 31.00 now provides that the Directors may exercise all the powers of the Company to borrow money for itself or for the account of any Class(es) (including the power to borrow for the purpose of redeeming shares) up to a limit of €500,000 per Class (subject to amendment in accordance with Article 8). No limit was previously stated in the Articles.</p> <p>Article 31.00 now also provides that, the Directors shall ensure insofar as possible that any such borrowing shall be limited in recourse to the assets attributable to the Class in respect of which such borrowing is effected in accordance with the provisions of Article 29.04. For the avoidance of doubt, the foregoing limit shall not apply to any borrowing effected by a limited liability company (or other entity or structure conferring limitation of liability upon the Company) through which the Company invests.</p>	Article 31.00

<b>Distributions</b>	Article 35
Article 35.03 now provides that the dividend for any particular Class of Ordinary Shares shall be payable out of the relevant Separate Account (if any) held in respect of that Class and solely from the sources permitted by the Law.	Article 35.03
Insertion of a new Article 35.10 which provides that under no circumstances may the assets (or the income derived from such assets) attributed to a Separate Account in respect of any Class be used to pay a dividend in respect of a Separate Account that is attributed to any other Class.	Article 35.10
<b>Audit</b>	Article 39
Article 39.00 now provides that the appointment of an Auditor is now subject to termination by a Special Resolution.	Article 39.00
<b>Winding Up</b>	Article 41
Article 41.00 now refers to the Separate Accounts and provides that if the Company is wound up the liquidator or, where there is no liquidator, the Company shall apply the assets attributed to each Separate Account in satisfaction of liabilities attributable to such Separate Account (as determined in accordance with Article 13) in such manner and order as is required by the Law or pursuant to any other enactment or rule of law.	Article 41.00
Article 41.02 now requires the sanction of a Special Resolution (as opposed to Extraordinary Resolution previously) for the division of the assets of the Company to the Members, in specie.	Article 41.02

## DEFINITIONS

In this document the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

<b>Articles</b>	the articles of association of the Company
<b>Board</b>	the board of Directors of the Company
<b>Company or Yatra</b>	Yatra Capital Limited
<b>EGM</b>	the extraordinary general meeting of the Company to consider the Resolutions, convened for 12:00pm on Wednesday, 19 June 2013
<b>Group</b>	Yatra together with its subsidiaries, including K2 and its subsidiaries
<b>IIAL or Investment Manager</b>	IL&FS Investment Advisers LLC
<b>Infrastructure Shareholders</b>	holders of Infrastructure Shares
<b>Infrastructure Shares</b>	a potential new class of shares in the Company which may, should certain conditions be satisfied, be issued through a new fundraising with an investment strategy focusing on infrastructure in India
<b>Investment Management Agreement</b>	investment management agreement between K2 and IIAL dated on or around 6 May 2013 as amended from time to time
<b>K2</b>	K2 Property Limited
<b>Net Capital Commitments</b>	pursuant to the Revised Investment Management Arrangements at the relevant date of determination, the aggregate of all investments held by K2, assessed at the Original Book Cost (as defined in the Investment Management Agreement) of such investments, provided that (i) where an investment has been written off in K2's accounts (or written down in K2's accounts to a nominal sum which for this purpose shall mean 5% or less of the Original Book Cost of such investment determined in Euros) it shall be treated as if it is no longer held by K2 for the purpose of calculating Net Capital Commitments, and (ii) where an investment has been partially disposed of or realised by K2 the Original Book Cost of such investment shall be treated as being reduced to reflect the proportion of the investment disposed of or realised (whether through a sale of shares or assets)

<b>Net Proceeds</b>	the unencumbered net proceeds of an investment actually received by K2 in cash (or as otherwise agreed by the board of directors of K2 and the Investment Manager) after deduction of all expenses associated with the disposal of such investment
<b>New Articles</b>	the proposed amended memorandum and articles of association of the Company as summarised in Part III of this Circular and available for inspection at <a href="http://www.yatracapital.com/">www.yatracapital.com/</a>
<b>Resolutions</b>	the shareholder resolutions being proposed at the EGM
<b>Revised Investment Management Arrangements</b>	the arrangements with the Investment Manager, as reflected in the revised Investment Management Agreement and the revised constitution of K2
<b>Shareholders or Real Estate Shareholders</b>	the shareholders of the Company from time to time, other than Infrastructure Shareholders
<b>Shares or Real Estate Shares</b>	the ordinary share capital of Yatra as at the date of this document

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

# **YATRA CAPITAL**

Yatra Capital Limited (Jersey company number 93576) (the “Company”) hereby gives notice of a forthcoming Extraordinary General Meeting to be held on **19 June 2013 at 12:00pm (BST)** at the registered office of the Company, **43/45 La Motte Street, St Helier, Jersey JE4 8SD.**

The purpose of the Extraordinary General Meeting shall be to consider and, if thought fit, pass the following resolutions:

**Ordinary Resolutions**

1. THAT the following Investment Policy be and is adopted by the Company (and that such policy should, in the event that Resolution 3 below be passed, be construed as the Investment Policy of the Real Estate Shares):

"the Investment Policy of the Company shall be to (i) make no new investments; (ii) focus future investment management efforts on the realisation of the Group's portfolio and the return of surplus capital and realisation proceeds to Shareholders; and (iii) provide additional capital to existing investments, but solely for the purpose of protecting, preserving or enhancing such investments, including for the completion of existing development plans."

2. THAT, conditional upon the passing of Resolution 3, the revised investment management agreement between K2 Property Limited and IL&FS Investment Advisers LLC in the form tabled to the Meeting and initialled by the Chairman for the purposes of identification, be and is hereby approved.

**Special Resolution**

3. THAT the Memorandum and Articles of Association of the Company tabled to the Meeting and initialled by the Chairman for the purposes of identification be and are adopted in substitution for and to the exclusion of the existing Memorandum and Articles of Association of the Company.

As at the date of this Notice, the Company has 19,285,738 shares issued and outstanding and 19,285,738 voting rights.

BY ORDER OF THE BOARD OF  
YATRA CAPITAL LIMITED



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# YATRA CAPITAL

## Attendance instructions

All ordinary shares of the Company are registered in the name of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V., the Dutch central institute for giro transferred securities. Accordingly, if you wish to attend the meeting or wish to exercise voting rights, you are requested to contact your bank or broker, and request that they send a confirmation on your behalf (specifying your name(s), the number of ordinary shares in the Company which you are interested in and the fact that you wish to attend and vote at the meeting) to ABN AMRO Bank N.V. ("ABN AMRO") at Gustav Mahlerlaan 10), 1082 PP Amsterdam, The Netherlands (FAO Corporate Broking) or by e-mail to [corporate.broking@nl.abnamro.com](mailto:corporate.broking@nl.abnamro.com) with "Yatra Capital Limited – FAO Corporate Broking" as the subject (the "Written Confirmation").

If you do not have a bank or broker, you may contact ABN AMRO direct in the same manner. The Written Confirmation should be received by ABN AMRO no later than 3:00pm Central European Time on 17 June 2013. The registered shareholder will then appoint you as its proxy in respect of the shares in the Company in which you have an interest, thus permitting you to attend and vote at the meeting.

If you are not able or do not wish to attend the meeting, you may appoint a delegate proxy (if you wish) using the enclosed form, which should be send to ABN AMRO so as to arrive no later than 3:00pm Central European Time on 17 June 2013.

**THE ATTACHED FORM WILL ONLY BE VALID IF ABN AMRO HAS RECEIVED A WRITTEN CONFIRMATION FROM YOUR BANK, YOUR BROKER OR YOU.**

## E-VOTING

In addition to the above, you can give voting instructions to the Chairman of the Meeting via [www.abnamro.com/evoting](http://www.abnamro.com/evoting). In order to do so, it is important that your broker confirms the number of ordinary shares in the Company which you are interested in to ABN AMRO.

If you give voting instructions via E-Voting, you do not need to (and should not) complete the enclosed delegate proxy form.

**DELEGATE PROXY FORM - EXTRAORDINARY GENERAL MEETING**

*for use at the Extraordinary General Meeting of Shareholders to be held at the offices of Minerva Fund Administration Limited, PO Box 218, 43/45 La Motte Street, St Helier, Jersey JE4 8SD on Wednesday, 19 June 2013 at 12:00pm (BST)*

I/We \_\_\_\_\_

of \_\_\_\_\_

being a Participant(s) in respect of a Joint Deposit of \_\_\_\_\_ ordinary shares in

the Company, hereby appoint \_\_\_\_\_

of \_\_\_\_\_ or

failing him, the Chairman of the Meeting as my/our delegate proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held on *Wednesday, 19 June 2013* at 43/45 La Motte Street, St Helier, Jersey JE4 8SD and at any adjournment thereof.

Further, I/we declare that I/we have requested my/our bank or broker to send (or I/we have sent) a confirmation to ABN AMRO Bank N.V. ("ABN AMRO") such that it arrives at or before 3:00pm Central European Time on 17 June 2013. This confirmation shall on the basis of the articles of association of the Company constitute an instruction appointing a proxy from the relevant registered shareholder confirming that the number of ordinary Shares mentioned in such written declaration form part of a joint deposit (*verzameldepot*) within the meaning of the Dutch Securities Giro Act and that I/we, as the person mentioned in the declaration, am/are a participant for the mentioned ordinary Shares in the joint deposit and that I/we shall be entitled to exercise voting rights as a proxy in respect of such ordinary Shares at the relevant general meeting provided further that I/we shall be entitled to delegate my/our proxy to a third party. I/we hereby deliver such form of proxy to the person mentioned above.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2013

\_\_\_\_\_  
Participant

Unless otherwise instructed using the matrix on the following page, the delegate proxy will vote or abstain from voting as he thinks fit on the resolutions contained in the EGM notice and on any other matter that may be brought before the meeting. Completing and returning this form of delegate proxy will not prevent you from attending in person at the meeting and voting (in such delegate proxy's place) should you so wish.

**This delegate proxy must be sent to ABN AMRO Bank N.V., Gustav Mahlerlaan 10 (HQ7050), 1082 PP Amsterdam, The Netherlands (FAO Corporate Broking) or by e-mail to [corporate.broking@nl.abnamro.com](mailto:corporate.broking@nl.abnamro.com) with "Yatra Capital Limited – FAO Corporate Broking" as the subject so as to arrive at or before 3:00pm CET on 17 June 2013. Do not complete this form if you intend to give instructions using E-Voting.**

Item	Resolution	Vote		
		For	Against	Abstain
1	<p>THAT the following Investment Policy be and is adopted by the Company (and that such policy should, in the event that Resolution 3 below be passed, be construed as the Investment Policy of the Real Estate Shares):</p> <p>"the Investment Policy of the Real Estate Shares of the Company shall be to (i) make no new investments; (ii) focus future investment management efforts on the realisation of the Group's portfolio and the return of surplus capital and realisation proceeds to Shareholders; and (iii) provide additional capital to existing investments, but solely for the purpose of protecting, preserving or enhancing such investments, including for the completion of existing development plans."</p>			
2	<p>THAT, conditional upon the passing of Resolution 3, the revised investment management agreement between K2 Property Limited and IL&amp;FS Investment Advisers LLC in the form tabled to the Meeting and initialled by the Chairman for the purposes of identification, be and is hereby approved.</p>			
3	<p>THAT the Memorandum and Articles of Association of the Company tabled to the Meeting and initialled by the Chairman for the purposes of identification be and are adopted in substitution for and to the exclusion of the existing Memorandum and Articles of Association of the Company.</p>			