



FAQ of the Castlestone Management Private Equity Investment

Project Summary?

The investment fund, **Castlestone Management Private Equity**, domiciled and regulated by the Cayman Islands Monetary Authority, finances the British company **London Light Line**. On the 30th Sept, 2022, **London Light Line** will purchase a set of World War II bombing shelter tunnels underneath central London and turn them into the world's largest immersive indoor experience. They would be large enough to drive a double-decker bus and would have more than 18,000 square meters of tunnel wall space, much of which would be covered with high-resolution displays, transporting guests to different environments and worlds, through sight, sounds, touch, smell, temperature, and humidity.

TUNNELS

Where are they located?

They are located between the British Museum and the Tate Modern in central London, with access to 45 million people in 45 minutes 46 metres below central London, near Chancery Lane tube station.

https://maps.app.goo.gl/2eTkdzBgtTWnEmCN8?g_st=iwb

Why were they built?

They were built from 1940 onwards to serve as deep shelter tunnels in response to the German Blitz bombing campaign.

How big are they?

There are 2 long tunnels of 400 meters each, with a diameter of 5.5 meters and 4 shorter tunnels of 83 meters each with a diameter of 76 meters. They are connected by several service tunnels.

Who currently owns them?

British Telecom. You can read about its previous owners and their history here-

https://en.wikipedia.org/wiki/Kingsway_telephone_exchange and here -

<https://www.subbrit.org.uk/sites/kingsway-telephone-exchange/>



The agreement to buy/sell the tunnels to the company has already been signed and will be carried out on September 30, 2022. This significantly reduces the risk of the investment as it will not go to public tender.

PLANNING

Some type of insurance was discussed in case that the building permit is not obtained, something that could happen. Is it likely to get the insurance?

We are currently in touch with an insurance partner in what is known as Abortive Planning Insurance, which will cover a large portion of the costs of our planning application in the event of rejection.

Planning approval process – Late 2022, is that when the process starts?

Correct, it starts about then and is a full planning application to convert the tunnels from industrial to a tourist destination, plus build ground level access points.

WORLD CLASS PARTNERS

Who are the partners in this project?

Architects – Wilkinson Eyre- one of the leading architectural firms in the world: <https://www.wilkinsoneyre.com/>

Planners – DP9 – a global expert in development and regeneration planning: <https://dp9.co.uk/>

Engineers – WSP – one of the world’s leading engineering firms, with one of the oldest and most extensive tunnel construction practices worldwide: <https://www.wsp.com/en-GB>

Quantity surveyors – Core 5 – award-winning cost modeling, cost planning, bid documentation and quantity surveyor firm: - <https://corefive.co.uk/>

Visitor data – The Visitor Attraction Company- provides specialized consulting services to attraction owners, operators, brands, developers, lenders, and investors: <https://www.thevisitorattractioncompany.com/>

Content – BBC Wildlife Unit – world-renowned producer of stunning wildlife footage/documentaries: <https://productions.bbcstudios.com/our-production-brands/the-natural-history-unit>

In-house exhibition design – Local Projects – Designers and curators of world-renowned exhibitions and public spaces: <https://localprojects.com/>

MEDIA/PROJECT PRESENTATIONS

What media/project presentations are available?

The following items are available (all can be sent by your advisor).

- i) Presentation on the London Light Line (also available in Spanish).
- ii) Venture Capital Fund presentation (also available in Spanish).
- iii) One-page summary of the fund’s investment in the entire project (also available in Spanish).
- iv) Digital presentation with voice-over that can be sent by email/WhatsApp (also available in Spanish).
- v) 3 videos of the tunnel’s appearance.

APPLICATION

Is there an application form?

There are two ways to apply for this investment:

1. With the ISIN through the platform company: **Capital International**
2. Direct Subscription (we have a simplified document that you will have to fill in and we can provide it for you).

2nd FINANCING ROUND

A major bank, such as JP Morgan, will handle the second round of financing, and Castlestone is handling the first round, is that correct?

The first round is being managed by Castlestone Management and some European Family Offices. For the second round, JP Morgan and two other bank ECM teams have been approached, and one of them will be chosen to carry it out.

INCOME ASSUMPTIONS

What are the future sources of income to the project?

Revenues are broken down as follows:

- Ticket sales - 74%
- Merchandise - 20 %
- Copyrights -5%
- Corporate events - 1%.

EXIT STRATEGY

Is the exit strategy to sell it, before it becomes operational?

The exit strategy would consist of one of the following 3 “exit events”

- i) London Light Line is publicly traded.
- ii) A major player in this field, such as Merlin Entertainment or Lego, buys the entire operation.
- iii) Another private equity fund buys our stake in the project.

What kind of returns can we expect?

Our goal is to first repay 100% of the initial capital after approximately 15 months, once the second fundraising is completed. This will leave investors with equivalent exposure in the PE Fund. Based on this exposure, we target a return (from one of the three exit events) within approximately 3 years from the second fundraising of between 12 and 17 times.

FUND INFORMATION

Minimum investment and currency?

\$10k / \$10k / 10k Euros only.

The investment term is between 3 and 7 years. Does this mean that each investor can choose to divest at any time between 3-7 years?



No, the 3 to 7 year term is the overall term over which we intend the exit event to occur which will allow for an estimated return of between 12x-17x. However, we are targeting a term of 3 to 5 years at most. The exit event is the time when clients will receive their final return (having already received 100% of their investment after the first fundraising). We will be happy to explain the time frame and also what the 3 exit events are in detail upon request (see exit strategy above).

MISC

Advantageous entry point for this opportunity

Most private equity opportunities come with a minimum investment requirement of \$250k+. Since we are assisting with fundraising for this opportunity, we are able to offer a much lower entry point of only \$10k.

Success of other immersive projects?

i) L'Atelier Lumiere in Paris is a much smaller immersive experience in a Warehouse 25 minutes from Paris and has proven to be very successful - bringing in 1.2M visitors in its first year of 2018, paying €17 each. See it here - <https://www.atelier-lumieres.com/en>

ii) Teamlab, in Tokyo, is another experience set in a selection of rooms in a building that attracts approximately 2.3M visitors a year, paying €20 each. See it here - <https://planets.teamlab.art/tokyo/>

RISKS

What are the main risks?

i) That the PE Fund will not obtain planning permission for the tunnels when the decision is made in June 2023 or so.

Result: your investment may be mainly lost as planning costs would take the lion's share of the fundraising target. However, we have received very positive pre-planning advice from the two councils involved, Camden and the City of London, both of which are expected to do so shortly. Both acknowledge that it is very likely that the project will be approved.

The project is subway, so it will not create visibility problems or require the demolition of buildings, which will cause disruption.

It is the renovation of an existing infrastructure, so from an ecological point of view, thousands of tons of concrete will not be used.

It will also bring hundreds of jobs to that area of London.

In a post-COVID world, with lots of work from home, commercial offices in central London are emptying, causing a reduction in income for these councils and depriving local businesses, such as sandwich stores, of income and also reducing transport revenue. Recent figures show that vacant office space in London is at a 15-year high of 31 million sq ft, almost 50% more than after the 2008-2009 financial crisis. By way of comparison, this is the equivalent of the floor space of 60 Gherkin buildings.

It will provide a key educational tool on climate change for local school children, a key policy objective of London City Council.

It brings a new tourist attraction to an underserved part of London for them.

We will be happy to explain all these reasons on a call. Incidentally, the pre-plan approval advice service is a fee-based service whereby developers who wish to commit to large and expensive full applications can pay a fee to get a rough indication of the likelihood of success if they go ahead with that full application. There could be delays in the planning process itself, but they would be out of our hands and would be due to changes in the policy of the two councils involved, as both currently set a timeframe of approximately one year for the process. We are also looking



into the possibility of taking out Abortive Planning Insurance, which would pay out in the event of non-approval, meaning we could recoup some of the costs and reimburse investors.

ii) The second fundraising of £140 million by JP Morgan's capital markets team does not reach its full target in October 2023.

Result: your investment may be slightly diluted in value as the funding shortfall will need to be made up by other investments at more advantageous rates for existing shareholders. You will continue to receive 100% of your investment but may be left with a slightly diluted stake in the PE Fund. Again, this is highly unlikely based on the information provided to us by JP Morgan's ECM team, considering the low target figure and the nature of the project and the results of previous similar fundraising projects. We have also been approached by Samsung who would be interested in investing £5m in our second round of fundraising, which further reduces the risk of a shortfall.

For more information please contact your financial advisor at KNG International Advisors.

Neil Richard Emberson

BA with (Hons), F.A.I.Q
International Financial Advisor

Email: n.emberson@kngadvisors.co.uk
Office Mx: +52 (998) 500-1627
Office UK: +44 (207)-183-3787
Cel: +52 (998) 214-0395

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The graphic features a dark blue background on the left with white text and a list of services. On the right, there is a photograph of modern skyscrapers, including the Gherkin in London, under a clear sky.

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