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Commercial Real Estate
FundNext Steps Update
17th November 2022

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Dear Shareholder,

As stated in previous Carlton James Commercial Real Estate (CJCRE) update statements, The CJCRE management team have been working to find a solution to allow repayment of capital to CRE investors in the short to medium term, rather than having to continue to wait for the sale of the underlying security the fund is holding in the US. We now wanted to further outline what is being done and why. In addition, what the process is for investors to expect going forward to start to receive funds.

To outline once again the current situation we find ourselves in:

- The CJ CRE fund lends money to commercial developers in the USA and as their main lender holds security against land and property they hold in the US.
- Like many other businesses across many sectors, their business has been affected beyond all expectation by the continuing global pandemic. Although recovery looks to be starting slowly, we anticipate full recovery will still be a slow process over the coming years.
- The pandemic has affected the CRE fund in two main ways:
 - Firstly, the income paid to investors is directly funded from interest payments from the underlying borrowers back to the fund. As they have been unable to make interest payments throughout 2020 and the start of 2021, this has resulted in no income being paid to investors in CRE.
 - Secondly, repayment of capital to exiting investors comes from the repayment of loans by the borrower, which in turn is funded by the completion and sale of the underlying developments in the US. There has been a very limited market for such sales in 2020, and at this point CJ do not want to force sales at a much reduced price.
- As a property lending fund, CRE does not hold assets apart from the security against the loans it has made, and as such is totally illiquid at this time.

As you know, rather than simply close the CRE fund and ask investors to wait indefinitely for the sale of security assets (or suffer potential losses due to the sale of security at a much-reduced price) the CJCRE management team have made the decision to look at other routes to buy out preference shareholders in the shortest possible timeframe. The best route for this was to get agreement from the main Carlton James Group to use another company within the group to buy out the preference shares from the CJCRE shareholders. This is being undertaken by the sale of other stock assets that Carlton James Group hold independently of the CRE fund. There is no legal requirement for Carlton James Group to do this, but the directors of the group strongly feel this is the correct thing to do at this point.

This can be an arduous process and is one that the Carlton James Group had to start back in November last year. The process works like this:

1. Carlton James Group have had to move their restricted shares to ready for sale back in November last year. This took around 2 months to complete.
2. Once that was completed there was a restriction to hold onto those assets for a further 6

- months before being able to sell into the open market.
3. That restriction is lifted on the 18th of July 2021.
 4. The selling broker that is working for Carlton James Group is not able to start the process of transferring these shares to their platform to sell until the 18th of July 2021.
 5. At that date, the broker will need to get a legal opinion agreeing that they can indeed be sold and then they can go on to the market. As we have never conducted this before we are not sure on timescales, but it should not be too much longer after this date that Carlton James Group can start to sell the shares.
 6. CJ will sell these assets (shares) held by the group to generate cash to buy CRE preference shareholders shares back from investors in the CRE fund. Carlton James Group itself will then take over the CRE shareholding from investors and will wait to recover their own money until the eventual market recovery and subsequent sale of the security held against the loans to the borrowers.

In terms of process, as per earlier updates and above, there has been an initial six-month restriction imposed by the US regulator before the assets become available for sale. This period is now almost over, hence the anticipation that sales will start in July. However, this means that CJ are now able to sell assets, not that cash from all assets will be available on day one. From a practical point of view broker accounts to allow sales are now in the final stages of being opened, and we do expect sales to start in July as anticipated. The assets being sold are predominantly stock assets, and CJ will have to manage sales to ensure market prices remain strong to maximize monies available for investors. There may also be limits in how much stock can be sold back into the market over specific timeframes.

it is our intention to repay investors as soon as we can do so. We do not want to be holding investor funds for any longer than necessary and want the money back with our clients as quickly as possible. However, there will be market limitations as to how quickly funds become available. We therefore expect repayment to be an ongoing process over the coming months. Please be aware that we are unable to ascertain the exact amounts that will be available each month as it depends on the volume of share being sold in the market on any one day. For this reason, it is impossible to give you exact amounts or timescales to repay. What we will do is send a statement at the end of each month with the amount you will be repaid the month after.

In terms of amounts to be repaid and timeframes, statements will be issued by the 20th of July, 2021 to each individual investor showing their total position as of 1st Jan 2020. This will give a snapshot of the capital position for each investor at the start of the pandemic. CJ will work to repay the amount due to each investor as at 1st Jan 2020 as a priority. From there we will look at paying additional income that would have been generated during 2020 and 2021 if we are able to do so, but please understand that CJ has itself not received the interest payments in yet to allow that.

I'm sure you will agree that this is hugely beneficial to investors, and CJ believe that ethically this is the correct thing to do. We do appreciate the faith our investors have put in us, and do not believe that investors should be penalized for unprecedented macro-economic conditions that no one could have predicted.

Once again, we do expect the first payments to be made in July, and we do anticipate the process of repayment taking several months.

August 4th, 2021

As mentioned in the next steps document above – Carlton James Commercial Real Estate is seeing long delays due to a number of reasons including the global pandemic. However, Carlton James Group are going above and beyond for the Commercial Real Estate shareholders by offering to buy them out of the investment to allow them to not see the delays that the CRE fund will inevitably incur. The group is able to do this by selling assets in the form of stocks from another company within the group. The process for Carlton James' other company registering their stock with a broker could only start on the 18th July 2021. Due to the restrictions on the particular stock. Unfortunately, no broker would work

with the stock until this date. The process for releasing the legend on the stock is not something our team have had to do before and follows strict US laws. It is taking a little longer than we hoped.

We ask that you please continue to be patient with us as you have been for the last year or so. Hopefully we get this completed soon as we can start the process of repaying capital as soon as possible.

In the meantime, you should have all have had your statements and we are working through the process of checking bank details.

If you have not had your statement please advise your broker.

August 31st, 2021

As you know Carlton James Group have made the decision to try to release investor funds held in CRE in a more timely manner than simply waiting for land and property sales to complete in the US. To do this stock held by Carlton James in the US was transferred to the international company with the intention of stock sales starting through a non-US broker shortly after the initial restriction on sales expired.

However, although we we're assured this was a straightforward process, the way the initial restriction is applied to the stocks is creating some problems. To remove the restrictions still involves the non-US broker making an undertaking to conform to SEC regulation at point of sale. At this time we have been unable to find a non-US broker who will do this. This is wholly unexpected and has of course delayed the share sales and in turn the start of investor repayments.

It is now very likely that the sales will only be able to be processed via a US based broker, and to set this account up for a non-US based entity will require travel to the US to complete a rigorous compliance process.

Travel into the US is still at this time restricted if you have been in the UK or Europe within the last 14 days. It is anticipated that restrictions will ease over the coming weeks / months and as soon as we are able, we will undertake this trip.

Unfortunately, this is creating a delay in starting payments, and this is a much slower process than we would like. Please be assured that we are working to resolve this as quickly as possible.

October 11, 2021

Hello shareholders!

Good news at last. We have now had confirmation that the US is reopening its doors to the UK from November. We are now currently organizing our trip out there to open the accounts required for us to conduct the sales required to start the process of purchasing shares from shareholders.

Please be aware that we still are not sure how long it will take after this but at least it is a step forward.

In addition to this, the borrower is close to completing the audit, at which time they can start working on their plans again which will begin the process of them repaying the debt to CRE.

We will endeavor to update you in November as to the next steps.

Thank you once again for your continued support in these unprecedented times, and we look forward to working with all our investors again in the future,

November 11, 2021

Some more good news that gets us closer to concluding the delays with the CRE fund is that 2019 audit is now complete and we are advised that 2020 audit should be concluded by the end of November. 'Why is this significant?' I hear you ask. The reason this is significant is that the borrower can then conclude the work they need to complete on one of their sites that enables them to sell the first parcel which should start the change reaction to sell the rest. This enables the sale of the sites without having to fire sale.

Regarding the extra ordinary steps the management are taking to enable investors to receive their return on investment discussed in previous updates, the trip to the US has now been booked for the 11th December. For personal reasons this is the first available time that we can travel (Please remember that this will be the start of the process and may take further time after this to conclude).

We will update you on our return.

January 5, 2022

Happy New Year to all of our CRE shareholders. We hope you had a lovely Holiday period.

Borrower Audit

The audits are now complete. We are now just completing the final documentation with the borrower for them to now conduct the engineering work required to start the sale of the first parcel of land.

Borrower Land Sales

We expect engineering to start this month. Once the documentation is finalized, we will have a timeline for the completion of these engineering works and then should be able to calculate the timeline for completion of the first sale.

Borrower Exit

The CRE team are still very confident that the borrower's repayment plan is a good one and that there is still a good return on investment to be gained albeit over a longer period than intended.

CRE Management Alternative Exit Strategy

As you are aware the CRE Management team are keen to get shareholders paid as soon as possible without having to wait for the borrower over a further extended period.

The Carlton James Group have offered to buy out investors before the borrower repays. To do this however, another company within the group needs to sell shares owned in a US company. As we have mentioned this has meant that we had to go to the US in person last month to set up the banking and tax IDs to enable a US broker to work with us. I can confirm this was completed and we just await the online banking to be able to move to the next step.

The next step is to set up an account with the broker. We have never completed this type of task before and therefore do not have a firm timescale for completion. There are a number of regulatory steps to be taken with the broker, lawyers and regulators and all have given us very different timescales. We are working to complete this as quickly as possible.

We in the CRE Management team are very positive about 2022. We expect the delays to come to an end this year and our shareholders to receive back their capital and healthy return on investment.

February 14, 2022

Borrower Land Sales

We are just awaiting the final documentation to be completed for the new lending, then once the documentation is finalized, we will have a timeline for the completion of these engineering works and then should be able to calculate the timeline for completion of the first sale. We have already started the organization of our trip to meet the borrower along with local city and county officials to discuss

the further sales of the other parcels of land following the sale of parcel number 1. The CRE management are insisting full involvement of this to ensure the full value is achieved. It's very reassuring that this work has restarted now.

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We are currently working through the mountain of regulation to be accepted by the US broker. The two things that make this more complex and therefore a lot longer than you may think is that 1. We are not US entity and 2. That the shares are 144 restricted due to our connection with the company. We do not yet have an update on time and to be honest we won't have until we are done with this as there are 3 lawyers, 1 broker, 2 custodians, 1 stock holder and a medallion certified persons involved. All of which have to complete jobs exactly at the right time and with the correct documents. This is not simple and therefor any timescales we give would be a lie as we just don't know.

April 4, 2022

Borrower Land Sales

Documents are completed and the first release of funds to the borrower is happening this month. This lending will enable the borrower to complete the utility work on a major part of their land which is required for the first sale of the main part of the land to a hotel developer. We have arranged a visit to the area for May to meet with local government officials to work through the plan of selling the remaining parcels for development. This is a major milestone in this process, and we are very pleased that at last the brakes are off and we are working with the borrower properly again. Please be aware that the engineering works on this first site are on 22 acres of land and will take some time to complete. We are still awaiting a timeline and won't have this until the full bids from local contractors are in to complete the works.

The CRE team have increased confidence in the borrower's repayment plan and that there is still a good return on investment to be gained albeit over a longer period than intended.

CRE Management Alternative Exit Strategy

Of course, as you know, the Carlton James Group have offered to buy out investors before the borrower repays. To do this however, another company within the group needs to sell shares owned in a US company. We are still working through the mountain of regulation to be accepted by the US broker. We do not yet have an update on time and just continue to work with the different parties. We have detailed why this is taking so long in the previous update so we won't go over old ground. The fact is that this is a difficult procedure but one that will enable us to pay off investors before completion of the works.

However, we have now made a calculation and we believe that we should start the repayment process during Q3 of 2022.

June 6, 2022

Borrower Land Sales

The borrower has still not requested their first release of funds from the new borrowing. They are holding off until they can meet with the local government authorities on the best use for their sites in the Jamestown, ND. This is sensible as many things have changes across the globe due to Covid and I'm sure this area will be no different. The CRE Management team will also be attending these meetings in Jamestown with the Mayor & City, and County governments to represent the CRE fund. They are working out the dates for this as we speak, and we will update you in the next update.

As mentioned last time. The CRE team have increased confidence in the borrower's repayment plan and that there is still a good return on investment to be gained albeit over a longer period than intended.

CRE Management Alternative Exit Strategy

Our team were in the US this week. Whilst we were there, we had to sign some additional forms with the brokers and lawyers to enable us to start selling shares. As an affiliate for these company whose shares we hold the process is cumbersome. We do not yet have an update on time and just continue to work with the different parties (We have detailed why this is taking so long in the previous update, so we won't go over old ground).

The fact is that this is a difficult procedure but one that will enable us to pay off investors before completion of the works.

22nd July 2022

Borrower Land Sales

As mentioned, the borrower is meeting with government and local city representatives from the region where the sites are held in North Dakota and Minnesota. We had hoped that this would have been conducted by now. Though due to diary restriction between all the parties involved and now the summer shutdowns/vacation period this is now likely to be conducted in September. Once we have conducted these trips and met the borrowers, developers, medical reps for local hospital, mayors office, local tourist authority, etc, etc the borrower can then go finally to bids for the development of the site ready for sale. We can then authorize this and this can move forward.

As mentioned last time. The CRE team have increased confidence in the borrower's repayment plan and that there is still a good return on investment to be gained albeit over a longer period than intended.

CRE Management Alternative Exit Strategy

The slow and arduous process of transferring affiliate shares to broker for sale is still ongoing. We have made good process over the last week and feel we are getting somewhere now. This is a very time consuming a stressful process and it is important to understand that this is not a requirement, and we are doing this to help close this fund as soon as possible and avoid any further delays.

As per the detailed process description above this transfer is challenging due to the important fact that the company transferring the shares is classed as an affiliate for the OTC company whose shares are held. The good news is that this affiliate status is only in place for a limited time. This period of time hasn't come to an end yet and because of this there are restrictions in place to keep the market fair and to stop the sale of these shares too early. This process is designed to be difficult for affiliate companies. This is the reason why the process is cumbersome. We do not yet have an update on how long it will be, but we are making progress.

We really do appreciate the support and patience you have shown us whilst we move forward to enable to a positive outcome to the CRE Fund. It is important to remember that our CRE structure enabled the fund to not fall where many other funds did. Since inception this fund has survived numerous macro-economic problems including a crash in the alternative investment market, an Oil downturn, 2 years of a global pandemic which halted most businesses around the globe and an

actual global economic crash. Where others protected themselves we are here and working for you.

26th Sept 2022

Borrower Land Sales

As detailed in the previous update, the underlying borrower is currently in the process of working with local authorities in the USA with regards to the extensions to the existing development, which we anticipate will help to increase the values and salability of several of the sites that they are still holding.

The original and main exit strategy for the fund was through the sale of these sites, but as a responsible lender we have remained reluctant to force fire sales of these sites, as this would have a detrimental effect for all of our investors.

It is hoped that the further extension and development work will commence shortly, and that the positive effect on values and salability after an unprecedentedly difficult period during the pandemic will be reflected back to investors.

We would of course like this to be moving faster than it currently is, and the team at Carlton James are doing all that is possible to facilitate this move forward.

CRE Management Alternative Exit Strategy

As you are aware, Carlton James are also pursuing an alternative exit strategy over and beyond their obligations within the fund to investors.

It has been a long and difficult process, much more so than initially expected, to start selling the other assets that CJ hold to allow cash to be injected into the CRE fund, due to the rigorous restrictions by US regulators on the underlying assets.

We are pleased to report that these restrictions are due to be lifted very soon, and from there sales should start within a reasonable timeframe.

17th November 2022

Borrower Land Sales

Work has now commenced on the further extension and development work to facilitate the increase in salability and values of the development sites held by the borrower. This has involved the purchase of a small additional parcel of land for access before development of one of the sites commences.

The purchase of this additional parcel has now completed, and development work on the site is scheduled to commence very soon. Representatives of CRE management are travelling to the USA in Dec to monitor the work that is being undertaken, meet with local officials and establish the effect on the overall development portfolio. It is anticipated that by moving one development forwards, adjoining sites held will become more saleable. The plan for this will then be developed from the meetings held on this visit.

We look forward to reporting on the site visit in the next update.

CRE Management Alternative Exit strategy

The management team are still pursuing this alternative strategy as they would like to settle investors in the CRE fund as quickly as possible, and not require investors to wait for the recovery of monies from the borrower. This does now appear to be on track with previous updates.

The management team have now almost completed the preliminary work on the alternative exit strategy. Lawyers in the USA have been instructed to move forward with removing the restrictions on the stock assets held. The anniversary allowing this removal is on the 11th Dec 2022, stock sales will commence shortly after that and payments will start being made. Payments will be made on a monthly basis thereafter.

Once these payments have started and we have more accurate payment schedules, these will be communicated via your introducing agent.

Kind regards,

The Carlton James Real Estate Team