

PROSPECTUS DATED 26 March 2008
Up to 2 700 000 Units in
Eastern Europe Real Estate Investment Fund
(incorporated as a public closed-end contractual fund in the Republic of Estonia)

Eastern Europe Real Estate Investment Fund (the **EEREIF**), a public closed-end contractual fund, registered at Rävåla pst 6, Tallinn, Republic of Estonia, is offering up to 2 700 000 units (the **Units**) for sale to retail and institutional investors. The offering consists of (i) a private placement of the Units to retail and institutional investors in the Member States of European Economic Area (except for Estonia) and Switzerland, in each case made pursuant to exemptions from the requirement to produce a prospectus set out in the national laws of the respective country implementing the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (the **Private Placement**), and (ii) a public offering of Units to retail and institutional investors in Estonia (the **Public Offer**). The division of Units between the Private Placement and the Public Offer has not been predetermined and will be decided on by the Management Company (as defined below) during the allocation process.

On the date of this Prospectus it is estimated that the offering price per Unit (the **Offer Price**) both in the Private Placement and the Public Offer will be between EUR 11.69 and EUR 17.53 (the **Offer Price Range**). The Offer Price will be determined by the Management Company as the highest possible subscription price at which is possible to sell at least 1 700 000 Units and announced on or about April 7, 2008. The Offer Price will not be higher than the higher end of the Offer Price Range, i.e. EUR 17.53.

The EEREIF is a real estate fund within the meaning of § 253 of the Estonian Investment Funds Act established for a fixed term of 5 (five) years from the registration of the fund rules (the **EEREIF Rules**) with the Estonian Financial Supervisory Authority. The duration of EEREIF may, nevertheless, be extended for up to 2 (two) years under the procedure set forth in section 11 of the EEREIF Rules.

EEREIF is managed by GILD Property Asset Management AS, register code 11125302, registered address Rävåla pst 6, Tallinn, Estonia (the **Management Company**).

Units are electronically registered securities and represent the unit-holder's (the **Investor**) share of the assets of the EEREIF. No certificates will be issued. The Units are freely transferable. There will be only one issue of Units. Units shall not be redeemable at the request of the Investor (save for the cases specifically provided for by the law) except upon publication of the supplement to the Prospectus.

During first two years income of EEREIF will be reinvested and no distributions to the Investors will be made. Therefore, during first two years the income of the Investors from investments of EEREIF will be reflected in the change of the net asset value of the Unit. Starting from third year the distributions may be made to the Investor at the sole discretion of the Management Company.

Rules of EEREIF are attached to this Prospectus as Appendix 1.

See Section "Risk Factors" at pp. 17-23 of the Prospectus for a discussion of certain factors that should be considered by prospective investors.

Management Company
GILD Property Asset Management AS

INTRODUCTION

This Prospectus has been prepared by the Management Company for the Public Offer in accordance with the Estonian laws implementing Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (the **Prospectus Directive**) and in accordance with the Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (the **Prospectus Regulation**).

Responsibility Statement

The Management Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Management Company, which has taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

Urmas Laur

Andris Kovalcuks

Chief Executive Officer
and Chairman of the
Management Board of
the Management
Company

Chief Financial Officer
and Member of the
Management Board of
the Management
Company

No responsibility is accepted by the persons responsible for the information given in this Prospectus solely on the basis of the summary of this Prospectus, unless such summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.

Representation About the Units

No person has been authorised to give any information or to make any representations, other than those contained in this Prospectus, in connection with the issue and sale of the Units and, if given or made, such information or representations must not be relied upon, unless having been authorised by the EEREIF or the Management Company. Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that the information contained in this Prospectus is correct as of any time subsequent to the date hereof.

An investment in the Units is suitable only for Investors who are capable of fully evaluating the risks and who have an asset base sufficiently substantial as to enable them to sustain

any loss they might suffer as a result of making such investments. The contents of this document are not to be construed as legal, financial, business or tax advice. Each prospective investor should consult with its own legal adviser, financial adviser or tax adviser to ensure that they fully understand the risks associated with making an investment in the Units. Each person contemplating making an investment in any Units must make its own determination of the suitability of any such investment with particular reference to its own investment objectives.

In making an investment decision regarding the Units, Investors must rely on their own examination of the EEREIF and the terms of the Prospectus, including, without limitation, the merits and risks involved. Investors should also have regard to the EEREIF Rules. These documents can be obtained from the Management Company. The value of investments and any income derived from the funds may fall as well as rise and Investors may not get back the amount invested. An investment in the funds entails risks, some of which are described in this Prospectus. Investors should be aware of the high risks associated with investments in emerging markets such as Eastern Europe.

Financial Conditions

Neither the delivery of this Prospectus nor the offering, sale or delivery of any Unit shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the EEREIF since the date of this Prospectus.

Selling Restrictions

The Public Offer contemplated by this Prospectus is directed to all natural and legal persons in Estonia. No offer to the public, which would require additional registration, production of documents, etc. in addition to those required under Estonian law, of any Units which are subject of the offering may be made in any state other than Estonia. No action has been or will be taken in any jurisdiction other than Estonia where action for that purpose is required, which would permit a public offering of Units or the possession, circulation or distribution of this document or any material relating to the Units offered hereby. Accordingly, this material does not constitute or form part of a distribution or an offer or solicitation to buy or sell any securities to any person in any jurisdiction in which such distribution, offer or solicitation would be contrary to local law or regulation. Persons into whose possession this Prospectus comes are required by the EEREIF and the Management Company to inform themselves about and to observe any such restrictions.

In particular, the information herein is not for distribution, and does not constitute an offer to sell or buy, or the solicitation of any offer to sell or buy, any securities in the United States of America or to or for the benefit of United States persons (within the meaning of Regulation S under the Securities Act of 1933).

In relation to persons in the United Kingdom, the information herein is directed only at Investment Professionals in the meaning of Article 19 of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. This material should not be relied on by persons in the United Kingdom who are not Investment Professionals. Any investments to which this document relates will be entered into only with such persons.

In relation to persons in Switzerland, this material is directed only at Swiss Qualified Investors in the meaning of Article 10 (3) of the Collective Investment Schemes Act. Swiss private individuals are not allowed to use this material. The funds managed by the Management Company are not authorised for distribution in Switzerland.

Currency

All references in this Prospectus, unless otherwise specified, to “**EEK**” refer to the currency of Republic of Estonia and to “**EUR**” or “**€**” refer to the lawful currency of member states of the European Union that adopt the single currency in accordance with the treaty establishing the European Community. For the purpose of converting the amounts referred to in this prospectus to EUR or EEK the following exchange rates are applied*:

- (i) EEK 1 = LTL 4.53157 (the currency of Republic of Lithuania)
- (ii) EEK 1 = LVL 22.44370 (the currency of Republic of Latvia)
- (iii) EEK 1 = PLN 4.43160 (the currency of Republic of Poland)
- (iv) EEK 1 = BGN 7.99907 (the currency of Republic of Bulgaria)
- (v) EEK 1 = EUR 15.64660

Governing Law and Settlement of Disputes

Any dispute, controversy or claim arising out of or in connection with the information provided in this material shall be settled in accordance with Estonian law exclusively in Estonian courts.

* Official rates published by the Bank of Estonia on 15 March 2008. All the following currencies are pegged to EUR.

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SUMMARY

This summary should be read as an introduction to this Prospectus. Any decision by a prospective investor to invest in the Units should be based on consideration of the Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, a plaintiff Investor may, under any relevant national legislation of a member state of the European Economic Area which has implemented the relevant provisions of the Prospectus Directive, be required to bear the costs of translating this Prospectus before legal proceedings are initiated. Civil liability attaches to the responsible persons and any persons who are responsible for any translation of the summary, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

Information on EEREIF

EEREIF is a public closed-end contractual fund, registered at Rävåla pst 6, Tallinn, Republic of Estonia. It is a real estate fund within the meaning of § 253 of the Estonian Investment Funds Act established for a fixed term of 5 (five) years from the registration of EEREIF Rules with the Estonian Financial Supervisory Authority.

EEREIF is managed by the Management Company (GILD Property Asset Management AS, register code 11125302, registered address Rävåla pst 6, Tallinn, Estonia), which holds a license issued by the Estonian Financial Supervisory Authority on 11 September 2007 for managing investment funds.

No separate administrative, management or supervisory bodies of EEREIF will be formed, accordingly, no information related to the administrative, management or supervisory bodies, their remuneration, activities and etc. will be provided in the Prospectus. See Section "General Meeting of Investors" at pp. 29-30 of the Prospectus for a discussion on the competence of the General Meeting of Investors.

A contractual fund is not a legal entity under the laws of Estonia. Therefore, (i) EEREIF is not and cannot not be part of any group, (ii) no person, directly or indirectly, can have an interest in the EEREIF or hold any capital or voting rights in it, (iii) no person, directly or indirectly, can own or control EEREIF. Terms of EEREIF are set forth in the Rules of EEREIF, which are attached to this Prospectus as Appendix 1.

As EEREIF is not a legal entity, it is not able to enter into contracts. All the transactions in relation to the assets of EEREIF will be entered into in the name of the Management Company on the joint account of the Investors.

No related party transactions have been entered into by EEREIF (i.e. by the Management Company on the joint account of the prospective investors) up to the date of the registration of the Prospectus other than a transaction on the acquisition of all the assets of the Eastern Europe Real Estate Investment Trust AS (the **EEREIT**), which shares are held by the

shareholders of the Management Company. For a description of the assets to be acquired from EEREIT see Section “Information on Holdings” at pp. 34-42 of the Prospectus.

Advisors to EEREIF

EEREIF will be audited by PricewaterhouseCoopers AS.

The valuation of the real estate invested into by EEREIF will be carried out by BRECKINNISVARA AS.

Property of EEREIF will be administered by the Management Company and Uus Maa Kinnisvarakonsultantide OÜ.

On the date of this Prospectus, the Management Company has not entered into any agreements with third person for provision of investment advice in relation to assets of EEREIF.

Financial Information, Holdings and Profit Forecasts

Since the date of incorporation, EEREIF has not commenced operations and no financial statements have been made up as at the date of the Prospectus. Accordingly, no historical financial information on the activities of EEREIF or information on the operating results thereof will be provided in this Prospectus.

As EEREIF has not commenced operations, it does not hold any assets in other undertakings. However, prior to the date of this Prospectus, EEREIF (i.e. the Management Company on the joint account of the prospective investors) has entered into a transaction with EEREIT under which the former will acquire all the assets owned by the latter. For a description of the assets to be acquired from EEREIT see Section “Information on Holdings” at pp. 34-42 of the Prospectus.

No profit forecasts or profit estimates have been prepared by EEREIF and none will be provided in this Prospectus.

Investment Objective and Strategy

The objective of the investment of EEREIF assets is to provide Investors with exposure to an actively managed property portfolio with higher than average risk adjusted returns.

EEREIF investment objective will be implemented mainly as a result of the increase of the value of the real estate located in Eastern European countries, as well as the increase of the value of the securities whose issuers are domiciled in Eastern European countries, which EEREIF has acquired after the commencement of its activities. Investment strategy of EEREIF will focus on combination of existing cash flow generating real estates with value added or redevelopment potential and development of new commercial real estate, but also residential real estate and mixed use development projects. Investment spectrum of EEREIF includes all types of commercial, mixed-use and residential real estates. EEREIF will also, if the Management Company so decides, participate in investment vehicles, as well as co-invest in projects with other investors.

At least 80% of the value of assets of EEREIF will be directly or indirectly invested in real estate. An indirect investment in real estate is an investment in the securities of the special purpose vehicles holding real estate.

Units

Units represent the Investors' share in the assets of EEREIF, which will be determined by the ratio of the number of Units held by such Investor and the total number of all Units. All Investors will have the same rights attached to the Units acquired.

Units are held in registered form and no unit certificates will be issued. Units will be registered in the Estonian Central Register of Securities.

The net asset value of EEREIF will be calculated as of the last business day of each calendar month. The net asset value will be determined in EUR by the Management Company in accordance with its internal rules and procedures and based on the applicable legislation. The net asset value of EEREIF will be published on the website of the Management Company semi-annually. See Section "Net Asset Value" at pp. 60-62 for a detailed discussion on the methods, principles and procedure for calculation of the net asset value of the Units.

Offering of Units

The offering consists of (i) a Private Placement in the Member States of European Economic Area (except for Estonia) and Switzerland, in each case made pursuant to exemptions from the requirement to produce a prospectus set out in the national laws of the respective country implementing the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, and (ii) a Public Offer in Estonia.

EEREIF is offering up to 2 700 000 Units for sale during the offering. The division of Units between the Private Placement and the Public Offer has not been predetermined and will be decided on by the Management Company during the allocation process. There is no minimum or maximum number of Units which can be applied for.

Fractional Units may be issued up to three decimal places (with the fourth decimal place rounded up or down to the closest integer value, numbers ending with 5 (five) to be rounded upwards) and shall carry rights in proportion to the fraction of a Unit they represent.

The subscription period commences at 15.00 on 27.03.2008 and terminates at 23.00 on 04.04.2008.

All Units sold in the course of the offering will be sold at the Offer Price, which is expected to fall within the Offer Price Range of EUR 11.69 and EUR 17.53. The exact Offer Price will be determined by the Management Company as the highest possible subscription price at which is possible to sell at least 1 700 000 Units. The Offer Price will not be higher than the higher end of the Offer Price Range, i.e. EUR 17.53.

Units will be issued and transferred to the securities account of the Investor on or before the 6 (sixth) business day from the day of termination of the subscription period on a delivery

versus payment basis (i.e. simultaneously with the payment by the Investor of the Offer Price) [on a T+6 basis].

Units will be transferred to Investors in the same order in which the Management Company has received purchase orders from the prospective investors, to whom it was decided to allot the Units. In case of demand for the Units exceed the number of Units to be issued, purchase orders by which this number would be exceeded will not be satisfied.

Custody

Real estate and movable property (excluding securities and cash) of EEREIF shall be held by the Management Company in the name of the Management Company and on the joint account of the Investors.

Securities and cash of EEREIF will be held by the Depository: Aktsiaselts Swedbank, register code 10060701, registered address Liivalaia 8, Tallinn, Estonia.

Distribution of Assets of EEREIF

During first two years income of EEREIF will be reinvested and no distributions to the Investors will be made. Starting from third year the distributions may be made to the Investors and the Management Company will have the sole discretion to decide whether to do so and in what amounts.

With the exception of above indicated distributions, no other payments will be made by EEREIF to the Investors except in case of liquidation, compulsory redemption or redemption under the law. See Section "Redemption Risk" at p. 22 of the Prospectus for a discussion on the grounds and conditions for compulsory redemption of Units from EEREIF Investors.

Redemption of Units

The Units will not be redeemed at the request of the Investors (save for the cases provided for by the law) except for upon publication of the supplement to Prospectus. They will either be redeemed at the liquidation of EEREIF, under the compulsory redemption procedure or in cases specifically provided for by the law.

Upon publication of the supplement to Prospectus during the period of the Public Offer the Management Company will either (i) cancel the subscription and return all funds received as a result of the subscription if so required by the Investors; or (ii) redeem the Units from the Investors who so require for at least the Offer Price.

A claim to cancel the subscription or redeem the Units on the grounds prescribed in previous paragraph must be filed with the Management Company during the term prescribed in the notice of the Public Offer which shall not be shorter than 2 (two) working days as of the registration date of the supplement to the Prospectus.

Funds received as a result of subscription must be returned or the redemption of Units as prescribed in this Section must be carried out on the basis of a decision by the Estonian Financial Supervision Authority and at the time determined thereby.

Risks Associated with Investments in EEREIF

Investing in the Units is accompanied by various risks that may affect the return on the investment. The investors are strongly advised to carefully read Section “Risk Factors” at pp. 17-23 of the Prospectus for a comprehensive overview of various factors that might affect the economic and financial results of EEREIF in the future. Such factors may relate to geopolitical reasons, industry related events, types of assets invested into by EEREIF, management of EEREIF and other circumstances.

Fees payable by EEREIF and the Investors

<i>Fees payable by the EEREIF*</i>	<i>Amount</i>
Management Fee:	
<i>Fixed Fee</i>	2% of the net asset value of EEREIF per annum.
<i>Success Fee</i>	20% of the cash generated by EEREIF over its lifetime minus the Offer Price paid by the Investors. For a detailed description of the calculation of the success fee see Section “Management Fee” at pp. 48-49 of the Prospectus.
Depository Fee	according to the price list of or the agreement with the Depository, but not exceeding 0.01% of the net asset value of EEREIF.
Other Expenses	according to the price list of or the agreement with the respective service provider (see Section “Other Expenses” at p. 49 of the Prospectus for a list of costs, fees and expenses covered by EEREIF).
<i>Fees payable by the Investors</i>	<i>Amount</i>
Subscription Fee	none
Redemption Fee	none
Distribution Fee	none
Placement Fee	none

- * The upper limit of the management fees, the depositary fees and the expenses listed in Other Expenses (calculated for a total amount of all payments) payable annually on the account of EEREIF is 5% of the net asset value of EEREIF, except in the year of liquidation of EEREIF.

Documents on Display

An electronic version of this Prospectus and other important information and documents concerning the EEREIF and its operations will be available on Management Company's website www.gildrealestate.com. The same information will be available at the registered address of the Management Company.

The annual report of EEREIF will be published within four months after the end of a financial year and a semi-annual report of EEREIF within two months after the end of the first six months of a financial year.

DEFINITIONS

Baltic States	Lithuania, Latvia and Estonia, collectively.
Depository	Aktsiaselts Swedbank, register code 10060701, registered address Liivalaia 8, Tallinn, Estonia.
EEK	the currency of Republic of Estonia.
EEREIF or Eastern Europe Real Estate Investment Fund	a public closed-end contractual fund, registered at Rävåla pst 6, Tallinn, Republic of Estonia.
EEREIT or Eastern Europe Real Estate Investment Trust AS	a limited liability company, registration code 11127896, registered at Rävåla pst 6, Tallinn, Republic of Estonia.
EEREIF Rules	the fund rules established with respect to EEREIF, registered with the Estonian Financial Supervisory Authority, in force since 26 March 2008.
EUR or €	lawful currency of member states of the European Union that adopt the single currency in accordance with the treaty establishing the European Community.
Investor	a holder of a Unit.
Management Company	GILD Property Asset Management AS, register code 11125302, registered address Rävåla pst 6, Tallinn, Estonia.
Offer Price	the price per Unit, determined in accordance with the terms and conditions of the offering set out at pp. 63-65 below.
Offer Price Range	a range within which the Offer Price may fall.
Permitted Regions	is defined in "Investment Strategy" of this Prospectus.
Private Placement	an offer for sale of the Units to retail and institutional investors in the Member States of



European Economic Area (except for Estonia) and Switzerland, in each case made pursuant to exemptions from the requirement to produce a prospectus set out in the national laws of the respective country implementing the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

Prospectus

this document.

Prospectus Directive

Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC.

Prospectus Regulation

Commission Regulation (EC) 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements.

Public Offer

a public offer for sale to retail and institutional Investors in Estonia of Units.

Purchase Order

an order placed by the prospective investor for the purchase of Units in accordance with the terms and conditions of the offering set out at pp. 63 – 65 below.

Reporting Date

the date of publication of the net asset value of EEREIF. Reporting Dates will be 15th January and 15th July. If such day is not a business day then Reporting Date is the first business day after such day.

Section

a section of this Prospectus.

Subscription Period

a term commencing at 15.00 on 27.03.2008 and terminating at 23.00 on 04.04.2008 during which prospective investors may place, amend or cancel Purchase Orders.

Summary

a summary of this Prospectus.

Units

up to 2 700 000 of units of EEREIF issued pursuant to the Private Placement and Public Offer. The Units represent the Investors' share in the assets of EEREIF.

RISK FACTORS

Investing in the Units is accompanied by various risks that may affect the return on the investment. This overview of various risk factors related to the investment in the Units represents what the Management Company, in its discretion and according to its understanding, considers to be of material importance in relation to the future operations of EEREIF. This Section, therefore, cannot and does not provide for the exhaustive list of the significant aspects of the Units and risks related to investment into Units. Investment decisions by the Investors should, therefore, not be made solely on the basis of the risk factors indicated below. Investors in the Units should carefully consider the information below in conjunction with other information contained in the Prospectus.

The activities of EEREIF may or may not be profitable. There is no guarantee to Investors that they will get back the amount invested in the Units or that the invested amount will grow. Due to the EEREIF investment policy, the net asset value of the Unit can be highly volatile. Therefore, Investors should have a long-term investment horizon. EEREIF is a closed-ended fund. The Units will not be redeemed at the request of the Investor. Hence, Investors must plan for the sale of the Units well in advance as compared to open-ended funds.

The major risks related to the investment into the Units arising from the investment policy of the EEREIF are the following:

Geopolitical Risks

Country Risk

The risk that adverse developments or events (e.g. changes in economic policy or legal environment, civil unrest, war) may take place in countries where the EEREIF assets are invested could significantly influence the value of the investments. According to EEREIF investment policy, EEREIF assets shall be invested primarily in Eastern European countries. These emerging economies have demonstrated a remarkable growth over the past couple of years. The economies in general and the real estate markets of the Eastern European countries where EEREIF operates are currently witnessing a slowdown of the economic growth and the rise of inflation. Should the slowdown in the economies and the real estate market continue, the value of the investments may be adversely affected.

Foreign Currency Risk

The risk that due to movements in exchange rates, the value of an investment tied to a given currency may change in an undesirable direction.

As EEREIF will invest into the real estate located and securities issuers of which are domiciled in Eastern European countries, such assets will most likely be denominated in local currencies of those countries. Therefore, any depreciation or appreciation of that local

currency in relation to such the currency of investment will correspondingly reduce or increase the value of EEREIF investment.

EEREIF intends to enter into hedging arrangements for hedging the exchange risk. However, regardless of such hedging arrangements, EEREIF may still be exposed to an exchange risk.

Industry Risks and Risk Related to the Assets of EEREIF

Market Risk

The risk that the market demand for shares or other assets increase or decrease. This affects the value of the EEREIF assets. EEREIF assets are primarily invested in assets and shares consisting of or related to real estate meaning that the EEREIF is particularly vulnerable to movements in real estate markets. As the EEREIF assets will be primarily invested in Eastern European countries as per the EEREIF's investment policy, a concentration of the EEREIF assets in such areas may result in a greater risk of loss than would be the case if such concentration had not been present. Should the economic conditions in the markets worsen, this could have an adverse effect on the ability of the Investor to recover their investment in EEREIF.

One of the key risk factors is competition. EEREIF may face intense competition from other companies operating in the real estate markets of the Eastern European countries. An intense competition in such markets may lead to an oversupply of both commercial and residential real estate. The Baltic States have witnessed an excessive development and, therefore, an oversupply commercial and residential real estate. Low interest rates and easily accessible loans have boosted the demand for new residential real estate projects. Even though the prices had risen and became stable in the second half of 2007, a slowdown in the economies of the Eastern European countries may drive the prices of the residential real estate down. This may also happen to the rent prices. Consequently, such intense competition may affect EEREIF expected income and lower the net asset value of the Units.

Liquidity of the Market for Assets

The risk that due to a market's low liquidity EEREIF is not able to sell assets at the time desired on a reasonable price, or is not able to sell the assets at all. The investments in real estate generally cannot be realised quickly. EEREIF's ability to convert property assets into cash on short notice may be limited. EEREIF may not be able to vary its portfolio promptly in response to economic or other conditions.

Liquidity risk is particularly relevant when investing in small cap companies. Additionally, it is important taking into account EEREIF's investment policy that devises acquiring and owning substantial holdings in and related to real estate in Eastern Europe. There is a risk that due to a low liquidity of the assets of EEREIF the value of the Units will decrease and the Investors will not be able to sell the Units at or above the purchase price to third parties in the over-the-counter transactions or the redemption price when the Units are redeemed by the Management Company will be lower than the price paid for the Units.

Risk Due to Concentration of Certain Markets or Asset Classes

The risk that an event or circumstance can have a substantial impact on EEREIF returns due to EEREIF investment policy focusing in one or a small number of markets (e.g. Eastern European countries), asset classes (e.g. equities) or issuers. Up to 20% of the value of the assets of EEREIF may be invested into the shares of one issuer or into one real estate. Should the financial condition of such issuer or the real estate worsen for whatever reason, the value of the EEREIF assets and, consequently, the value of the Unit may be adversely affected.

To diversify its portfolio, EEREIF plans to invest into commercial properties. Thus, EEREIF returns from its asset portfolio may depend on the rental income generated by its commercial properties, the expenses incurred in the development and management of its commercial properties. The income from commercial properties may be adversely affected by a number of factors, including regional and local economic conditions, changes in interest rates and inflation levels, ability to promptly re-let the properties vacated by the tenants on the commercially attractive rates or ability of the tenants to meet their payment obligations.

Credit Risk

Due to the high concentration of the assets of EEREIF in the Eastern European countries, any deterioration in the economic, political, fiscal or other condition in these areas could result in the inability of the issuer of a security belonging to EEREIF assets or a counterparty to a transaction made on behalf of the EEREIF to (i) fully perform its obligations under the underlying agreement or (ii) partially perform its obligations under the underlying agreement (e.g. a company cannot redeem bonds on time that were issued by that company). Such concentration of the investments of EEREIF, therefore, increases the risk of loss compared with the risks if such concentration had not been present.

Co-Investment Risk

If EEREIF will be co-investing in a real estates or special purpose vehicles with other Investors, including real estate funds and companies then EEREIF will not be able to determine the investment decisions (e.g. decisions related to development, upgrading or disposing of the assets) pertaining to the entire real estate or special purpose vehicles only by itself. Such investment decisions will be usually made jointly by the co-investors (depending on whether the co-investors have entered into a shareholders' agreement or any other similar arrangement). This may hinder the implementation of the investment policy for EEREIF with regard to such real estate or special purpose vehicle.

Risks Associated with Investment in Derivatives

The assets of EEREIF may be invested at Management Company's discretion in financial derivatives for the purposes of hedging existing positions the assets of EEREIF have been invested into. Such investments will be subject to the risks of their own. While the judicious use of derivatives to hedge risks of EEREIF can prove to be beneficial for Investors, derivatives involve risks different from, and, in some cases, greater than, the risks presented by more investments into real estate or more traditional securities.

Settlement Risk

There is an inherent risk that a counterparty to a transaction fails to deliver the securities or money due in the settlement even though EEREIF has fulfilled its obligation to the counterparty. This may also trigger delays in realising investments made by EEREIF. Therefore, Investors should be aware that realisation of settlement risk may result in a loss to the EEREIF and, consequently, to their investment in the Units.

Risks Related to EEREIF, the Units and the Management Company

Leverage of the EEREIF

At the sole discretion of the Management Company, EEREIF may leverage its assets by way of borrowing up to an amount equal to 85% of the value of its assets. The loans may be taken for periods of up to 30 years.

The loan agreements with the lenders may have early termination provisions, customary events of default provisions, including provisions on cross-default. Such provisions would enable the lender to accelerate the repayment of the principal and the interest should the event of default from the side of the EEREIF occur. As a result, EEREIF may have to refinance from other lenders on the terms and conditions less favourable than those of the initial loan agreement. EEREIF may also have to sell a certain portion of its assets (at a price below the market price of assets) in order to repay the lender. It may also have to sell the assets during the downfall of the real estate market.

As all claims of the Investors rank below the claims of the lenders under the loan agreements, there is no assurance that the Investors will get back their investments in the EEREIF. The same applies in the course of liquidation of the EEREIF. During liquidation, the Management Company will: (i) dispose of EEREIF assets, (ii) collect EEREIF receivables and (iii) repay EEREIF debts. Only then the assets of EEREIF are distributed between the Investors and the Management Company.

Exposure to Liability

As an owner of the real estate assets, EEREIF can be held directly liable for possible direct or indirect damages caused by the assets owned. Even though EEREIF maintains insurance policies against active construction sites and cash generating properties, the insurance policies are subject to monetary limits and deductibles. Moreover, not all of the assets of EEREIF (e.g. land) are insured. In addition, as insurance policies in general do not necessarily provide sufficient cover against all possible direct and/or indirect damages and liabilities, any unforeseen liability and/or related legal action may have a significant adverse effect on the EEREIF business and its operating results.

Absence of a Liquid Market for Units

Prior to this Public Offer, there has been no public offer of units of a closed-end contractual real estate fund established in Estonia. There is a risk that due to a low liquidity of the assets of the EEREIF the Investors will not be able to on-sell the Units at or above the purchase

price to third parties in the over-the-counter transactions. The Investors, therefore, need to be able to hold their Units until the liquidation of EEREIF.

The Units will not be listed on any regulated market. EEREIF cannot provide any assurance to the prospective investors of the emergence of an active trading over-the-counter market for Units. EEREIF cannot further guarantee that if such market emerges, it will be sustained. There can be no assurance to the prospective investors as to the price at which they will be able to on-sell their Units. The market price of the Units could be subject to fluctuations due to, among other things, net asset value of the assets held by the EEREIF, the conditions in the real estate market, prevailing interest rates, changes in legal environment, changes in the foreign investment policy, general market and economic conditions of the countries where EEREIF holds its assets.

Income Risk

During first two years income of EEREIF will be reinvested and no distributions to the Investors will be made. Starting from third year the distributions may be made to the Investors. The Management Company will have the sole discretion upon deciding whether or not to make distributions and the extent and frequency of distributions depending on the economic results and financial standing of EEREIF.

No other payments will be made by EEREIF to the Investors other than by way of distribution, with the exception of liquidation, compulsory redemption or redemption under the law. If the Management Company decides to retain the income of EEREIF and not to distribute it to the Investors (and provided EEREIF is not liquidated and no compulsory redemption procedure is initiated against the Investor) the Investors will not receive any income prior to liquidation of EEREIF, compulsory redemption or redemption under the law.

Redemption Risk

When issued, the Units will not be redeemed at the request of the Investors (save for the cases specifically provided for by the law). They will either be redeemed at the liquidation of EEREIF, under the compulsory redemption procedure set forth in section 7 of the EEREIF Rules or in cases specifically provided for by the law. Therefore, Investors should have a long-term investment horizon.

The Management Company may impose compulsory redemption for the purpose of ensuring that no Units are acquired or held by: (i) any person in breach of the law or requirement of any country or governmental authority; (ii) any person in circumstances which in the opinion of the Management Company might result in EEREIF or Management Company incurring any liability to taxation or suffering any other pecuniary disadvantage which EEREIF or the Management Company might not otherwise have incurred or suffered; or in case (iii) the Investor does not submit, irrespective of corresponding demand of the Management Company, documents or information necessary for performing obligations of care of the Management Company provided in the Money Laundering and Terrorist Financing Prevention Act; (iv) documents or data submitted by the Investor do not eliminate the doubt of the Management Company that the purpose of the business relationship or transaction may be money laundering or terrorist financing; (v) EEREIF is liquidated and/or merged.

Units are redeemed for the redemption price of the Unit which is the last net asset value of the Unit announced before the redemption, which may be lower than the price paid by the Investor for acquisition of the Units. Therefore, the Investors may not get back their investments when the Units are redeemed by the Management Company.

Risk Due to the EEREIF's Strategy to Influence the Issuers' Activities Through Ownership

The risk that the Management Company might not be able to find suitable investment targets that would match EEREIF investment policy or that EEREIF might not be successful in implementing its policies through an investment or that the investment might not be suitable for the particular purpose of the EEREIF. The Management Company shall devote substantial attention and resources to analysing and monitoring these issues. However, the risk that the value of the investment made by EEREIF might not be increased or the value may even decrease.

Management Company Risk

The Management Company will evaluate and make all investment and exit decisions on behalf of EEREIF, in addition to being responsible for the management of EEREIF. The Management Company relies on its highly trained brokers and staff to maintain the effective and efficient management of the assets of EEREIF. If the Management Company ceases to have the adequate level of human resources available for management of the assets of EEREIF or if the level of experience of the brokers and staff engaged in the management of the assets of EEREIF is reduced, it may result in the less efficient management of assets held by EEREIF and the value of the Units of the Investors may be affected.

Custody Risk

There is a risk that EEREIF will sustain losses due to the actions or inaction of sub-custodians or depositaries. Such losses may include losses due to the bankruptcy of a person holding securities, the person losing securities or its inability to fulfil orders.

INFORMATION ABOUT EEREIF

Main Information on EEREIF

Legal and commercial name	Eastern Europe Real Estate Investment Fund
Place of registration	Republic of Estonia
Launch date	26 March 2008
Duration	5 (five) years from the registration of the EEREIF Rules with the Estonian Financial Supervisory Authority*
Registered address	Rävala pst 6, Tallinn, Republic of Estonia
Legal form/Regulatory status	Public closed-end contractual real estate fund (in Estonian - <i>kinnisvarafond</i>), established under the Estonian Investment Funds Act
Legislation under which the EEREIF operates	Estonian Investment Funds Act and other laws and secondary legislation of the Republic of Estonia pertaining to EEREIF operations
Contact details	Tel.: +372 6814 761 Fax: +372 6814 760 E-mail: info@gildrealestate.com Web address: www.gildrealestate.com

- * The duration of EEREIF may be extended for up to 2 (two) years by the resolution of the General Meeting of Investors under section 11 of the EEREIF Rules.

The supervision of EEREIF is carried by the Estonian Financial Supervisory Authority, registered at Sakala 4, 15030, Tallinn, Republic of Estonia.

Auditors

The auditor of the EEREIF is PricewaterhouseCoopers AS, register number 10142876, address Pärnu mnt 15, 10141 Tallinn, the Republic of Estonia. PricewaterhouseCoopers AS is a member of the Estonian Board of Auditors (Certification no 6).

Organizational Structure

EEREIF is a self-standing public closed-end contractual real estate fund. A contractual fund is not a legal entity under the laws of Estonia. Therefore, EEREIF is not and cannot be part of any group.

Administrative, Management, Supervisory Bodies and Senior Management

The Management Company will be responsible for the management of EEREIF. No separate administrative, management or supervisory bodies of EEREIF will be formed. Consequently, no information related to the administrative, management or supervisory bodies, their remuneration, activities and etc. will be provided in this Prospectus (including, without limitation, no information required under paragraphs and items 14, 15, 16, 21.2.2 in Annex 1 (minimum disclosure requirements for the share Registration Document schedule) are relevant for the purposes of this Prospectus and no information will, therefore, be provided thereon.

See Section “General Meeting of Investors” at pp. 29-30 for a discussion on the competence and the procedure for convening the General Meeting of Investors.

Fund manager of EEREIF will be Mr. Urmas Laur, who has an extensive experience and expertise in the field of the development, operating and maintaining the real estate projects. Comprehensive resume of Mr. Urmas Laur is attached to this Prospectus as Appendix 2.

Major Shareholders

As EEREIF is not a legal entity then no person, directly or indirectly, can have an interest in the EEREIF or hold any capital or voting rights in it. For the same reason, no person, directly or indirectly, own shares of or control EEREIF. All Investors will have the same rights attached to the Units acquired.

Related Party Transactions

No related party transactions have been entered into by EEREIF (i.e. by the Management Company on the joint account of the prospective investors) up to the date of the registration of the Prospectus other than a transaction on the acquisition of all the assets of the EEREIT, which shares are owned by the shareholders of the Management Company. For a description of the assets to be acquired from EEREIT see Section “Information on Holdings” at pp. 34-42 of the Prospectus.

Restrictions on Use of Capital Resources

See Section “Investment Restrictions” at pp. 46-47 for a description of the investment restrictions which apply to EEREIF investments. There are no restrictions, in addition to the restrictions set out in Section “Investment Restrictions”, imposed on EEREIF concerning the use of its capital resources.

Financial Information

Since the date of incorporation, EEREIF has not commenced operations and no financial statements have been made up as at the date of the Prospectus. Consequently, no historical financial information on the activities of EEREIF or information on the operating results thereof will be provided in this Prospectus (including, without limitation, no information required under paragraphs and items 3, 9.1, 9.2.1, 9.2.3, 20 in Annex 1 (minimum disclosure requirements for the share Registration Document schedule) and paragraphs of item 8 of Annex XV (minimum disclosure requirements for the registration document for securities issued by collective investment undertaking of the closed-end type (schedule)) of the Prospectus Regulation are relevant for the purposes of this Prospectus and no information will, therefore, be provided thereon.

Profit Forecast or Estimates

No profit forecasts or profit estimates have been prepared by EEREIF and none will be provided in this Prospectus.

ADDITIONAL INFORMATION

The Units

Units represent the Investors' share in the assets of EEREIF, which will be determined by the ratio of the number of Units held by such Investor and the total number of all Units. Each unit will have a nominal value of EUR 10 (ten). EEREIF will have only one class of Units.

Fractional Units may be issued up to three decimal places (with the fourth decimal place rounded up or down to the closest integer value, numbers ending with 5 to be rounded upwards) and shall carry rights in proportion to the fraction of a Unit they represent.

Units will be held in registered form and no unit certificates will be issued. Units will be registered in the Estonian Central Register of Securities (operated by AS Eesti Väärtpaberikeskus, address Tartu mnt. 2, Tallinn 10145, Estonia, register code 10111982) in accordance with the rules and procedures of the same, including the provisions of the Estonian Central Register of Securities Act.

The Management Company may (but is not obliged to) own Units. The Units owned by the Management Company may not exceed 5% of all Units. The Management Company shall conduct all transactions in relation to Units on an arm's length basis to avoid potential conflicts of interest.

The offering of Units is an initial issue of the units of EEREIF. Consideration received during the offering will form the initial capital of EEREIF. EEREIF has not issued any units or shares not representing capital.

As EEREIF is not a legal entity, it does not have a share capital. Consequently, none of the provisions related to the share capital of EEREIF, change of control of EEREIF, disclosure of shareholdings provisions and etc. are relevant for the purposes of this Prospectus and no information will, therefore, be provided thereon (including, without limitation, no information required under paragraphs and items 21.1, 21.2.3-21.3.4 and 21.3.6.-21.3.8 in Annex 1 (minimum disclosure requirements for the share Registration Document schedule) of the Prospectus Regulation will be provided in this Prospectus).

Rights Attached to the Units

All Investors will have the same rights attached to the Units acquired. Rights attached to the Unit will take effect upon the registration of the Investor as owner of the Unit in the Estonian Central Register of Securities.

In accordance with the Estonian Investment Funds Act, the Investors will have the following rights deriving from their ownership of Units:

- (i) the right to transfer the Units to third parties;

- (ii) the right to receive a share of the income of EEREIF through distributions, subject to the conditions and limitations set out in EEREIF Rules;
- (iii) the right to receive a share of the assets remaining upon liquidation of EEREIF;
- (iv) the right to demand from the Management Company to convene or, in case of inaction by the Management Company, to convene the General Meeting of Investors in the cases and pursuant to the procedure prescribed by EEREIF Rules and the law;
- (v) the right to participate and vote in the General Meeting of Investors;
- (vi) the right to obtain information on EEREIF and the Management Company as provided in the law;
- (vii) the right to request that the registrar issues a certificate or an extract from the register concerning the Units owned by the Investor; and
- (viii) other rights provided for in EEREIF Rules.

The rights granted to the Investors of EEREIF by the Estonian Investment Funds Act may only be amended by a statutory procedure. Where the rights, limitations or contingencies on the rights are granted by EEREIF Rules, such rights, limitations or contingencies on the rights may be amended by the resolution of the General Meeting of Investors (for information on the quorum and other requirements refer to Section “General Meeting of Investors” at pp. 29 – 30 below).

No Investor will be entitled to demand the termination of EEREIF and the division of its assets otherwise than as provided in EEREIF Rules and the applicable law.

Distribution of Assets of EEREIF

No distributions to the Investors will be made during first two years and all the income of EEREIF during this period will be reinvested. Therefore, during first two years the income of the Investor from investments of EEREIF will be reflected in the change of the net asset value of the Units.

Starting from third year the Management Company will have the sole discretion upon deciding whether or not to make distributions and the extent and frequency of distributions depending on the economic results and financial standing of EEREIF.

Investors will not be required to perform any acts or formalities (including submit applications) in order to receive the distribution made by EEREIF. The Management Company will notify the Investors about the distributions 1 (one) week in advance specifying the amount and date of making the distribution. Distributions will be made in cash through the Depositary to the current account linked to the securities account of the Investor.

Distributions shall reduce the net asset value of Units. If no distributions are made to Investors, such income will be reinvested and reflected in the change of the net asset value of the Unit.

No other payments will be made by EEREIF to the Investors other than by way of liquidation, distribution, compulsory redemption or redemption under the law. See Section “Redemption Risk” at p. 22 for a discussion on the grounds and conditions for compulsory redemption of Units from Investors.

General Meeting of Investors

Competence

The General Meeting of Investors is competent to:

- (i) amend the duration of EEREIF;
- (ii) liquidate EEREIF;
- (iii) amend the procedure for the redemption of Units;
- (iv) increase the management and depositary fees of EEREIF and other fees and charges paid on behalf of EEREIF;
- (v) amend the procedure for the making of distributions to Investors out of the income of EEREIF;
- (vi) decide on the merger and transformation of EEREIF unless otherwise provided by the Estonian Investment Funds Act;
- (vii) decide to amend the investment policy of EEREIF;
- (viii) amend the EEREIF Rules;
- (ix) decide on other issues placed within the competence of the General Meeting of Investors by the Estonian Investment Funds Act.

Convening the General Meeting of Investors

The General Meeting of Investors will be called by the Management Company as often as the need to decide issues which fall into the competence of the General Meeting of Investors arises.

The Estonian Financial Supervision Authority or Investors whose Units represent at least 1/10 of the votes may also demand that a General Meeting of Investors be called and issues be included in the agenda of the General Meeting of Investors. If the Management Company fails to call a General Meeting of Investors within 1 (one) month after receipt of a demand from the Estonian Financial Supervision Authority or the required number of Investors, the Estonian Financial Supervision Authority or Investors have the right to call the General Meeting of Investors themselves.

Notice of the General Meeting of Investors will be given at least 3 (three) weeks in advance. A notice calling the General Meeting of Investors will be published on the website of the Management Company. At the same time with publication of a notice on the website of the Management Company, the notice calling the General Meeting of Investors will be published in at least 1 (one) national daily newspaper or the corresponding notice will be sent to the postal addresses of Investors indicated in the register of Units. The notice must contain, among other things, the agenda, date, time and place of the meeting and specification of initiators of the meeting.

Procedure of the General Meeting of Investors

The Investor or its representative authorised in writing may participate in the General Meeting of Investors. The participation of a duly authorised representative shall not deprive the Investor of the right to participate in the General Meeting of Investors. There is no requirement that an Investor must have a minimum number of Units in order to attend or to be represented at the General Meeting of Investors.

To participate in any General Meeting of Investors, an Investor is required to have Units registered in its name in the Estonian Central Register of Securities no later than at the end of a record date which is the 5 (fifth) business day before the General Meeting of Investors.

The General Meeting of Investors will be entitled to adopt resolutions and will be held valid if more than 1/2 of all votes represented by the Units are present. If the General Meeting of Investors does not have a required quorum to adopt resolutions, the Management Company will convene a new General Meeting of Investors with the same agenda not earlier than after 7 (seven) days and not later than after 3 (three) weeks from the date of the General Meeting of Investors, which did not have a quorum. A newly convened General Meeting of Investors is competent to adopt resolutions regardless of the number of votes represented at the General Meeting of Investors.

A resolution of the General Meeting of Investors shall be adopted if at least 90% of the votes represented at the General Meeting of Investors are in favour of such resolution, unless the law prescribes a greater majority requirement. For this reason, the proportion of votes belonging to the Investor will be determined pursuant to the ratio of the number of votes arising from Units belonging to the Investor and the number of votes arising from all Units which have been issued and not redeemed as at 10 (ten) days before the day of the General Meeting of Investors.

Constitutional Documents

As EEREIF is a contractual real estate fund, it does not have Articles of Association. The terms of EEREIF are set forth in the EEREIF Rules, which are attached to this Prospectus as Appendix 1. Therefore, this Section will provide for the relevant information about EEREIF Rules, which is required to be disclosed under item 21.2 of Annex I of Prospectus Regulation about the Memorandum and Articles of Association of the issuer.

The object and purpose of EEREIF. The object and purpose of EEREIF are discussed in Section „Investment Objectives and Policy” in pp. 43-45 of this Prospectus. Such information is also provided for in a more detailed manner in Section „Investment Principles” in pp. 3-5 of EEREIF Rules.

Information concerning the members of the administrative, management and supervisory bodies of EEREIF. As EEREIF is not a legal entity no separate administrative, management or supervisory bodies of EEREIF will be formed. EEREIF will, however, have a General Meeting. The issues related to the administrative, management and supervisory bodies are further discussed in Sections „Administrative, Management, Supervisory Bodies and Senior Management” in p. 25 and “General Meeting of Investors” in pp. 29-30 of the Prospectus and in Section “General Meeting of Investors” in p. 2 of EEREIF Rules.

Rights, preferences and restrictions attached to the Units. Rights attached to the Units are discussed in Section „Rights Attached to the Units” in p. 28 of the Prospectus and in p. 8 of EEREIF Rules.

Actions necessary to change the rights of the Investors with respect to the Units. The rights of the Investors with respect to the Units can be changed by amending EEREIF Rules. Amending of EEREIF Rules is discussed in Section “General Meeting of investors” in pp. 29-30 of the Prospectus and in Section “Amending the Rules” in p. 14 of EEREIF Rules.

Calling the General Meeting of Investors. Issues related to calling and convening the General Meeting of Investors are discussed in Sections “Convening the General Meeting of Investors” and “Procedure of the General Meeting of Investors” in pp. 29-30 of the Prospectus and Sections “Convening the General Meeting” and “Procedure of the General Meeting” in pp. 2-3 of EEREIF Rules.

Provisions of EEREIF Rules that would have an effect of delaying, deferring or preventing a change in control of EEREIF. EEREIF, as a contractual fund, is managed by the Management Company (Section “Administrative, Management, Supervisory Bodies and Senior Management” in p. 25 of the Prospectus). The General Meeting of Investors has quite limited range of issues on which it can adopt decisions (Section “Competence” in p. 29 of the Prospectus). However, EEREIF Rules do not contain any provisions that would have an effect of delaying, deferring or preventing a change in control (i.e. the minimum amount of votes required to adopt decisions on the General Meeting of Investors) of EEREIF.

EEREIF Rules do not contain provisions requiring disclosure of ownership of Units by the Investors above any threshold. As EEREIF is not a legal entity and does not have a paid in capital, there are also no rules concerning changes in the capital.

MATERIAL CONTRACTS

As EEREIF is not a legal entity, it is not able to enter into contracts.

All the transactions in relation to the assets of EEREIF will be entered into in the name of the Management Company on the joint account of the Investors. The Management Company shall execute and perform all transactions with or for EEREIF on an arm's length basis.

Up to the date of the registration of the Prospectus with Estonian Financial Supervisory Authority, the Management Company has not on the account of the Investors entered into any material contracts other than a transaction on the acquisition of all the assets of the EEREIT, which shares are held by the shareholders of the Management Company.

The Management Company will enter into the following agreements:

- (i) a share purchase agreement between the Management Company and EEREIT, by which EEREIT transfers the shares of all SPVs (as defined and described in Section "Information on Holdings") to Management Company. Two holding companies will be created for transferring shares of SPVs registered outside Estonia;
- (ii) an assignment agreement between the Management Company, EEREIT and SPVs, by which EEREIT assigns to the Management Company all the loan agreements under which EEREIT has lent money to SPVs (as described in Section "Information on Holdings");
- (iii) an assignment agreement between the Management Company, EEREIT and SPVs, by which EEREIT assigns to the Management Company all the loan agreements under which SPVs have lent money to EEREIT (as described in Section "Information on Holdings").

For a description of the assets and liabilities to be acquired from EEREIT see Section "Information on Holdings" at pp. 34-42 of the Prospectus.

DOCUMENTS ON DISPLAY

For the life of this Prospectus, an electronic version of this Prospectus will be available on Management Company's website (www.gildrealestate.com) during the same period. The website of the Management Company will always provide access to:

- (i) the EEREIF Rules;
- (ii) this Prospectus;
- (iii) the last annual report of EEREIF;
- (iv) the last semi-annual report of EEREIF if this is approved after the last annual report;
- (v) the name and contact details of the Management Company;
- (vi) the name of the fund manager of EEREIF;
- (vii) the name and contact details of the Depositary;
- (viii) the net asset value of EEREIF and of the Unit;
- (ix) internal rules and procedures of the Management Company for determination of the net asset value;
- (x) the rules for the valuation of real estate;
- (xi) information on the size of holding of the Management Company in EEREIF.

The same information may be obtained at the registered address of the Management Company.

The annual report of EEREIF will be published within four months after the end of a financial year and a semi-annual report of EEREIF within two months after the end of the first six months of a financial year. Financial year of EEREIF starts on 1 January and ends on 31 December.

The Management Company shall give copies of the documents specified in clauses (i)–(iv) above to the Investors at the request thereof without charge.

In case circumstances that substantially affect the activities or the financials of the funds managed by the Management Company (including EEREIF) or the net asset value of the Unit should become evident, the respective information shall be published without delay at the website of the Management Company.

INFORMATION ON HOLDINGS

Since the date of incorporation, EEREIF has not commenced operations and, therefore, does not hold any assets in other undertakings.

However, prior to the date of this Prospectus, EEREIF (i.e. the Management Company on the joint account of the prospective Investors) has entered into a transaction with EEREIT and SPVs under which the former will acquire all the assets and liabilities owned by the latter.

The assets of EEREIT are comprised of the shares of special purpose vehicles (the **SPVs**) and financial claims against SPVs (i.e. loans granted by EEREIT to SPVs). The liabilities of EEREIT are comprised of the claims of SPVs against EEREIT (i.e. loans granted by SPVs to EEREIT).

The total net asset value of the assets held by the SPVs the shares of which will be acquired by EEREIF pursuant to the agreement between the Management Company and EEREIT (the **Agreement**) is EUR 26,781,107. The total value of loans granted by EEREIT to the SPVs amounts to EUR 10,418,543. The total value of loans granted by the SPVs to EEREIT amounts to EUR 4,796,874. The total net asset value of the assets of EEREIT (i.e. shares of SPVs and claims against SPVs) amounts to EUR 32,402,776.

Each SPV set forth in the table below holds only one real estate project, which may be comprised of one or more adjacent immovables. Financial information concerning SPVs set forth in the table below is unaudited and given as of 31 December 2007. Below is the information (unaudited) on the SPVs to be acquired under the Agreement:

SPV	1	2	3
Name	OÜ Järveotsa Keskus (see pg. 3 in Annex 3 and Annex 4)	OÜ Roosikrantsi Äripinnad	OÜ Astroline
Registered office	Rävala str 6, Tallinn, 10143, Estonia	Rävala str 6, Tallinn, 10143, Estonia	Rävala str 6, Tallinn, 10143, Estonia
Field of activity	Real estate investments, rent and leasing	Real estate investments, rent and leasing	Real estate development, transactions
Proportion of capital and voting power (if different) held by EEREIT*	100%	100%	100%
Issued capital	2,556 €	2,556 €	2,556 €
Reserves	256 €	256 €	25 €

Profit or loss arising out of ordinary activities, after tax, for the last financial year	408,645 €	404,030 €	851,710 €
Balance sheet value of the real estate held**	3,198,778 €	0 €	0 €
Value of the real estate held determined as a result of the appraisal ***	3,198,778 €	0 €	0 €
Net Asset Value	1,383,547 €	924,738 €	854,848 €
Amount still to be paid up on shares held	0 €	0 €	0 €
Amount of dividends received in the course of the last financial year in respect of shares held	0 €	0 €	0 €
Loans from EEREIT to SPV****	0 €	0 €	0 €
Loans from SPV to EEREIT*****	297,109 €	825,636 €	848,789 €
Loans from third parties to SPV	2,150,178 €	0 €	0 €

SPV	4	5	6
Name	OÜ Telliskivi Maja (see pg. 13 in Annex 3 and Annex 5)	OÜ SR Baltic Real Estate (see pg. 4 in Annex 3 and Annex 6)	Sefirius Invest OÜ (see pg. 5 in Annex 3 and Annex 7)
Registered office	Rävala str 6, Tallinn, 10143, Estonia	Roosikrantsi 11, Tallinn, 10119, Estonia	Rävala str 6, Tallinn, 10143, Estonia
Field of activity	Real estate development, transactions	Real estate investments, rent and leasing	Real estate development, transactions

Proportion of capital and voting power (if different) held by EEREIT*	100%	100%	100%
Issued capital	2,556 €	3,196 €	2,556 €
Reserves	256 €	639,436 €	256 €
Profit or loss arising out of ordinary activities, after tax, for the last financial year	-553,405 €	2,863,029 €	457,493 €
Balance sheet value of the real estate held**	5,911,827 €	12,596,347 €	4,187,491 €
Value of the real estate held determined as a result of the appraisal ***	6,888,397 €	12,596,347 €	4,187,491 €
Net Asset Value	2,056,086 €	7,056,602 €	1,931,257 €
Amount still to be paid up on shares held	0 €	0 €	0 €
Amount of dividends received in the course of the last financial year in respect of shares held	0 €	0 €	0 €
Loans from EEREIT to SPV****	1,914,355 €	0 €	0 €
Loans from SPV to EEREIT*****	0 €	364,433 €	117,444 €
Loans from third parties to SPV	1,920,000 €	6,016,430 €	2,429,391€

SPV	7	8	9
Name	OÜ Balti Kett (see pg. 14 in Annex 3 and Annex 8)	OÜ Madara Maja (see pg. 6 in Annex 3 and Annex 9)	OÜ Estero Projekt (see pg. 8 in Annex 3 and Annex 10)
Registered office	Rävala str 6, Tallinn, 10143, Estonia	Rävala str 6, Tallinn, 10143, Estonia	Rävala str 6, Tallinn, 10143, Estonia
Field of activity	Real estate development, transactions	Real estate investments, rent and leasing	Real estate investments, rent and leasing
Proportion of capital and voting power (if different) held by EEREIT*	100%	100%	100%
Issued capital	2,556 €	2,556 €	2,556 €
Reserves	256 €	256 €	256 €
Profit or loss arising out of ordinary activities, after tax, for the last financial year	249,205 €	-931,938 €	-65,302 €
Balance sheet value of the real estate held**	1,934,606 €	6,264,620 €	2,773,766 €
Value of the real estate held determined as a result of the appraisal ***	1,934,606 €	6,264,620 €	2,773,766 €
Net Asset Value	665,181 €	886,995 €	505,178 €
Amount still to be paid up on shares held	0 €	0 €	0 €
Amount of dividends received in the course of the last financial year in respect of shares held	0 €	0 €	0 €

Loans from EEREIT to SPV****	1,289,214 €	2,222,339 €	463,008 €
Loans from SPV to EEREIT*****	0 €	0 €	0 €
Loans from third parties to SPV	0 €	3,191,511 €	1,839,033 €

SPV	10	11	12
Name	OÜ Iruinvest (see pg. 7 in Annex 3 and Annex 11)	Sõbra Ärikeskus OÜ	UAB Mindaugo Namai (see pg. 9 in Annex 3 and Annex 12)
Registered office	Rävala str 6, Tallinn, 10143, Estonia	Rävala str 6, Tallinn, 10143, Estonia	Teatro str 3-10, Vilnius, Republic of Lithuania
Field of activity	Real estate development, transactions	Real estate development, transactions	Real estate investments, rent and leasing
Proportion of capital and voting power (if different) held by EEREIT*	100%	100%	100%
Issued capital	2,556 €	2,556 €	57.924 €
Reserves	0 €	0 €	0 €
Profit or loss arising out of ordinary activities, after tax, for the last financial year	616,056 €	-5,119 €	144 €
Balance sheet value of the real estate held**	2,909,897 €	0 €	472,700 €
Value of the real estate held determined as a result of the appraisal ***	2,909,897 €	0 €	532,901 €
Net Asset Value	614,466 €	-2,563 €	106,958 €
Amount still to be paid up on shares held	0 €	0 €	0 €

Amount of dividends received in the course of the last financial year in respect of shares held	0 €	0 €	0 €
Loans from EEREIT to SPV****	639,116 €	5,354€	122,268 €
Loans from SPV to EEREIT*****	0 €	0 €	0 €
Loans from third parties to SPV	1,767,344 €	0 €	306,250 €

SPV	13	14	15
Name	UAB Nemuno Panorama (see pg. 11 in Annex 3 and Annex 13)	UAB Pajurio Investiciju Grupe (see pg. 16 in Annex 3 and Annex 14)	Milo Investments Sp. z.o.o. (see pg. 10 in Annex 3 and Annex 15)
Registered office	Mickeviciaus str 56-2, Kaunas, Republic of Lithuania	H. Manto str 40, Klaipeda, Republic of Lithuania	Hutnicza str 40, Gdynia, Republic of Poland
Field of activity	Real estate investments, rent and leasing	Real estate development	Real estate investments, rent and leasing
Proportion of capital and voting power (if different) held by EEREIT*	100%	100%	100%
Issued capital	2,896 €	1,603,626 €	13,952 €
Reserves	290 €	0 €	103,083 €
Profit or loss arising out of ordinary activities, after tax, for the last financial year	-24,301 €	-136,442 €	132,898 €
Balance sheet value of the real estate held**	1,158,396 €	1,637,463 €	2,955,914 €

Value of the real estate held determined as a result of the appraisal ***	1,833,295 €	4,662,882 €	2,790,431 €
Net Asset Value	656,414€	4,549,640 €	84,449 €
Amount still to be paid up on shares held	0 €	0 €	0 €
Amount of dividends received in the course of the last financial year in respect of shares held	0 €	0 €	0 €
Loans from EEREIT to SPV****	57,924 €	0 €	1,020,692 €
Loans from SPV to EEREIT*****	0 €	2,343,463 €	0 €
Loans from third parties to SPV	1,135,607 €	2,606,580 €	2,072,000 €

SPV	16	17	18
Name	Delta Marina EOOD (see pg. 17 in Annex 3 and Annex 16)	SIA Eirospektrs (see pg. 15 in Annex 3 and Annex 17)	Delta Vladaya EOOD (see pg. 18 in Annex 3)
Registered office	Washington str 22, Sofia, Republic of Bulgaria	Alunana 2, Riga, Republic of Latvia	Washington str 22, Sofia, Republic of Bulgaria
Field of activity	Real estate development	Real estate development	Real estate development
Proportion of capital and voting power (if different) held by EEREIT*	100%	18%	0%
Issued capital	2,556 €	5,288,037 €	2,556 €
Reserves	0 €	0 €	0 €

Profit or loss arising out of ordinary activities, after tax, for the last financial year	-179,928 €	-3,167,709 €	-196,243 €
Balance sheet value of the real estate held**	2,321,972 €		
Value of the real estate held determined as a result of the appraisal ***	3,444,700 €	11,447,425 €*****	
Net Asset Value	878,875 €	1,969,649 €	1,658,787 €
Amount still to be paid up on shares held	0 €	0 €	0 €
Amount of dividends received in the course of the last financial year in respect of shares held	0 €	0 €	0 €
Loans from EEREIT to SPV****	2,587,535 €	96,738 €	0 €
Loans from SPV to EEREIT*****	0 €	0 €	0 €
Loans from third parties to SPV	0 €	0 €	0 €

* After acquisition of the assets of EEREIT by the Management Company on the account of Investors such proportion of capital and voting power will be held by the Management Company on the account of Investors.

** This information is derived from the Balance Sheet of the respective SPV for the year 2007 and thus contains historical information.

*** This information is derived from the valuation reports of independent appraisers (the valuation of the respective real estate was carried out between November 1, 2007 and December 31, 2007).

**** Loan agreement whereby EEREIT lent money to SPV will be transferred from EEREIT to EEREIF along with the shares of SPV.

***** Loan agreement whereby SPV lent money to EEREIT will be transferred from EEREIT to EEREIF along with the shares of SPV.

***** Leasehold

INVESTMENT OBJECTIVES AND POLICY

Investment Objectives

The objective of the investment of EEREIF assets is to provide Investors with exposure to an actively managed property portfolio with higher than average risk adjusted returns.

Investment Strategy

EEREIF investment objective will be implemented mainly as a result of the increase in the value of its real estate and securities acquired after the commencement of its activities. Investment strategy of EEREIF will focus on combination of existing cash flow generating real estates with value added or redevelopment potential and development of new commercial real estate, but also residential real estate and mixed use development projects. Investment spectrum of EEREIF includes all types of commercial, mixed-use and residential real estates.

EEREIF will invest the proceeds received for the Units during the offering into the real estate located or securities whose issuers are domiciled in Estonia, Latvia, Lithuania, Poland, Bulgaria and Ukraine, but may gradually increase its exposure to other countries in Central and Eastern Europe, Balkans and countries of the Commonwealth of the Independent States (the **Permitted Regions**). The primary focus of EEREIF is on direct investment in real estate and securities related to the real estate. Securities related to real estate are units or shares of other real estate funds, including other funds managed by the Management Company as well as shares of real estate investment or management companies. EEREIF may invest in securities admitted to trading on the regulated or any other market and securities traded over-the-counter.

If the Management Company so decides, EEREIF will also participate in investment vehicles (including but not limited to joint ventures, special purpose vehicles, other real estate funds etc.) which can be registered in any jurisdiction, provided that investment strategy of those investment vehicles is not in conflict with investment strategy of EEREIF and the main source of the income of those investment vehicles is acquiring, holding, selling or operating real estate in the Permitted Regions. Such activities should primarily focus on:

- (i) operating commercial cash flow generating properties (i.e. operating industrial, warehouse, logistics, retail and office buildings);
- (ii) development projects, mainly developing commercial real estate, but also residential real estate and mixed use development projects;
- (iii) acquisition of land plots with established and non-established zoning suitable for commercial or residential development.

EEREIF will also have an possibility to co-invest in projects (i.e. properties or special purpose vehicles) with other Investors, including real estate funds and companies if such investment is the only way for EEREIF to invest in a project or in the opinion of the Management Company the most appropriate way to enable EEREIF to optimize its investment from a taxation, securities law, management, exit or other point of view.

The Management Company will invest EEREIF assets in the Permitted Regions, which in the view of the Management Company will offer attractive assets, often offering significant potential for adding value through professional management and/or development.

Upon making investment decisions, the Management Company will:

- (i) obtain sufficient information on the assets which EEREIF intends to acquire or has acquired;
- (ii) monitor the financial and economic situation of the issuer whose securities EEREIF plans to acquire or has acquired;
- (iii) obtain sufficient information with regard to the solvency of the persons with whom the Management Company transacts on behalf of EEREIF.

However, the investments of EEREIF will not be limited to real estate and securities carrying a particular credit or investment grade rating or to securities of issuers having a particular market capitalization.

The main criterion of the selection of investments in the real estate and securities is the accomplishment of the highest possible rate of return while ensuring the safety of investment and diversification of investments.

The Management Company may take active participation in the management of the acquired properties and initiate changes in their governing and operating conditions or purpose, where that is believed to increase potential return. By way of auxiliary activity, EEREIF may give loans to special purpose vehicles shares of which are wholly or partially owned or will be owned by EEREIF and to undertakings whose main activity is investment in real estate or management of real estate.

At least 80% of the value of assets of EEREIF will be directly or indirectly invested in real estate. An indirect investment in real estate is an investment in the securities of the special purpose vehicles holding real estate. The precise size of each asset class in the assets of EEREIF, type of issuer and region where the assets of EEREIF are invested shall be determined in the course of the everyday activities of EEREIF in compliance with the EEREIF Rules.

EEREIF will hold real estate through special purpose vehicles where and when deemed necessary by the Management Company for legal reasons.

During first two years income of EEREIF will be reinvested and no distributions to the Investors will be made. Starting from third year the distributions may be made to the Investors and the Management Company will have the sole discretion to decide whether to do so.

Neither EEREIF, nor the Management Company guarantees the accomplishment of the investment objective set out in this Section.

The investment objectives and strategy may be amended by the resolution of the General Meeting of Investors (for information on the quorum and other requirements refer to Section “General Meeting of Investors” at p. 29-30 above).

Leveraging Limits

Subject to the discretion of the Management Company, EEREIF may leverage its assets by way of borrowing up to an amount equal to 85% of the value of its assets. Loans may be taken for periods of up to 30 years.

Profile of a Typical Investor

An investment in the Units is aimed at Investors who would like to gain from the long-term development of the real estate market of the Permitted Regions and who have an asset base sufficiently substantial as to enable them to sustain any loss they might suffer as a result of making such investments. Therefore, retail investors should, prior to subscribing to or acquisition of Units, consider carefully all the risks and aspects related to investments into Units. A holding in EEREIF is suitable primarily as a part of a diversified portfolio.

INVESTMENT RESTRICTIONS

The below listed investment restrictions provided by the EEREIF Rules or the Estonian Investment Funds Act do not apply during the first 24 (twenty four) months after registration of the EEREIF Rules with the Estonian Financial Supervision Authority.

Non-Real Estate Related Investments

The Estonian Investment Funds Act provides that no more than 20% of the value of assets of EEREIF can be invested in assets other than real estate and/or securities related to real estate. Such investments may comprise of:

- (i) deposits in credit institutions;
- (ii) shares and other tradable rights, bonds, convertible bonds and other tradable debt obligations issued, subscription rights and other tradable rights granting the right to acquire securities, money market instruments, and tradable depositary receipts;
- (iii) derivative instruments (as described below);
- (iv) shares and units of investment funds (including other investment funds managed by the Management Company).

EEREIF may not invest in shares and other securities of the Management Company or its subsidiaries. The same applies to shares and other securities issued by the group members (in Estonian *kontserni kuuluv äriühing*) of the Management Company, with the exception of investments made through a regulated market.

Restrictions for Disposal

EEREIF may not acquire assets from the Management Company, members of its management or supervisory board, its auditors, EEREIF managers or employees and persons having a common business interest with the aforementioned persons. EEREIF may also not acquire assets from other funds managed by the Management Company, save as to acquisition of securities from the funds managed by the Management Company through a regulated market at the market price as at the time of acquisition. However, the acquisition of assets from the Management Company or from other funds managed by the Management Company will be allowed if the conditions set out in the Estonian Investment Funds Act §282 are fulfilled.

Risk-Spreading Requirements

No more than 20% of the value of the assets of EEREIF may be invested into the shares of one issuer or into one real estate. Further, no more than 20% of the value of the assets of EEREIF may be invested into other collective investment undertakings.

The restrictions on risk-spreading provided for in EEREIF Rules and the Estonian Investment Funds Act may be temporarily exceeded for reasons independent of the Management Company. Exercising a right of pre-emption to acquire securities, a bonus issue, a change in the market value of securities and other such reasons are deemed to be reasons independent of the Management Company if the objective of the transactions performed on behalf of EEREIF is to commence observance the aforementioned restrictions, taking into account the interests of the Investors.

Derivative Instruments, Money Market Instruments and Currencies

EEREIF may invest in derivative instruments (including, without limitation, currency and interest rate swaps), money market instruments and currencies solely for the purpose of efficient portfolio management (i.e. solely for the purpose of reducing, transferring or eliminating investment risk in the underlying investments of EEREIF). EEREIF will not make any investments into derivative instruments, money market instruments or currencies for investment purposes.

Physical Commodities

EEREIF will not directly invest in physical commodities.

Information Concerning the Breach of Investment Restrictions

The Management Company has a dedicated team which will be responsible for comprehensive monitoring of compliance of prospective investments with the EEREIF's investment objectives and strategy and of compliance of EEREIF activities with the investment restrictions set out above.

Nevertheless, in the event of a breach of the restrictions, the Investors will be informed of the actions of the Management Company via the Management Company's website (www.gildrealestate.com).

EEREIF SERVICE PROVIDERS

Management Fees

The Management Company will be entitled to a management fee consisting of fixed fee and success fee.

The fixed fee is 2% of the net asset value of EEREIF per annum. The fixed fee will be calculated and paid in arrears semi-annually (such payments to be made on January 16th and July 16th), based on the last net asset value of EEREIF announced by the Management Company. Net asset value of EEREIF will be adjusted following the end of each financial year in accordance with the audited (where applicable) annual reports of EEREIF. Such adjustment will be reflected respectively in the first semi-annual fixed fee paid to the Management Company following the approval of the annual reports of EEREIF. The fixed fee is paid for the services provided by the Management Company during the previous semi-annual period.

The success fee is calculated and paid upon liquidation of EEREIF. It will be calculated in the following way. Following the transfer of EEREIF assets, collection of debts, satisfaction of claims of creditors and compensation of expenses, the remaining assets of EEREIF will be divided in the following order:

1. Payment to the Investors of the Offer Price belonging to respective Investor (the **Initial Investment**).
2. Payment to the Investors of the return (the **Preferred Payment**). Investors shall be paid the Preferred Payment in the amount not higher than 6% compounded annually from the Initial Investment from the moment of issue of Units (the **Preferred Return**). If the Investors have received any distributions from EEREIF (please revert to Section "Distribution of Assets by EEREIF" at pp. 28 – 29 for discussion on distributions), then the amounts of such distributions will be deducted from the Preferred Return (i.e. Preferred Payment = Preferred Return - distributions). For the purpose of clarification, if the distributions equal to or exceed the Preferred Return then no Preferred Payment is made to the Investor and if no distributions have been made to the Investors then the Preferred Payment will equal to the Preferred Return.
3. Payment to the Management Company of a success fee. The Management Company shall be paid a success fee in the amount of 25% of the Preferred Return calculated according to subsection 2 above.
4. Remaining assets of EEREIF will be divided as follows:
 - (i) 80% among the Investors in accordance with the number of their Units;
 - (ii) 20% to the Management Company as a success fee.

The above payments will be made only to the extent of moneys received from the disposal of the assets of EEREIF.

The management fee may be waived or reduced by the Management Company at its sole discretion for any period of time.

Depository Fees

The Depository will be entitled to a depository fee for its services. The depository fee shall be calculated on a daily basis and paid out on the basis of an invoice submitted by the Depository to the Management Company for services provided.

The upper limit of the annual fee payable to the Depository will be 0.01% of the net asset value of EEREIF. The depository fee rate does not include VAT.

Other Expenses

EEREIF will cover all valuations by certified appraisers (when related to regular valuations), fees for registering the Units of EEREIF, banking fees, commissions, transaction charges, fees associated with depositing or pledging securities, securities account management fees, state duties, legal fees, adjudication fees, auditor's fees, accounting fees, agent fees associated with interest payments, costs related to calling and convening General Meeting of Investors and taxes to be added to expenses provided above (the **Other Expenses**).

EEREIF covers the Other Expenses only in case those expenses are directly associated with management of EEREIF.

For the purpose of clarification, EEREIF covers also the costs related to making and exiting from investments (i.e. acquisition and disposal of real estate as well as shares of the special purpose vehicles and other assets of EEREIF) and preserving the value of real estates (including, without limitation, administration, maintenance and repair costs) (the **Investment Costs**). Among other costs, Investment Costs include acquisition costs in the meaning of accounting and reporting principles (including, without limitation, construction costs, development costs, brokerage fees, architects' fees, fees related to detail planning and other consultants' costs, fees for real estate valuations by certified appraisers (when related to making and exiting from investments), fees for legal, tax and other due diligence investigations directly related to acquisition of real estates). Investment Costs are not considered as the Other Expenses, but as investments of EEREIF.

Upper Limit of Fees and Expenses

The upper limit of the management fees, the depository fees and Other Expenses (calculated for a total amount of all payments) payable annually on the account of EEREIF will be 5% of the net asset value of EEREIF, except in the year of liquidation of EEREIF.

Total amount of management fees, the depository fees and Other Expenses payable on the account of EEREIF in the year of liquidation of EEREIF may not exceed 30% of the cash distributed to EEREIF Investors over the lifetime of EEREIF (including the payments to Investors upon liquidation).

Fees paid by the Investors

There are no subscription fees, redemption fees, distribution fees or placement fees for subscription, redemption, distribution or placement of the Units.

The Investors will not have to pay any transaction based fees, i.e. fees associated with changes in the composition of the investment portfolio of EEREIF.

Benefits from Third Parties

To the best of knowledge of the Management Company, neither of the service providers to EEREIF is in receipt of any benefits from third parties (other than EEREIF) by virtue of providing any services to EEREIF, and those benefits may not accrue to EEREIF.

Conflicts of Interest

To the best of knowledge of the Management Company, there are no material potential conflicts of interest which any of the service providers to EEREIF may have as between their duty to EEREIF and duties owed by them to third parties and their other interests.

In the event of any conflict of interest between the service provider's duty to EEREIF and duties owed by them to third parties and their other interests, the Management Company and the respective service provider shall strive to resolve such conflict in a just and equitable manner as they deem fit.

MANAGEMENT OF EEREIF

Main Information on the Management Company

Legal and commercial name	GILD Property Asset Management AS
Place of registration	Republic of Estonia
Registration number	11125302
Date of incorporation	21 April 2005
Registered address	Rävala pst 6, Tallinn, Republic of Estonia
Legal form	Public limited company (in Estonian - <i>Aktiiaselts</i>)
Legislation under which the EEREIF operates	The Commercial Code, Investment Funds Act and other laws and secondary legislation of the Republic of Estonia pertaining to EEREIF operations
Contact details	Tel.: +372 6814 761 Fax: +372 6814 760 E-mail: info@gildrealestate.com Web address: www.gildrealestate.com

Regulatory Status of the Management Company

The Management Company holds a license issued by the Estonian Financial Supervisory Authority on 11 September 2007 for managing investment funds. The Management Company is supervised by the Estonian Financial Supervisory Authority, registered at Sakala 4, 15030, Tallinn, Republic of Estonia.

Experience of the Management Company

GILD Property Asset Management AS is an investment management company specialized in managing and developing real estate assets. The total assets under management as of IVQ 2007 are 58 million EUR. GILD Property Asset Management to date is permanently represented in Estonia, Latvia, Lithuania, Bulgaria and Ukraine. The shareholders of GILD Property Asset Management are GILD Financial Advisory Services AS, the leading corporate finance and investment management firm in Baltics, and UUS MAA Kinnisvaragrupp OÜ, the leading real estate brokerage and consultancy company in Estonia.

Since 2005, GILD Property Asset Management has managed an open-ended real estate investment vehicle Eastern Europe Real Estate Investment Trust. Existing clients of the Managers include institutional and private investors.

Activities of the Management Company

The Management Company will evaluate and make all investment and divestment decisions on behalf of EEREIF, in addition to being responsible for the management of EEREIF (including the organisation of its accounting). The Management Company will make all decisions regarding investments, divestments, management and general policy of EEREIF, as well as for the implementation of its investment policy. The Management Company will carry out supervision of the investments and/or special purpose vehicles on a day to day basis and determine what investments or divestments should or could be made by EEREIF.

The Management Company has the right and duty to submit a claim in its own name on behalf of Investors or EEREIF against the Depositary or third parties if failure to submit such claim will result or may result in significant damage to EEREIF or the Investors. The Management Company is not required to submit such claim if EEREIF or Investors have already submitted a claim.

The Management Company will be liable for the damage caused to EEREIF or Investors by violation of its functions set out in the EEREIF Rules.

Certain functions of the Management Company may be delegated to third parties under the EEREIF Rules. When delegating the functions to third parties, the Management Company must exercise due care in assessing professional competence and reliability of such third persons in order to ensure that such transfer does not impair the interests of EEREIF. In respect of EEREIF and Investors, the Management Company remains liable for management of EEREIF.

Investment Advice

On the date of this Prospectus, the Management Company has not entered into any agreements with third person for provision of investment advice in relation to assets of EEREIF.

VALUATION OF PROPERTY OF EEREIF

The valuation of the real estate invested into by EEREIF will be carried out by BREC KINNISVARA AS. In the course of business of EEREIF, the Management Company may decide to outsource the services of valuation of EEREIF properties from other service providers (i.e. other than BREC KINNISVARA AS).

Main Information on the Valuation Entity

Legal and commercial name	BREC KINNISVARA AS
Place of registration	Republic of Estonia
Registration number	11025569
Date of incorporation	07 April 2004
Registered address	Pärnu Road 139, 11317 Tallinn, Republic of Estonia
Legal form	Public limited company (in Estonian - <i>Aktsiaselts</i>)
Legislation under which the valuation entity operates	The Commercial Code and other laws and secondary legislation of the Republic of Estonia pertaining to the operations of the valuation entity
Contact details	Tel.: + 372 699 9170 Fax: + 372 699 9180 E-mail: info@brec.ee Web address: www.brec.ee

Regulatory Status of the Valuation Entity

Property valuation is not a regulated activity in Estonia. Hence, the activities of BREC KINNISVARA AS related to valuation of properties are not regulated or supervised by state institutions. Some of the valuers of BREC KINNISVARA AS are certified members of the Estonian Association of Appraisers (in Estonian – *Eesti Kinnisvara Hindajate Ühing*), registered at Õismäe tee 46a, 13512 Tallinn, Republic of Estonia.

Experience of the Valuation Entity

BREC KINNISVARA AS has extensive experience in appraising residential and commercial properties, construction projects, land, commercial sites and other properties. The company

has been engaged in valuation services since 2004 and its appraisal reports are accepted by the major credit institutions in Estonia, Latvia and Lithuania. BREC KINNISVARA AS has offices in all the Baltic States, providing a whole range of professional real estate services across the region.

The company is a member of the Estonian Association of Real Estate Appraisers and Property Administrators, since 2007 (Certificate No 138).

Information on Valuation Entities Who Have Valued the Assets of SPVs

The valuation reports of the real estate owned by SPVs, which are attached to this Prospectus and which are also summarized in Section “Information on Holdings” have been produced by the following valuation entities.

Name	YAVLENA IMPACT OOD	ASSET	BREC KINNISVARA AS
Business address	15b Vrabcha Street, Sofia, Bulgaria	Szczęblewskiego Street 3, Gdynia, Poland	Pärnu Road 139, 11317 Tallinn, Republic of Estonia
Qualification	(1) Stefka Vincheva Apostolova, license nr. 2991, issued 11.04.1994 by Privatization Agency; (2) Hristina Kancheva, license nr. 10734, issued 06.06.2006 by Privatization Agency.	Jacek Falkowski; qualification granted by Minister of Land Development and Construction license no 619.	(1) Timo Tammaru, general certificate AKH 090506. (2) Marius Makutis, qualification certificate no. 000342.
Material interest in the issuer or Management Company	No	No	No

The valuation reports referred to in the previous paragraph have been produced at the request of the Management Company. The persons authorising the contents of the Prospectus (please revert to Section “Responsibility Statement” at p. 2) consent to the inclusion (including the form and context) of the valuation reports and the summary of the valuation reports (please revert to Section “Information on Holdings” at pp. 34-42) in the Prospectus.

ADMINISTRATION OF PROPERTY OF EEREIF

The Management Company together with Uus Maa Kinnisvarakonsultantide OÜ will be responsible for the administration of properties owned by EEREIF.

The Management Company has necessary a dedicated and experienced in-house team which will be responsible for administering properties owned by EEREIF. However, in the course of business of EEREIF, the Management Company may decide to outsource the services of administration of EEREIF properties from other service providers (i.e. other than Uus Maa Kinnisvarakonsultantide OÜ).

Main Information on the Entities Responsible for Administration of Property of EEREIF

For the information on the Management Company see Section “Main Information on the Management Company” at pp. 51-52 above.

Information on Uus Maa Kinnisvarakonsultantide OÜ:

Legal and commercial name	Uus Maa Kinnisvarakonsultantide OÜ
Place of registration	Republic of Estonia
Registration number	10394023
Date of incorporation	02 March 1998
Registered address	Rävala pst 6, 10143 Tallinn, Republic of Estonia
Legal form	Private limited company (in Estonian - <i>osaühing</i>)
Legislation under which the administration entity operates	The Commercial Code and other laws and secondary legislation of the Republic of Estonia pertaining to the operations of the administration entity
Contact details	Tel.: + 372 6272 600 Fax: + 372 6272 601 E-mail: uusmaa@uusmaa.ee Web address: www.uusmaa.ee

Regulatory Status of the Entities Responsible for Administration of Property of EEREIF

Property administration is not a regulated activity in Estonia. Hence, the activities of Uus Maa Kinnisvarakonsultantide OÜ related to administration of properties are not regulated or supervised by state institutions.

Experience of the Entities Responsible for Administration of Property of EEREIF

UUS MAA KINNISVARAKONSULTANTIDE OÜ is the leading real estate brokerage and consultancy company in Estonia specialized in business premises. The members of the management of the company have been actively operating in Estonian real estate market since its formation in 1992. Uus Maa KINNISVARAKONSULTANTIDE OÜ offers its services in all three Baltic States.

CUSTODY

Real estate and movable property (excluding securities and cash) of EEREIF will be held by the Management Company in the name of the Management Company and on the joint account of the Investors. The Management Company will hold the assets of EEREIF separately from its own assets and from the assets of other funds and pools of assets managed by the Management Company (and maintain separate accounting records with respect to such assets). The assets of EEREIF will not form a part of the bankruptcy estate of the Management Company, and the claims of creditors of the Management Company will not be satisfied out of such assets.

Cash and securities of EEREIF will be held by the Depositary.

Main Information on the Depositary

Legal and commercial name	Aktsiaselts Swedbank
Place of registration	Republic of Estonia
Registration number	10060701
Date of incorporation	11 July 1996
Registered address	Liivalaia 8, 15040, Tallinn, Republic of Estonia
Legal form	Public limited company (in Estonian - <i>Aktsiaselts</i>)
Legislation under which the Depositary operates	The Commercial Code, Investment Funds Act, Credit Institutions Act and other laws and secondary legislation of the Republic of Estonia pertaining to the operations of the Depositary
Contact details	Tel.: +372 6310 310 Fax: +372 6310 410 E-mail: hansa@hansa.ee Web address: www.hansa.ee

Depositary Agreement

Under a Depositary Bank Agreement dated 15 February 2008, the Depositary has undertaken to provide depositary bank and custody services in relation to cash and securities of EEREIF. The Depositary (i) safe-keeps the money, securities and other liquid

assets of EEREIF and (ii) organises safekeeping of the other assets of EEREIF unless the Management Company and the Depositary have agreed otherwise. The Depositary shall be liable for the direct proprietary damage caused to EEREIF, Investors or Management Company as a result of violation of its duties.

The Depositary Bank Agreement entitles the Depositary to transfer certain obligations to third parties. The Depositary, nevertheless, is under obligation to exercise due care to ensure reliability of such third parties and verify that the operational and technical organisation and financial situation of such third parties is sufficient for their due compliance with the transferred duties. The Depositary will be liable for violation of above requirements and failure to exercise supervision over third parties. However, on the date of this Prospectus no obligations (custody arrangements) have been transferred to third parties.

Regulatory Status of the Depositary

The Depositary is an authorised credit institution and it offers various financial investment services. It is supervised by the Estonian Financial Supervisory Authority, registered at Sakala 4, 15030, Tallinn, Republic of Estonia.

NET ASSET VALUE OF EEREIF

Net Asset Value

Calculation of the Net Asset Value of EEREIF

The net asset value of EEREIF will be calculated as of the last business day of each calendar month. The first net asset value will be calculated as of the last day of the Subscription Period.

The net asset value will be determined in EUR by the Management Company in accordance with its internal rules and procedures and based on the applicable legislation.

The net asset value of EEREIF will be published on the website of the Management Company semi-annually (the **Reporting Date**). Reporting Dates will be 15th January and 15th July. If such day is not a business day then Reporting Date is the first business day after such day.

The net asset value of EEREIF shall be calculated as follows:

- (i) the net asset value of EEREIF shall be determined on the basis of the value of the assets of EEREIF from which the value of the liabilities of EEREIF shall be deducted;
- (ii) the net asset value of the Unit shall be determined by dividing the net asset value of EEREIF by the number of Units issued and not redeemed as at the point of valuation;
- (iii) the net asset value of the Unit shall be determined with an accuracy of four decimal places.

Valuing Assets of EEREIF

Real Estate

The real estate, either held directly by EEREIF or in special purpose vehicles into where EEREIF holds majority shall be evaluated in accordance with the International Valuation Standards IVS 2007 (as may be amended) by a real estate valuator.

The valuers conducting the real estate evaluations shall be appointed by the Management Company and shall be recognized real estate valuers in countries where the real estate held by EEREIF or by special purpose vehicle is located in and reasonable price charged for the services of evaluation. For details on appointed valuers see Section "Main Information on the Valuation Entity" at pp. 53-55 above. The details on other valuers, which will be appointed in the course of business of EEREIF, will be published on the website of the Management Company.

The evaluation of the real estate will be conducted at least once a year as at the end of the financial year and before the audit of the annual report of EEREIF is conducted. From time to time the updates may be carried out (e.g. semi-annually).

Shares of the Special Purpose Vehicles

Valuation of the shares in special purpose vehicles into which EEREIF has invested will be carried out by the Management Company.

The evaluation will be conducted at least once a year as at the end of the financial year and before the audit of the annual report of EEREIF is conducted. From time to time the updates may be carried out (e.g. semi-annually).

Cash Valuation

The value of any cash on hand or on deposit, accounts receivable, prepaid expenses, cash dividends and interest declared or accrued, and not yet received will be deemed to be the full amount thereof, unless it is unlikely to be received in which case the value thereof shall be arrived at after making such discount as the Management Company may consider appropriate in such case to reflect the true value thereof.

Valuation of cash will be carried out by the Management Company.

Transferable Securities and Money Markets Instruments

Transferable securities and money markets instrument negotiated or listed on a stock exchange or any other regulated market (if any) will be valued on the basis of the last known price, unless this price is not representative, in which case the value of such asset will be determined on the basis of its foreseeable realisation value estimated by the Management Company.

Other Assets

The value of any other assets of EEREIF during the first 12 (twelve) months from the acquisition shall be the acquisition price including all costs, fees and expenses related to such acquisition. After such 12 (twelve) months period or if acquisition price is not fair, the value will be determined by the Management Company on the reasonably foreseeable sales price thereof determined prudently and in good faith.

Temporary Suspension of the Calculation of the Net Asset Value

The Management Company may suspend the determination of the net asset value during the existence of any state of affairs which constitutes an emergency as a result of which disposals or accurate valuation of a substantial portion of the assets owned by EEREIF would be impracticable or when, for any other reason, the prices of any investments owned by EEREIF cannot be promptly or accurately ascertained.

The suspension of the net asset value determination will be announced on the website of the Management Company, unless the Management Company deems such announcement to be of no usefulness given the short duration of the suspension period.

THE OFFERING

The Offering

The offering consists of (i) a Private Placement in the Member States of European Economic Area (except for Estonia) and Switzerland, and (ii) a Public Offer in Estonia.

The division of Units between the Private Placement and the Public Offer has not been predetermined and will be decided on by the Management Company during the allocation process. A decision on the division will be announced together with the results on allocation of Units.

EEREIF is offering up to 2 700 000 Units for sale during the offering. The offering of Units is an initial and the sole issue of the units of EEREIF. There will be no further issues of Units.

Fractional Units may be issued up to three decimal places (with the fourth decimal place rounded up or down to the closest integer value, numbers ending with 5 (five) to be rounded upwards) and shall carry rights in proportion to the fraction of a Unit they represent.

Units will be held in registered form and no unit certificates will be issued. Units will be registered in the Estonian Central Register of Securities (operated by AS Eesti Väärtpaberikeskus, address Tartu mnt. 2, Tallinn 10145, Estonia, register code 10111982) in accordance with the rules and procedures of the same, including the provisions of the Estonian Central Register of Securities Act.

Allocation and Pricing

Allocations of Units under the offering will be determined by the Management Company after the determination of the Offer Price within one day after the expiry of the Subscription Period. The allocation will be executed in the following manner:

- (i) Determination of the size of the Private Placement tranche and the Public Offer tranche.
- (ii) Allocation of the Units to the persons in the Private Placement tranche and the Public Offer tranche.

The Offer Price will be determined by the Management Company as the highest possible subscription price at which is possible to sell at least 1 700 000 Units and announced on or about April 7, 2008 via depositary. All Units sold in the course of the offering will be sold at the Offer Price, which on the date of this Prospectus is estimated fall within the Offer Price Range of EUR 11.69 and EUR 17.53. The Offer Price will not be higher than the higher end of the Offer Price Range, i.e. EUR 17.53.

There is no minimum or maximum number of Units which can be applied for. Upon accepting any allocation, prospective investors will be contractually committed to acquiring the number of Units allocated to them at the Offer Price.

Selling Restrictions

For a discussion on the selling restriction see Section "Selling Restriction" at pp. 3-4 of this Prospectus.

Subscription Period

Prospective investors may place, amend or cancel the Purchase Order during the entire Subscription Period, commencing at 15.00 on 27.03.2008 and terminating at 23.00 on 04.04.2008.

Placement of a Purchase Order

In order to acquire a Unit, an Investor must place a Purchase Order to the Management Company by the end of the Subscription Period. The Purchase Order is deemed placed from the moment of the receipt of a duly filled Purchase Order by the Management Company. The Management Company reserves a right to reject incomplete or inaccurate Purchase Orders.

The prospective investors wishing to acquire the Units should contact the Management Company to obtain a form of a Purchase Order. Prospective investors may employ any method for placement of a Purchase Order offered by the Management Company. Purchase Order may be sent to the Management Company by fax (+372 6800 403) or by e-mail (info@gildrealestate.com).

When placing the Purchase Order, prospective investors should fill in the Purchase Order form and specify therein any price of Units within the Offer Price Range. If the prospective investor submits multiple Purchase Orders, they will be merged for the purpose of allocation of Units.

By placing a purchase order, a prospective investor confirms that he/she/it has sufficiently acquainted himself/herself/itself with the EEREIF Rules, accepts the EEREIF Rules and shall act in accordance with the EEREIF Rules.

The prospective investor may amend or cancel the Purchase Order at any time before the expiry of the Subscription Period by applying to the party with which the prospective investor has placed the respective Purchase Order and by carrying out the procedures for amendment or cancellation of the Purchase Order set out by the respective party. The amendment or cancellation becomes effective when the prospective investor carries out the necessary actions and the Management Company amends or cancels the Purchase Order.

Settlement and Delivery

Units will be issued and transferred to the securities account of the Investor on or before the 6 (sixth) business day from the day of termination of the Subscription Period on a delivery

versus payment basis (i.e. simultaneously with the payment by the Investor of the Offer Price) [on a T+6 basis].

Units will be transferred to Investors in the same order in which the Management Company has received Purchase Orders from the prospective investors, to whom it was decided to allot the Units. In case of demand for the Units exceed the number of Units to be issued, Purchase Orders by which this number would be exceeded will not be satisfied.