

Prospectus

Dated 6 February 2013



Pendergardens Developments p.l.c.

registered with limited liability in Malta

Issue of

€12,000,000 7% Secured Notes 2015-2019

Issued at Par

THIS DOCUMENT IS A PROSPECTUS ISSUED IN ACCORDANCE WITH THE PROVISIONS OF ARTICLE 90 OF THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND IN ACCORDANCE WITH THE PROVISIONS OF COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN A PROSPECTUS AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS.

THIS DOCUMENT CONTAINS INFORMATION ABOUT PENDERGARDENS DEVELOPMENTS P.L.C. (THE "ISSUER"), AS THE ISSUER OF SECURITIES. THE SECURITIES OFFERED HEREBY ARE BEING ISSUED AND OFFERED THROUGH AN OFFER TO THE PUBLIC BY THE ISSUER. NO APPLICATION HAS BEEN MADE NOR IS IT INTENDED THAT AN APPLICATION BE MADE FOR THE SECURITIES ISSUED HEREBY TO BE ADMITTED TO LISTING ON A REGULATED MARKET OR OTHER TRADING PLATFORM.

RELIANCE ON THIS PROSPECTUS FOR THE PURPOSE OF ENGAGING IN ANY INVESTMENT ACTIVITY MAY EXPOSE AN INDIVIDUAL TO A SIGNIFICANT RISK OF LOSING ALL OF THE PROPERTY OR OTHER ASSETS INVESTED.

A COPY OF THIS DOCUMENT HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY ACTING THROUGH THE REGISTRAR OF COMPANIES IN MALTA. THE DIRECTORS OF THE COMPANY, WHOSE NAMES ARE SET OUT HEREIN, ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS DOCUMENT. THE DIRECTORS HAVE TAKEN REASONABLE CARE TO ENSURE THAT TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THE INFORMATION CONTAINED HEREIN IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION.

Manager & Placement Agent

Underwriter

Trustee



Pendergardens Developments p.l.c. (the “**Company**”) proposes to raise €12,000,000 (twelve million euro) by issuing a Global Note (as defined below) in favour of Equinox International Limited as trustee (the “**Trustee**”) redeemable on 14 January 2019.

The Trustee has the intention of transferring its interests and recognising the interests of third parties in the Global Note by issuing Class A and Class B Participation Notes. The Participation Notes will be in certificated and registered form and will be constituted by a Trust Deed (the “**Trust Deed**”) in favour of the Registered Beneficiaries. The Global Note may be redeemed earlier by the Company at any time between 15 January 2015 and 13 January 2019 in whole or in part, at nominal value including accrued but unpaid interest on giving not less than 30 days prior written notice to the Trustee (see “**Terms and Conditions of the Global Note**”). The repayment of the principal amount of the Global Note and interest thereon, is to be secured by a first ranking general hypothec and special hypothec over the Property and all the assets present and future of the Company. The repayment of the principal amount of the Global Note and interest thereon is to be further secured by a pledge over the Collateral Account/s (as defined below) granted by the Issuer in favour of the Trustee for the benefit of the Participation Note Holders (as defined below). Interest on the Global Note will become due and payable annually in arrears on 14 January of each year between 2014 and 2019 (both years included) at the rate of 7% (seven per cent) *per annum*. The net proceeds from the Global Note shall be applied to develop and construct the Project including the Additional Parts (see Part III – “**Use of Proceeds**” below).

The payment of the Global Note and interest thereon shall at all times constitute the unconditional payment obligations of the Company and shall rank with preference and priority over all indebtedness of the Company, and in addition shall enjoy a first priority and preference over all other creditors of the Company over: the Hypothecated Property by virtue of the special hypothec constituted by the Company thereon in support of its obligation for the repayment of any amounts due under the Global Note; and over the Collateral Account/s by virtue of the pledge constituted in favour of the Trustee for the benefit of the Participation Note Holders in support of the Company’s obligation to repay any amounts due under the Global Note.

The Global Note as well as the Class A and Class B Participation Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold in the United States.



Edmund Gatt Baldacchino
Chairman



Edward Licari
Deputy Chairman



John Attard
Director



Frank Xerri de Caro
Director



Philip Farrugia
Director

IMPORTANT INFORMATION

THIS DOCUMENT CONTAINS INFORMATION ON AN OFFER BY PENDERGARDENS DEVELOPMENTS P.L.C. (THE “COMPANY”) IN RELATION TO A 7% (SEVEN PER CENT) GLOBAL NOTE OF €12,000,000 (TWELVE MILLION EURO) (2015-2019) ISSUED IN FAVOUR OF THE TRUSTEE AND THE SUBSEQUENT TRANSFER OF PARTICIPATIONS IN THE GLOBAL NOTE THROUGH THE ISSUE OF CLASS A AND CLASS B PARTICIPATION NOTES (THE “OFFER”). THE ISSUER RESERVES THE RIGHT TO PREPAY ALL OR PART OF THE GLOBAL NOTE BEFORE THE REDEMPTION DATE ON A DAY TO BE DETERMINED AND ANNOUNCED BY THE COMPANY BEING A DAY NOT BEFORE 15 JANUARY 2015. THIS PROSPECTUS ALSO CONTAINS INFORMATION ABOUT THE COMPANY AND THE PROJECT.

THE DIRECTORS OF THE COMPANY WHOSE NAMES APPEAR UNDER THE HEADING DIRECTORS AND ADVISORS (THE “DIRECTORS”), ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS PROSPECTUS. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE COMPANY (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE SUCH IS THE CASE) THE INFORMATION CONTAINED IN THIS PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

THE REGISTRAR OF COMPANIES ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE COMPANY, OR ITS DIRECTORS, OR ADVISORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION IN CONNECTION WITH THE OFFER OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, IN CONNECTION WITH THE ISSUE HEREBY MADE, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE COMPANY OR ITS DIRECTORS.

INVESTORS ARE NOT TO CONSTRUE THE CONTENTS OF THIS PROSPECTUS AS LEGAL, BUSINESS OR TAX ADVICE. EACH INVESTOR SHOULD CONSULT ITS OWN ATTORNEY, BUSINESS ADVISOR AND TAX ADVISOR AS TO THE LEGAL, BUSINESS, TAX AND RELATED MATTERS CONCERNING THIS OFFER. IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS PROSPECTUS TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR EXAMINATION OF THE WHOLE OF THIS DOCUMENT AND THE INFORMATION REGARDING THE COMPANY AND THE TERMS OF THE OFFER, INCLUDING THE MERITS AND RISKS INVOLVED.

STATEMENTS MADE IN THIS PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

A SUBSCRIPTION AGREEMENT IS PROVIDED WITH THIS DOCUMENT. THE GLOBAL NOTE AND THE CLASS A AND CLASS B PARTICIPATION NOTES ARE ISSUED AS SUBJECT TO THE TERMS AND CONDITIONS SET OUT IN ANNEX A1 AND ANNEX A2 OF THIS DOCUMENT AND THE RELEVANT SCHEDULES OF THE TRUST DEED. **BENEFICIARIES ARE ENTITLED TO THE BENEFIT OF, ARE BOUND BY, AND ARE DEEMED TO HAVE NOTICE OF, ALL THE PROVISIONS OF THE TRUST DEED AND THE TERMS AND CONDITIONS APPLICABLE TO THEM.**

ATTENTION IS DRAWN TO THE FACT THAT THIS IS A PUBLIC OFFER AND IS BEING MADE IN COMPLIANCE WITH THE PROVISIONS OF THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) RELATING TO PUBLIC OFFERINGS. THE PARTICIPATION NOTES REPRESENT PARTICIPATION IN THE GLOBAL NOTE. THE PARTICIPATION NOTES MAY BE REDEEMED BY THE COMPANY OR THE TRUSTEE IN ACCORDANCE WITH THE TERMS AND CONDITIONS CONTAINED HEREIN. THE CLASS A PARTICIPATION NOTES ARE NOT TRANSFERABLE. THE CLASS B PARTICIPATION NOTES ARE TRANSFERABLE.

WITHOUT THE PRIOR WRITTEN PERMISSION OF THE COMPANY, NO PERSONS SHALL RELEASE THIS DOCUMENT OR DISCUSS THE INFORMATION CONTAINED HEREIN OR MAKE REPRODUCTION OF OR USE THIS DOCUMENT FOR ANY PURPOSE OTHER THAN EVALUATION OF POTENTIAL INVESTMENT DESCRIBED HEREIN. THIS PROSPECTUS IS INDIVIDUALLY DIRECTED TO EACH PROSPECTIVE INVESTOR BY AN AUTHORISED SELLING AGENT AND DOES NOT CONSTITUTE AN OFFER TO ANY OTHER PERSON TO SUBSCRIBE FOR OR OTHERWISE PURCHASE THE NOTES OR TO PARTICIPATE THEREIN. DISTRIBUTION OF THIS PROSPECTUS TO ANY PERSON OTHER THAN THE PROSPECTIVE NAMED INVESTORS AND THOSE PERSONS, IF ANY, RETAINED TO ADVISE SUCH PROSPECTIVE INVESTORS WITH RESPECT THERETO, IS UNAUTHORISED, AND ANY DISCLOSURE OF ANY OF ITS CONTENTS, WITHOUT THE PRIOR WRITTEN CONSENT OF THE COMPANY, IS PROHIBITED.

THE INFORMATION CONTAINED HEREIN HAS BEEN PREPARED BY THE COMPANY AND IS BEING FURNISHED BY THE PLACEMENT AGENT SOLELY FOR USE BY PROSPECTIVE INVESTORS IN CONNECTION WITH THE OFFER. THE TRUSTEE AND PLACEMENT AGENT AND EACH OF THE ADVISORS TO THE OFFER HAS NOT INDEPENDENTLY VERIFIED THE INFORMATION CONTAINED HEREIN OR OTHERWISE MADE AVAILABLE IN CONNECTION WITH ANY INVESTIGATION OF THE COMPANY AND MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION. NOTHING CONTAINED HEREIN IS, OR SHOULD BE RELIED ON, AS A PROMISE OR REPRESENTATION AS TO THE FUTURE PERFORMANCE OF THE COMPANY.

A PROSPECTIVE INVESTOR, BY ACCEPTING DELIVERY OF THIS PROSPECTUS, AGREES PROMPTLY TO RETURN TO THE PLACEMENT AGENT OR THE COMPANY THIS PROSPECTUS AND ANY OTHER DOCUMENTS OR INFORMATION FURNISHED IF THE PROSPECTIVE INVESTOR ELECTS NOT TO PURCHASE ANY OF THE NOTES OFFERED HEREBY OR TO PARTICIPATE THEREIN OR IF THE OFFER IS TERMINATED OR WITHDRAWN.

THIS PROSPECTUS DOES NOT PURPORT TO BE ALL-INCLUSIVE OR TO CONTAIN ALL THE INFORMATION THAT A PROSPECTIVE INVESTOR MAY DESIRE IN INVESTIGATING THE COMPANY. EACH INVESTOR MUST CONDUCT AND RELY ON ITS OWN EVALUATION OF THE COMPANY AND THE TERMS OF THE OFFER, INCLUDING THE MERITS OF THE RISKS INVOLVED IN MAKING AN INVESTMENT DECISION WITH RESPECT TO THE NOTES.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE NOTES WILL BE REPAYABLE IN FULL UPON REDEMPTION.

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DEFINITIONS

In this document the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	The Companies Act (Cap. 386 of the laws of Malta);
Additional Parts	The parts of the Project which the Issuer shall construct and develop, in accordance with the plans appended to the Title Deed, on the Land Excluded Parts, which Additional Parts shall remain the property of Pender Ville Limited and are intended to be incorporated with and form an integral part of an adjacent building which Pender Ville Limited intends constructing on the western side of the Land in accordance with full development permit PA04269/07;
Class A Participation Notes	A non-negotiable and non-transferable instrument denominated as “ Class A Participation Note ” of a nominal value of €1,000 (one thousand euro) to be issued at par for a minimum face value of €5,000 (five thousand euro) and multiples of €1,000 (one thousand euro) thereafter, by the Trustee to the Underwriter in the form of a certificate acknowledging the beneficial interest of the Underwriter in the Trust Property and evidencing an entry in the Register of Beneficiaries under the Terms and Conditions set out in the form of Schedule A2 of the Trust Deed and this Prospectus;
Class B Participation Notes	A transferable instrument denominated as “ Class B Participation Note ” of a nominal value of €1,000 (one thousand euro), to be issued at par for a minimum face value of €5,000 (five thousand euro) and multiples of €1,000 (one thousand euro) thereafter, by the Trustee to a Registered Beneficiary in the form of a certificate acknowledging the beneficial interest of the person or persons named therein in the Trust Property evidencing an entry in the Register of Beneficiaries under the Terms and Conditions set out in the form of Schedule A2 of the Trust Deed and this Prospectus;
Collateral Account/s	The bank account/s held by the Issuer with Mediterranean Bank plc for the purpose of depositing and holding the proceeds of the Global Note until their release in accordance with the terms and conditions of the Global Note and the Trust Deed;
Directors or Board	The Directors of the Company whose details appear in the Section “ Directors and Advisors ”;
Early Redemption Dates	Any day falling between (and including) 15 January 2015 and 13 January 2019, at the sole option of the Issuer, on which the Issuer shall be entitled to prepay all or part of the principal amount of the Global Note and all interests accrued up to the date of prepayment, by giving 30 days prior written notice of such prepayment between 15 January 2015 and 13 January 2019 (both days included), and “ Early Redemption ” shall be construed accordingly;
Expected Offer Date	27 February 2013;
Global Note	The Global Note issued by the Issuer in favour of the Trustee representing the amount due by the Issuer to the Trustee and creating, acknowledging and representing the indebtedness of the Issuer to the Trustee in accordance with the terms and conditions set out in the form of Annex A1;
Global Note Holder	The holder of the Global Note;
Group	Pender Ville Limited (C36675) and its subsidiaries Pender Contracting Limited (C38017) and the Issuer;

Hypothecated Property	A plot of land situated within Pendergardens, having a superficial area of approximately 1,379m ² and earmarked for the construction of Block 16 of Pendergardens, consisting of residential apartments, commercial outlets and underlying car park spaces, as detailed in Section 2.5 of this Prospectus, but excluding the Additional Parts to be constructed on the Land Excluded Parts;
Interest Payment Date	14 January of each year between the year 2014 and the year 2019, both years included;
Issuer or Company	Pendergardens Developments p.l.c. a public limited liability company duly registered and validly existing under the laws of Malta with company registration number C58098 and with its registered office at GB Buildings, Watar Street, Ta'Xbiex, XBX 1301, Malta;
Land Excluded Parts	<p>The divided portions of airspace overlying the Hypothecated Property which are excluded from the Security Interests and which are intended for the construction of the Additional Parts, namely:</p> <p>(a) the divided portion shown shaded in purple on the plan annexed to the Title Deed marked with the letter "G", measuring approximately one hundred and ninety square metres (190m²), which starts from twenty seven point seven five metres (27.75m) above sea level and extends upwards to thirty three point four metres (33.4m) above sea level and is bounded on the east by the Hypothecated Property, on the north by the airspace overlying the Access Area as defined in the Title Deed and on the west by property of Pender Ville Limited; and</p> <p>(b) the divided portion shown shaded in purple on the plan annexed to the Title Deed marked with the letter "H", measuring approximately eighty three square metres (83m²), which starts from thirty three point four metres (33.4m) above sea level and extends upwards without limitation (<i>usque ad coelum</i>) and is bounded on the east by the remainder of the Hypothecated Property, on the north by the airspace overlying the Access Area as defined in the Title Deed and on the west by property of Pender Ville Limited;</p>
Manager or Placement Agent	Charts Investment Management Service Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C7944 and with its registered office at Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, Malta. Charts Investment Management Service Limited is authorised to conduct investment services business by the Malta Financial Services Authority in terms of the Investment Services Act (Cap. 370 of the laws of Malta);
Memorandum and Articles of Association	The memorandum and articles of association of the Issuer in force at the time of publication of the Prospectus;
Offer	The offer for participation in the Trust Property through the issuance of Participation Notes;
Offer Amount	€12,000,000 (twelve million euro) (for the avoidance of doubt, the aggregate of the Class A and Class B Participation Notes);
Participation Note	A Class A Participation Note or a Class B Participation Note. Statements specifically made with respect to one of the classes do not apply to both classes, while reference to Participation Note or Participation Notes implies application of a statement to both classes;
Participation Note Holder	A holder of a Participation Note, and "Class A Participation Note Holder" and "Class B Participation Note Holder" shall be construed accordingly;
Pender Contracting Limited or PCL or Contractor	Pender Contracting Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C38017 and with its registered office at GB Buildings, Watar Street, Ta'Xbiex XBX 1301, Malta;

Pender Ville Limited or PVL	Pender Ville Ltd, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C36675 and with its registered office at GB Buildings, Watar Street, Ta'Xbiex, XBX 1301, Malta;
Pendergardens	The mixed use residential and commercial development to be constructed on a site measuring 18,500m ² in Pender Place, St Andrew's Road, St Julians, part of which has already been completed as at the date of this Prospectus as detailed in Section 2.5 hereof;
Pledge Agreement	An agreement by and between the Issuer and the Trustee dated 6 February 2013, pursuant to which the Issuer is to grant a pledge over the Collateral Account/s to the Trustee for the benefit of the Participation Note Holders;
Project	The construction and development of Block 16 of Pendergardens, consisting of 46 residential apartments, 971m ² of Retail Area and 4 levels of underlying car park spaces, as detailed in Section 4.2 of this Prospectus;
Prospectus	This document in its entirety including all annexes;
Redemption Date	14 January 2019;
Register of Beneficiaries	The register maintained by the Trustee identifying the Participation Note Holders as beneficiaries of the Trust from time to time in accordance with the Trust Deed;
Registered Beneficiary or Beneficiary	A beneficiary under the Trust whose interest in and benefit over the Trust Property is recognised by the Trustee by means of an entry in the Register of Beneficiaries, and for the avoidance of doubt includes the Underwriter;
Regulation	Commission Regulation (EC) No. 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;
Reserve Account	A bank account held by the Trustee with Mediterranean Bank plc for the benefit of the Participation Note Holders in accordance with the Terms and Conditions, and in which a fixed amount from the proceeds of the sale of each residential unit and garage space is deposited for the purpose of meeting the redemption of the Participation Notes. The fixed amount to be deposited in such account will vary as detailed in Section 4.5 under the heading "Reserve Account";
Retail Area	An area forming part of the Project, measuring 971m ² , to be developed into commercial or retail outlets;
Security Interests	Means: <ul style="list-style-type: none"> (i) the first-ranking general hypothec to be constituted by the Company in favour of the Trustee over all its assets present and future for the amount of €12,000,000 (twelve million euro), interest thereon at the rate of 7% (seven per cent) <i>per annum</i> and any other amounts due under the Global Note; (ii) the first-ranking special hypothec to be constituted by the Company in favour of the Trustee over the Hypothecated Property for the amount of €12,000,000 (twelve million euro), interest thereon at the rate of 7% (seven per cent) <i>per annum</i> and any other amounts due under the Global Note; and (iii) the pledge over the Collateral Account/s to be granted by virtue of the Pledge Agreement by the Issuer to the Trustee acting for the benefit of the Participation Note Holders;

Shareholder's Loan	The outstanding balance of €1,461,000 (one million four hundred sixty one thousand euro) due by the Issuer to Pender Ville Limited as part of the price of acquisition of the Hypothecated Property, which loan is subordinated in repayment to the repayment of the Global Note, except in so far as its repayment may be made from the proceeds derived from the sale of units of the Retail Area;
Subscription Agreement	The agreement to subscribe for Participation Notes;
Subscription Date	The date on which Participation Notes representing the Global Note are subscribed for and issued in accordance with the Trust Deed;
Subscription Period	Means 18 February to 26 February 2013, both days included, throughout which the Participation Notes representing the Global Note are to be issued;
Terms and Conditions	The terms and conditions applicable to the Participation Notes set out in Annex A2;
Title Deed	The public deed in the records of Notary Pierre Attard of 8 January 2013 including all documents annexed thereto, by virtue of which Pender Ville Limited sold the Hypothecated Property to the Issuer under the terms and conditions contained therein;
Trust Deed	The trust deed entered into between the Company and the Trustee dated 6 February 2013;
Trust Property	The rights attaching to and emanating from the Global Note and the Trust Deed including the right to payment of any amounts due under the Global Note and the benefit of the security therefore created by virtue of the Security Interests;
Trustee	Equinox International Limited, a private limited liability company duly registered and validly existing under the laws of Malta with company registration number C29674 and having its registered office at 9, Level 2, Valletta Buildings, South Street, Valletta VLT 1103, Malta;
Underwriter	Mediterranean Bank plc, a public limited liability company duly registered and validly existing under the laws of Malta, with company registration number C34125 and having its registered office at 10, St Barbara Bastion, Valletta VLT 1961, Malta. Mediterranean Bank plc is authorised to conduct banking and investment services business by the Malta Financial Services Authority in terms of the Banking Act (Cap. 371 of the laws of Malta) and the Investment Services Act (Cap. 370 of the laws of Malta).

DIRECTORS AND ADVISORS

DIRECTORS

Edmund Gatt Baldacchino
Edward Licari
John Attard
Frank Xerri de Caro
Philip Farrugia

Chairman
Deputy Chairman
Director
Independent Non-executive Director
Independent Non-executive Director

COMPANY SECRETARY

Dr Massimo Vella

The business address of the Directors and Company Secretary is Pender Place, St Andrew's Road, St Julians STJ 9023, Malta.

MANAGER AND PLACEMENT AGENT

Charts Investment Management Service Limited

Valletta Waterfront, Vault 17,
Pinto Wharf, Floriana FRN 1913, Malta

UNDERWRITER

Mediterranean Bank plc

10, St Barbara Bastion,
Valletta VLT 1961, Malta

TRUSTEE

Equinox International Limited

Level 2, Valletta Buildings,
South Street, Valletta VLT 1103, Malta

LEGAL COUNSEL TO THE ISSUER

Vella Zammit McKeon

43E, St Paul's Buildings,
West Street, Valletta VLT 1532, Malta

LEGAL COUNSEL TO THE PLACEMENT AGENT

Camilleri Preziosi

Level 3, Valletta Buildings,
South Street, Valletta VLT 1103, Malta

AUDITORS

PricewaterhouseCoopers

167, Merchants Street,
Valletta VLT 1174, Malta

PricewaterhouseCoopers is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act, 1979 (Cap. 281 of the laws of Malta).

PART I – SUMMARY

This part of the Prospectus is prepared in accordance with the requirements of the Regulation, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending the Regulation as regards the format and content of the prospectus, the base prospectus, the summary and the final terms as regards the disclosure requirements. The sequence and numbering of the provisions set out below corresponds to that set out in Annex XXII of the aforesaid amending regulation specifying the disclosure requirements in summaries.

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1– E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

Section A Introduction and Warnings

A.1 Prospective investors are hereby warned that:

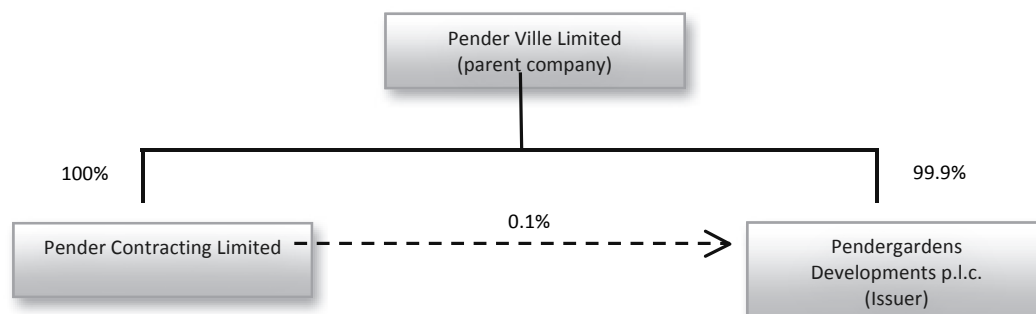
- i. This summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to this document. This part is merely a summary and therefore should only be read as an introduction to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;
- ii. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before the legal proceedings are initiated; and
- iii. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus: is misleading, inaccurate or inconsistent; or does not provide key information in order to aid investors when considering whether to invest in such securities.

Section B Issuer

- B.1 The legal and commercial name of the Issuer is Pendergardens Developments p.l.c.
- B.2 The Issuer was registered in Malta in terms of the Act on 5 November 2012, as a private limited liability company. It was subsequently converted to a public limited liability company on 22 January 2013. The Issuer is domiciled in Malta.
- B.4b The Issuer was registered and incorporated to acquire a plot of land measuring *circa* 1,379m² forming part of Pendergardens and situated at Pender Place, St Andrew's Road, St Julians STJ 9023, Malta and to develop the said plot, known as Block 16, and construct thereon 46 residential apartments, 971m² of Retail Area and car park spaces.

At the time of publication of this Prospectus, the Issuer considers that generally it shall be subject to the normal business risks associated with the property market and barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on its upcoming prospects, at least up to the end of the next financial year.

B.5 The organisational structure of the Group is illustrated in the diagram below:



- B.9 Element B.9 is Not Applicable given that the Prospectus does not contain profit forecasts or estimates.
- B.10 Element B.10 is Not Applicable given that the Issuer was set up on 5 November 2012 and no financial statements have been prepared since the date of its registration.
- B.12 Element B.12 is Not Applicable given that as explained in Section B.10 above, no historical financial information regarding the Issuer is available and accordingly the requirement to include a statement that there has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements or a description of any material adverse change, and the requirement to include a description of significant changes in the financial or trading position subsequent to the period covered by historical financial information, are not applicable to the Issuer. However the Issuer is in a position to declare that there have been no material adverse changes to the prospects of the Issuer since the date of incorporation.
- B.13 Element B.13 is Not Applicable given that the Issuer is not aware of any recent events which are to a material extent relevant to the evaluation of its respective solvency.
- B.14 The Issuer is a wholly-owned subsidiary of PVL and was established principally to raise funding through the issuance of the Global Note for the purpose of developing part of Pendergardens (Block 16). The Issuer has no employees and is therefore reliant on the resources made available by PVL, including the services of its senior management. As to PCL, a sister company, the Issuer has entered into a contract with the company for the construction and completion of the Project.
- B.15 As at the date of this Prospectus, the Issuer operates exclusively for the purpose of developing Block 16 of Pendergardens. The principal objects of the Issuer are (i) to carry on the business of a finance, investment and property development company; (ii) to carry on the business of the financing or re-financing of the funding requirements of the business of the Group; (iii) to borrow and raise money for the purpose of its business and to secure the repayment of the money borrowed by hypothecation or other charge upon the whole or part of the movable and immovable assets or property of the Company, present and future; and (iv) to issue notes, bonds, commercial paper or other instruments creating or acknowledging indebtedness and the sale or offer thereof to the public.
- B.16 The issuer is directly owned and controlled by PVL, which holds all of the issued share capital in the Issuer, save for zero point one per cent (0.1%) held by PCL.
- B.17 Element B.17 is Not Applicable given that the Issuer has not sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Global Note issued by the Issuer.

Section C Securities

- C.1 The Global Note shall be issued to the Trustee up to the Offer Amount and the Trustee shall be entered in the Register of Global Note Holders as the holder of the Global Note. The Trustee shall hold the Global Note on trust for the benefit of the Registered Beneficiaries. The Class A Participation Notes, amounting to the difference between the Offer Amount and the aggregate value of Class B Participation Notes subscribed to on Subscription Date, shall be subscribed to by the Underwriter. Each Participation Note issued by the Trustee to a Registered Beneficiary acknowledging the interest of the person named therein in the Trust Property and evidencing an entry in the Register of Beneficiary will be in fully certificated and registered form, not to be issued in bearer form, and without coupons. The Class B Participation Notes are in the form of transferable certificates, whilst the Class A Participation Notes are not transferable.
- C.2 The Global Note and Participation Notes are denominated in euro (€).
- C.5 The Class A Participation Notes are not transferable. The Class B Participation Notes are freely transferable and once registered by the Trustee may be transferred in whole for a minimum face value of €5,000 (five thousand euro) and multiples of €1,000 (one thousand euro) thereafter.
- C.8 Investors wishing to participate in the Global Note will be able to do so by subscribing to Participation Notes. Subscription to the Participation Notes will entitle such investor:
- i. to participate in the Trust Property with respect to the rights and benefits under the Global Note and the Trust Deed in the proportion that the amount of that subscription constitutes in relation to the face value of the Global Note;
 - ii. to have his/her name entered in the Register of Beneficiaries by the Trustee as a Beneficiary in the Trust Property;
 - iii. to receive from the Trustee an acknowledgement of his interest in the Trust Property by the issue of a Participation Note; and
 - iv. to all such rights and benefits applicable to the Class A or Class B Participation Notes, as the case may be, as set out in the Prospectus and in the Trust Deed.

Upon subscription to the Participation Notes, an investor will also be bound by, and be deemed to have notice of, all the provisions of the Trust Deed and the terms and conditions of the Global Note. The Participation Notes shall entitle the Participation Note Holders to rank according to the rights and interests held by each Participation Note Holder in the Trust Property in accordance with the terms of the Trust Deed and subject to the difference in ranking between the Class A Participation Notes and the Class B Participation Notes.

The Global Note constitutes the general, direct, unconditional and secured obligations of the Issuer, and will rank with priority and preference over all other present and future obligations of the Issuer. The Issuer shall constitute a general hypothec over all its assets, present and future, and a special hypothec over the Hypothecated Property to better secure its obligations and grant a right of preference to the Trustee for the benefit of Participation Note Holders in terms of the Trust Deed. A pledge over the Collateral Account/s shall also be granted in favour of the Trustee for the benefit of the Participation Note Holders. The Class A Participation Notes shall rank prior to the Class B Participation Notes with regard to all amounts received from or in respect of the Issuer, and in particular (and without limitation) any proceeds derived from the enforcement of the Security Interests, and will be redeemed prior to any other redemption of Class B Participation Notes. Class B Participation Note Holders shall rank *pari passu* between them according to the rights and interests held by each Class B Participation Note Holder in the Global Note.

- C.9 Interest on amounts outstanding under the Global Note shall accrue at the rate of 7% (seven per cent) *per annum*. Interest shall be payable annually in arrears on 14 January in each year between the years 2014 and 2019 (both years included). The first interest payment on 14 January 2014 shall cover the period from 27 February 2013 to 14 January 2014 (both days included). The Global Note will be redeemed at par on 14 January 2019 unless previously redeemed at the option of the Issuer upon an Early Redemption Date in accordance with the terms and conditions of issue set out in Annex A1. Partial redemptions are allowed between 15 January 2015 and 13 January 2019 (both days included)

provided that any partial redemption is made in accordance with the terms and conditions of the Offer at a minimum amount of €500,000 (five hundred thousand euro) and in multiples of €10,000 (ten thousand euro) thereafter.

The yield on the Global Note is equal to 7% (seven per cent).

The remaining component of Element C9 is Not Applicable, given that no person or body of persons has been appointed to represent debt security holders.

C.10 Element C.10 is Not Applicable given that there is no derivative component in the interest payments on the Global Note.

C.11 Element C.11 is Not Applicable given that no application has been made, nor is it intended that an application be made, for the Participation Notes to be admitted to listing on a regulated market or other trading platform.

Section D Risks

Holding of a Participation Note involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus, before deciding to acquire Participation Notes. Prospective investors are warned that by investing in the Participation Notes they may be exposing themselves to significant risks that may have the consequence of losing a substantial part or all of their investment.

This document contains statements that are, or may be deemed to be, "forward-looking statements", which relate to matters that are not historical facts. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and its Directors concerning, amongst other things, its strategies and business plans, results of operations, financial condition, liquidity and prospects and the markets in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The actual results of operations, financial condition, liquidity, dividend policy and the strategic development of the Issuer may differ materially from the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial condition, liquidity and dividend policies of the Issuer were to be consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include:

- i. continued, sustained or worsening global economic conditions and in particular economic weakness in the areas in which the Issuer operates;
- ii. increased competition;
- iii. increased regulation.

Potential investors are advised to read this document in its entirety and, in particular, the Section entitled "Risk Factors", for a further discussion of the factors that could affect the Issuers' future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. All forward-looking statements contained in this document are made only as at the date hereof. The Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

The risk factors set out below are a summary of the principal risks associated with an investment in the Issuer and the Participation Notes – there may be other risks which are not mentioned in this summary. Investors are therefore urged to consult their own financial or other professional advisors with respect to the suitability of investing in this instrument. The following is a summary of the principal risks:

D.2 Key information on the key risks specific to the Issuer:

- i. The Issuer is subject to the general market and economic risks that may have a significant impact on the Project and its timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates and property prices.
- ii. The Issuer has no trading record or history of operations. It was set up specifically to undertake the Project and is seeking to raise finance for the purpose of completing the Project. Although the Directors and senior management have experience in the real estate development market, the Issuer remains a start-up operation with all the attendant risks that start-ups normally entail. These risks include, but are not limited to the lack of financial stability, risks of cost over-runs, and risks of delays in completion of the Project. In the event that these risks were to materialise they could have a significant impact on the financial position of the Issuer.
- iii. The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segments in which the Issuer operates may cause sales of units forming part of the Project to sell at prices which are lower than those anticipated by the Issuer or that sales of such units are in fact slower than is being anticipated. If these risks were to materialise, particularly if due to unforeseen circumstances the tempo of sales envisaged by the Issuer were to be delayed, they could have a material adverse impact on the Issuer and its ability to repay the Global Note and interest thereon.
- iv. The Issuer, through PCL, relies upon third-party service providers such as architects, building contractors and suppliers for the construction and completion of the Project. PCL has engaged the services of third party contractors for the purpose of the development of the Project including, excavation, construction and finishing of the developments in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Issuer's expectations and in accordance with their contractual obligations.
- v. There are a number of factors, including general economic conditions, industry trends, local market conditions, structural and environmental problems, acts of nature and competition, that commonly affect the real estate development industry, many of which are beyond the Issuer's control, and which could adversely affect the economic performance and value of the Issuer's real estate property under development. Any of such factors could have a material adverse effect on the Issuer's business, its respective financial condition and prospects.

D.3 Key information on the key risks specific to the Participation Notes

An investment in the Participation Notes involves certain risks, including those set out below in this Section. In deciding whether to make an investment in the Participation Notes, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus.

(a) General risks

- i. The value of investments can go up or down and past performance is not necessarily indicative of future performance. If in need of advice, you should consult a licensed stockbroker or an investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta).
- ii. Investment in the Participation Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Participation Notes.

- iii. A Participation Note Holder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Participation Notes and the Participation Note Holder's currency of reference, if different.
- iv. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, may have on the market price of the Participation Notes prevailing from time to time.
- v. The Issuer has the option to redeem the Global Note and Participation Notes in whole or in part on any of the Early Redemption Dates, together with any accrued and unpaid interest until the time of redemption. This optional redemption feature may condition the market value of the Participation Notes or of a particular denomination of Participation Notes and there can be no guarantee that the Participation Note Holders may be able to re-invest the proceeds of such redemption at equivalent or higher rates of return.
- vi. In the event that the Issuer wishes to amend any of the terms and conditions of issue of the Participation Notes the Trustee shall call a meeting of Participation Note Holders in accordance with the provisions of the Terms and Conditions. These provisions permit defined majorities to bind all Participation Note Holders including Participation Note Holders who did not attend and vote at the relevant meeting and Participation Note Holders who voted in a manner contrary to the majority.
- vii. The terms and conditions of this Offer are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- viii. Class B Participation Notes will rank after the Class A Participation Notes in respect of redemption and in respect of all proceeds derived from the enforcement of the Security Interests. As such, Class B Participation Notes will be redeemed only after all Class A Participation Notes have been redeemed in full, and all amounts derived from enforcement of the Security Interests will be used first to pay the Class A Participation Notes and will benefit the Class B Participation Notes only after the Class A Participation Notes have been paid in full.

(b) Trading and Liquidity risks

- i. The Class B Participation Notes are transferable but shall NOT be traded on any regulated market or other trading facility, and as a result there may be no liquid market for the Class B Participation Notes. The market for Class B Participation Notes may be less liquid than a regulated market or other trading facility, and Class B Note Holders may find it more difficult to identify willing buyers for their Class B Participation Notes. Class B Participation Note Holders who wish to sell their Participation Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Participation Notes.
- ii. The ease of transferability of the Class B Participation Notes depends on factors beyond the Issuer's control which could impact the trading value of the Class B Participation Notes such as the willingness or otherwise of potential buyers and sellers of the Class B Participation Notes.
- iii. The trading value of the Class B Participation Notes may also be impacted by other factors such as the time remaining for maturity of the Class B Participation Notes, the outstanding amount of Class B Participation Notes (including any Class B Participation Notes issued pursuant to a Subscription Agreement entered into in conjunction with a related redemption of Class A Participation Notes by the holder thereof), and the level, direction and volatility of market interest rates generally.
- iv. There can be no assurance, also, that an investor will be able to re-sell his/her Class B Participation Note at or above the offer price.

- v. Prior to the Offer, there has been no public market or trading record for the Class B Participation Notes within or outside Malta. Due to the absence of any prior market for the Class B Participation Notes, there can be no assurance that the offer price will correspond to the price at which the Class B Participation Notes will be traded subsequent to the Offer.
- vi. The Issuer has not sought the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Global Note and Class B Participation Notes.

Section E Offer

- E.2b The proceeds from the Global Note, which net of commissions and expenses are expected to amount to €11.6 million (eleven million six hundred thousand euro), shall be used to develop and construct the Project.
- E.3 The principal terms and conditions of the Offer applicable to the Global Note and Participation Notes are set out below:

Global Note

The following is a synopsis of the general terms and conditions applicable to the €12,000,000 7% Global Note issued by the Company in terms of the Trust Deed and the Prospectus. A Participation Note Holder as well as any person having an interest under the Global Note is deemed to have invested only after having received, read and understood the contents of this Prospectus, including the full terms and conditions contained in the annexes thereto:

1. General

The Global Note shall be issued to the Trustee, on trust for the benefit of the Registered Beneficiaries, which together with the Security Interests to be constituted in favour of the Trustee shall constitute the Trust Property. The Global Note shall constitute the Issuer as the true and lawful debtor of the Offer Amount in favour of the Trustee for the benefit of the Registered Beneficiaries. Unless previously purchased and cancelled, the Global Note shall be redeemable at the nominal value including accrued but unpaid interest on the Redemption Date, subject to the Issuer's option to redeem all or part of the Global Note at any time between 15 January 2015 and 13 January 2019 (both days included) in whole or in part, on giving not less than 30 days prior written notice to the Trustee. In making an early redemption as aforesaid, the Issuer reserves the right, subject to such terms and conditions as contained herein, to adopt such redemption policy as it may consider appropriate at its sole discretion.

2. Form, Denomination and Title

The Global Note shall be issued in fully certificated and registered form, without a coupon. The Global Note shall be issued to the Trustee for the Offer Amount and the Trustee shall be entered in the Register of Global Note Holders as the holder of the Global Note. The Trustee shall hold the Global Note on trust for the benefit of the Registered Beneficiaries which, together with the Security Interests to be constituted by the Issuer in favour of the Trustee, shall constitute the Trust Property.

3. Interest

Interest on amounts outstanding under the Global Note shall accrue at the rate of 7% per annum. Interest shall be payable annually in arrears on 14 January in each year between the years 2014 and 2019 (both years included). The first interest payment on 14 January 2014 shall cover the period 27 February 2013 to 14 January 2014 (both days included). Thereafter, interest shall be payable annually in arrears on 14 January in each year between the years 2015 and 2019 (both years included), (each such day, an "Interest Payment Date"), PROVIDED THAT any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

The Global Note shall cease to bear interest from and including the Redemption Date unless, upon due presentation, payment of the principal in respect of the Global Note is improperly withheld or refused, or unless the Issuer defaults in respect of payment, in any of which event interest shall continue to accrue at the greater of the rate specified above or at the rate of two per cent (2%) per annum above the European Central Bank's refinancing rate, but in any event not in excess of the maximum rate of interest allowed by Maltese law.

4. Status of the Notes and Negative Pledge

The Global Note constitutes the general, direct, unconditional and secured obligations of the Issuer, and will rank with first priority and preference over all other present and future obligations of the Issuer. The Issuer shall constitute a first-ranking general hypothec over all its assets, present and future, and a first-ranking special hypothec over the Hypothecated Property to better secure its obligations and grant a right of preference to the Trustee for the benefit of Participation Note Holders in terms of the Trust Deed. A pledge over the Collateral Account/s shall also be granted in favour of the Trustee for the benefit of the Participation Note Holders. The Class A Participation Notes shall rank prior to the Class B Participation Notes with regard to all proceeds derived from the enforcement of the Security Interests, and will be redeemed prior to any other redemption of Class B Participation Notes.

The Issuer undertakes, for as long as any principal or interest under the Global Note remains outstanding, to be bound by a negative pledge on the creation or subsistence of certain types of encumbrances or real rights which grant rights of preference to a creditor over present or future assets or revenues of the Issuer, subject to the limitations set out in the terms and conditions of the Global Note.

5. Payments

Payment of the principal amount (with interest accrued and unpaid to the Redemption Date) as well as payment of interest on the Global Note shall be made in euro by direct credit or transfer to the person in whose name such Global Note is registered as at the close of business fifteen (15) days prior to the date set for redemption or fifteen (15) days prior to the relevant Interest Payment Date (as the case may be) against surrender of the Global Note.

6. Redemption

Unless previously redeemed, purchased and cancelled, the Global Note shall be redeemed at the nominal value (together with interest accrued and which has remained unpaid to the date set for redemption) on the Redemption Date, PROVIDED THAT the Issuer reserves the right to redeem all or part of the Global Note on any day between 15 January 2015 and 13 January 2019 on giving not less than thirty (30) days prior written notice to the Global Note Holder.

The Issuer may at any time from 15 January 2015 re-purchase the Global Note from the Trustee by giving the Trustee at least thirty (30) days prior written notice of its intention to effect such redemption specifying the date when such redemption shall be effected. Such redemption may be made in whole or in part, PROVIDED THAT any partial redemption is made in accordance with the terms and conditions of the Offer at a minimum amount of €500,000 (five hundred thousand euro) and in multiples of €10,000 (ten thousand euro) thereafter.

The Redemption of the Global Note shall take place by payment of all principal and interest accrued until the date of redemption. The notice of redemption shall be effective only on actual receipt by the Trustee, shall be irrevocable and shall oblige the Issuer to make, and the Trustee to accept, such redemption on the date specified in the notice.

All or part of the Global Note being redeemed shall be cancelled forthwith and may not be re-issued or re-sold.

7. Covenants by the Company

The Company shall throughout the term of the Global Note be bound by the covenants made in favour of the Trustee for the benefit of Registered Beneficiaries as set out in the terms and conditions of the Global Note, including covenants relating to the payment of interest and principal, record-keeping and the manner in which their respective business is to be conducted.

8. Functions and Powers of the Trustee

The Trustee may, but shall not be bound to, unless requested to do so in writing by not less than 75% (seventy five per cent) in value of the Registered Beneficiaries, enforce or take any step to enforce the covenants in clause 7 of the terms and conditions of the Global Note, and (subject to any such request as aforesaid) may waive such terms and conditions as it shall deem expedient any of the covenants and provisions hereinabove contained and on the part of the Issuer to be performed and observed.

Proceeds of the Global Note issue shall be deposited by the Issuer in the Collateral Account/s from which disbursements for Permitted Purposes as defined in clause 5 of the terms and conditions of the Global Note may be made by the Issuer with the written approval of the Trustee in accordance with the terms and conditions of the Global Note and the Trust Deed. The Trustee may, in its discretion and under such terms and conditions it may deem appropriate, allow funds to be advanced out of the Collateral Account/s to the Issuer in order to meet interest payments under the Global Note. In exercising its discretion in allowing such advances to be made for the purpose of interest payments, the Trustee shall evaluate data provided by the Issuer in respect of: the *tempo* of preliminary agreements being entered into, the market conditions for real estate that may have an impact on sales of units within the Project, and the sustainability of the Issuer's cash flow projections. The Trustee shall place reliance on the data provided by the Issuer as aforesaid for the purpose of assessing the likelihood that the funds so advanced would be repaid into the Collateral Account/s prior to certain amounts falling due for payment under the construction contract. In this regard the Trustee entered into an agreement with the Contractor and the Issuer pursuant to which the Contractor has agreed to postpone its claim for payment of retention monies under the contract for the construction and completion of the Project with PCL until such time as the Collateral Account/s is placed in funds through refunds of monies advanced to the Issuer as aforesaid. Any such advances from the Collateral Account/s shall be refunded by the Issuer to the Collateral Account/s out of the proceeds of any sales of units forming part of the Project available to the Issuer or from the Reserve Account as described in Section 4.5, before any application of such proceeds will be allowed by the Trustee.

The Issuer shall in terms of the Pledge Agreement grant a pledge over the Collateral Account/s in favour of the Trustee for the benefit of the Participation Note Holders. Any disbursement from the Collateral Account/s shall require the approval of the Trustee, which shall not be unreasonably withheld, provided that the necessary documentation referred to in the preceding paragraph as well as that referred to in clause 5 of the Terms and Conditions of the Global Note is provided to the Trustee. The pledge over the Collateral Account/s shall be released by the Trustee up to the amount of the disbursements approved as aforesaid from time to time.

The Trustee shall monitor financial information relating to the Issuer, on behalf of the Registered Beneficiaries, as may be forwarded to the Trustee by the Issuer on an annual basis.

The powers and reliefs conferred on the Trustee in terms of the Prospectus, which are in addition and without prejudice to such as may arise from the law or Trust Deed, are set out in the terms and conditions of the Global Note.

9. Events of Default

The terms and conditions of the Global Note set out a list of events of default the occurrence of which could form the basis of the Trustee, at its discretion or further to a request in writing of not less than 75% (seventy five per cent) in value of the Registered Beneficiaries, declaring by notice in writing to the Issuer that the Global Note has become immediately payable. Upon any such declaration being made as aforesaid the Global Note and all principal monies and interest accrued shall be deemed to have become immediately due and payable at the time of the event of default.

10. Register of Global Note Holders

The Issuer shall maintain a register, at its registered office or at such other place in Malta as the Directors of the Issuer may determine, in which it shall enter the name and address of the Trustee as the holder of the Global Note, together with particulars of the Global Note. A copy of such register shall at all reasonable times during business hours be open to inspection by the Trustee at the registered office of the Issuer or such other address as may be determined from time to time by the Issuer.

11. Further Issues

For as long as the Global Note is still outstanding, the Issuer shall not, without the consent of the Global Note Holder, create and issue further bonds, notes, debentures or any other debt securities, unless such instruments so issued are unsecured. Within the next twenty four (24) months from the Expected Offer Date, the Issuer shall not issue any other financial instruments or debt securities, creating or acknowledging indebtedness.

12. Governing Law and Jurisdiction

The Global Note has been created, and the Offer relating thereto is being made, in terms of the Act. Any suit, action or proceedings arising out of, or in connection with, the Global Note shall be brought to arbitration in accordance with the Arbitration Act (Cap. 387 of the laws of Malta). The Issuer and the Trustee shall jointly nominate one (1) arbitrator. If the Issuer and the Trustee fail to agree on such appointment, the Issuer and the Trustee shall request the Chairman of the Malta Arbitration Centre to appoint an arbitrator in terms of the Arbitration Act. The arbitration shall take place in Malta and the language of the arbitration shall be English. No further recourse to the courts of any country shall apply.

Participation Notes

The following is a synopsis of the general terms and conditions applicable to the €12,000,000 7% Participation Notes issued by the Trustee in terms of the Trust Deed and the Prospectus. A Participation Note Holder as well as any person having an interest under the Participation Notes is deemed to have invested only after having received, read and understood the contents of this Prospectus, including the full terms and conditions contained in the annexes thereto:

1. General

The Global Note shall constitute the Issuer as the true and lawful debtor of the Offer Amount in favour of the Trustee for the benefit of the Registered Beneficiaries. The Participation Notes constitute the beneficial interest of the Participation Note Holders in the Trust Property including the right to payment of any amounts due under the Global Note. There are two classes of notes, Class A Participation Notes to be issued to the Underwriter and Class B Participation Notes to be issued to investors. The Participation Notes shall bear interest at a rate of 7% (seven per cent) per annum in accordance with the terms and conditions as set out in the Prospectus. The Participation Notes shall be redeemable at their nominal value including accrued but unpaid interest on the Redemption Date, and shall be redeemable in whole or in part in accordance with the Terms and Conditions. Upon an Early Redemption of the Global Note, the Participation Notes of all Participation Note Holders shall be redeemed in whole or in part according and up to the amount received by the Trustee from the redemption of the Global Note. The Class A Participation Notes shall rank prior to the Class B Participation Notes with regard to all amounts received from or in respect of the Issuer, and in particular (and without limitation) any proceeds derived from the enforcement of the Security Interests, and shall also be redeemed prior to the Class B Participation Notes. The Class A Participation Notes are non-transferable while the Class B Participation Notes are freely transferable. In the event that the Underwriter redeems Class A Participation Notes (in whole or in part) in accordance with the Terms and Conditions, the Trustee shall issue such number of new Class B Participation Notes as may correspond to the value of the Class A Participation Notes being redeemed.

2. Form, Denomination and Title

The Participation Notes shall be issued in fully certificated and registered form, without coupons. Participation Notes shall be issued under the signature of a duly authorised signatory of the Trustee. The Trustee shall maintain a Register of Beneficiaries, which shall identify the Registered Beneficiaries from time to time. An entry in the Register shall be conclusive evidence of the beneficial interest of the person or persons named therein in the Trust Property. Every Registered Beneficiary shall be entitled to be entered in the Register of Beneficiaries as a participant in the Global Note and shall be entitled to receive from the Trustee a Participation Note acknowledging the Registered Beneficiaries' beneficial interest in the Global Note and evidencing the appropriate entry in the Register of Beneficiaries. Any such Participation Note issued by the Trustee in favour of a single or joint Registered Beneficiary shall be for an amount not below €5,000 (five thousand euro) and thereafter in multiples of €1,000 (one thousand euro) each. Joint Registered Beneficiaries shall be entitled to only one entry in the Register of Beneficiaries and accordingly to only one Participation Note. Such Participation Note shall be issued and delivered to that joint Registered Beneficiary whose name first appears in the Register of Beneficiaries and the Trustee shall not be bound to register more than three (3) persons as the joint Registered Beneficiaries.

3. Interest

Interest on amounts outstanding under the Participation Note shall accrue at the rate of 7% *per annum*. Interest shall be payable annually in arrears on 14 January in each year between the years 2014 and 2019 (both years included). The first interest payment on 14 January 2014 shall cover the period 27 February 2013 to 14 January 2014 (both days included). Thereafter, interest shall be payable annually in arrears on 14 January in each year between the years 2015 and 2019 (each such day, an "Interest Payment Date"), provided that any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. The Participation Notes shall cease to bear interest from and including the Redemption Date.

4. Payments

Payment of the principal amount (with interest accrued and unpaid to the Redemption Date) as well as payment of interest on the Participation Notes shall be made in euro by direct credit or transfer to the person in whose name such Participation Note is registered as at the close of business fifteen (15) days prior to the date set for redemption or fifteen (15) days prior to the relevant Interest Payment Date (as the case may be) against surrender of the Participation Note. The Trustee shall effect payments of principal or interest within three (3) Business Days from the date of actual receipt of payment thereof from the Issuer.

The Trustee shall be under an obligation to effect payments of principal or interest to the Participation Note Holders only if the Issuer has placed the Trustee in sufficient funds to effect such payments. No liability shall attach to the Trustee if it fails to effect such payments to Participation Note Holders when such failure is due to the non-payment by the Issuer of the necessary funds as aforesaid.

5. Redemption

Unless previously redeemed and cancelled, the Participation Notes shall be redeemed at their nominal value (together with accrued and unpaid interest to the date set for redemption) on the Redemption Date.

In the event that the Issuer redeems the Global Note in part, the Trustee shall redeem an equivalent amount of Participation Notes, such amount to be first utilised to redeem Class A Participation Notes. Any remaining balance shall be utilised to redeem Class B Participation Notes in accordance with the order in which applications for redemption were made prior to the Early Redemption Date, by the respective Class B Participation Note Holders. Finally, any other Class B Participation Notes held by Class B Participation Note Holders who had not submitted an application for redemption prior to the Early Redemption Date as aforesaid, shall be redeemed in accordance with the proportion of the Class B Participation Notes held by the respective Class B Participation Note Holder to the aggregate holding of Class B Participation Notes. The Trustee shall pay to the Registered Beneficiary concerned the nominal value of that

Registered Beneficiary's Participation Notes and accrued and unpaid interest thereon. Upon an Early Redemption, the Participation Notes shall be cancelled in whole or in part. The Participation Note Holder shall hand over the Participation Note, and in case of a redemption in part receive a new Participation Note stating the new amount of the Participation Note.

Class A Participation Notes may upon request by the Underwriter be redeemed at any time in whole or in part, provided that: (i) the amount to be redeemed is of a minimum face value of €5,000 (five thousand euro) and multiples of €1,000 (one thousand euro) thereafter; and (ii) a Subscription Agreement for Class B Participation Notes over the same amount as the amount of Class A Participation Notes to be redeemed is executed by a subscriber and the Trustee on the date of the redemption of Class A Participation Notes. The Trustee shall cancel the redeemed Class A Participation Notes in whole or in part, as the case may be, and issue new Class B Participation Notes for the same value.

6. Covenants by the Company

The Company shall until such time as the Participation Notes remain outstanding, be bound by the covenants made in favour of the Trustee for the benefit of Registered Beneficiaries as set out in the Terms and Conditions of the Participation Notes, including covenants relating to the payment of interest and principal, record-keeping and the manner in which its business is to be conducted.

7. Functions and Powers of Trustee

The Trustee may, but shall not be bound to, unless requested to do so in writing by not less than seventy five per cent (75%) in value of the Registered Beneficiaries, enforce or take any step to enforce the covenants referred to in the paragraph above relating to **"Covenants by the Company"**, and (subject to any such request as aforesaid) may waive on such terms and conditions as it shall deem expedient any of the covenants and provisions hereinabove contained and on the part of the Issuer to be performed and observed.

Any disbursement from the Collateral Account/s shall require the written approval of the Trustee, which shall not be unreasonably withheld in the case of disbursements made for Permitted Purposes as defined in clause 5 of the terms and conditions of the Global Note, provided that the necessary documentation as stated in clause 5 of the terms and conditions of the Global Note is provided to the Trustee. The pledge over the Collateral Account/s shall be released by the Trustee up to the amount of the disbursements approved as aforesaid from time to time.

The Trustee may, in its discretion and under such terms and conditions as it may deem appropriate, allow funds to be advanced out of the Collateral Account/s to the Issuer in order to meet interest payments under the Global Note. In exercising its discretion in allowing such advances to be made for the purpose of interest payments, the Trustee shall evaluate data provided by the Issuer in respect of: the *tempo* of preliminary agreements being entered into, the market conditions for real estate that may have an impact on sales of units within the Project, and the sustainability of the Issuer's cash flow projections. The Trustee shall place reliance on the data provided by the Issuer as aforesaid for the purpose of assessing the likelihood that the funds so advanced would be repaid into the Collateral Account/s prior to certain amounts falling due for payment under the construction contract. In this regard the Trustee entered into an agreement with the Contractor and the Issuer pursuant to which the Contractor has agreed to postpone its claim for payment of retention monies under the contract for the construction and completion of the Project with PCL until such time as the Collateral Account/s is placed in funds through refunds of monies advanced to the Issuer as aforesaid. Any such advances from the Collateral Account/s shall be refunded by the Issuer to the Collateral Account/s out of the proceeds of any sales of units forming part of the Project available to the Issuer or from the Reserve Account as described in Section 4.5, before any application of such proceeds will be allowed by the Trustee.

The Trustee shall monitor financial information relating to the Issuer, on behalf of the Registered Beneficiaries, as may be forwarded to the Trustee by the Issuer on an annual basis.

The powers and reliefs conferred on the Trustee in terms of the Prospectus, which are in addition and without prejudice to such as may arise from the law or the Trust Deed, are set out in the Terms and Conditions of the Participation Notes.

8. Events of Default under the Global Note

The Terms and Conditions of the Participation Notes make reference to the provision regulating “**Events of Default**” under the Global Note. Any payment of the Global Note made by the Issuer to the Trustee pursuant to an Event of Default shall trigger an early redemption of the Participation Notes.

9. Registration and Replacement of the Participation Notes

The Trustee shall maintain a register, at its registered office or at such other place in Malta as the Trustee may determine, in which it shall enter the names and addresses of the Participation Note Holders and particulars of the Participation Notes held by them respectively. A copy of such register shall at all reasonable times during business hours be open to inspection by the Participation Note Holders and by the Issuer at the registered office of the Trustee.

Any person becoming entitled to a Participation Note in consequence of bankruptcy or winding-up of a Participation Note Holder may, upon such evidence being produced as may from time to time properly be required by the Trustee, request in writing the redemption and cancellation of such Participation Note followed by the issuance of a new Participation Note of the same amount and may elect either to be registered himself as Participation Note Holder or to have some person nominated by him registered as Participation Note Holder.

The Trustee shall be required to provide the Issuer with an updated copy of the register of Participation Note Holders, including extracts therefrom, as may be required by the Issuer from time to time, and the Participation Note Holder shall by entering into the Subscription Agreement relative to the Participation Notes taken up by him to be deemed to have given his express, unequivocal and irrevocable consent to the communication of such information to the Issuer.

10. Transferability of the Participation Notes

The Class A Participation Notes are non-transferable. The Class B Participation Notes are freely transferable and, once registered by the Trustee, may be transferred in whole for a minimum face value of €5,000 (five thousand euro) and multiples of €1,000 (one thousand euro) thereafter. All transfers are subject in all cases to any pledge (duly constituted) of the Class B Participation Notes and to any applicable laws and regulations. The cost and expenses of effecting any registration of transfer, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the person to whom the transfer has been made.

Any person to whom the transfer has been made shall, upon such evidence being produced as may from time to time properly be required by the Trustee, request in writing the transfer of such Class B Participation Note from a registered Class B Participation Note Holder and may elect either to be registered himself as Class B Participation Note Holder or to have some person nominated by him registered as Class B Participation Note Holder. The Trustee will not register the transfer of Class B Participation Notes for a period of fifteen (15) days preceding the due date for any payment of interest on the Class B Participation Notes.

11. Meetings of Participation Note Holders

The provisions of this Prospectus and of the Trust Deed may be amended with the approval of Registered Beneficiaries at a meeting called for that purpose by the Trustee in accordance with the terms and procedure set out under the heading “**Meeting of Participation Note Holders**” under the Terms and Conditions of the Participation Notes.

12. Participation Notes held Jointly

In respect of a Participation Note held jointly by several persons (including but not limited to husband and wife), the joint Participation Note Holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Participation Note so held. In the absence of such nomination and until such nomination is made, the person first named on the Register of Beneficiaries in respect of such Participation Note shall, for all intents and purposes, be deemed to be the Registered Beneficiary of the Participation Note so held. The Trustee shall not be bound to register more than three (3) persons as the joint Registered Beneficiaries.

13. Participation Notes held Subject to Usufruct

In respect of a Participation Note held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the Register of Beneficiaries. The usufructuary shall for all intents and purposes be deemed, *vis-a-vis* the Trustee, to be the holder of the Participation Note so held and shall have the right to receive interest on the Participation Note, but shall not, during the continuance of the Participation Note, have the right to dispose of the Participation Note so held without the consent of the bare owner.

14. Governing Law and Jurisdiction

The Participation Notes and all contractual arrangements arising therefrom are governed by and shall be construed in accordance with Maltese law. Any suit, action or proceedings arising out of, or in connection with, the Participation Notes shall be brought to arbitration in accordance with the Arbitration Act (Cap. 387 of the laws of Malta). The Participation Note Holder and the Trustee shall jointly nominate one (1) arbitrator. If the Participation Note Holder and the Trustee fail to agree on such appointment, the Participation Note Holder and the Trustee shall request the Chairman of the Malta Arbitration Centre to appoint an arbitrator in terms of the Arbitration Act. The arbitration shall take place in Malta and the language of the arbitration shall be English. No further recourse to the courts of any country shall apply. The Participation Note Holders shall be deemed to acknowledge that they are submitting to the exclusive jurisdiction of arbitration as aforesaid.

- E.4 The majority of the issued share capital of the Issuer is held by PVL. The Issuer's audit committee has the task of ensuring that any potential abuse is managed, controlled and resolved in the best interest of the Issuer. The presence of independent non-executive Directors on the Board of the Issuer aims to minimise the possibility of any abuse of control by its major shareholder. Furthermore, in terms of the Memorandum and Articles of Association of the Issuer, in the event that a Director has a personal material interest, either directly or indirectly, in any contract or arrangement with the Issuer, such Director is not entitled to vote on any decisions taken in connection therewith. This ensures that any director sitting on both the boards of PVL and the Issuer is precluded from using his vote on any decisions involving a contract or arrangement between PVL and the Issuer.
- E.7 Professional fees, underwriting, management, placing and all other miscellaneous costs related to the Offer are estimated not to exceed €400,000 (four hundred thousand euro), and shall be borne by the Issuer.

Time-Table

1. Application Forms available	11 February 2013
2. Subscription Period	18 February 2013 to 26 February 2013
3. Commencement of interest on the Participation Notes issued upon closure of Subscription Period	27 February 2013
4. Announcement of basis of acceptance	27 February 2013
5. Issuance of Participation Notes	27 February 2013
6. Expected dispatch of allotment advices and refunds of unallocated monies	27 February 2013

PART IIA – RISK FACTORS

Holding of a Participation Note involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to acquire Participation Notes. Prospective investors are warned that by investing in the Participation Notes they may be exposing themselves to significant risks that may have the consequence of losing a substantial part or all of their investment. The risk factors set out below are a summary of the risks associated with an investment in the Issuer and the Participation Notes – there may be other risks which are not mentioned in the Prospectus. Investors are therefore urged to consult their own financial or other professional advisors with respect to the suitability of investing in this instrument.

The Prospectus contains forward-looking statements which by their nature involve substantial risks and uncertainties, certain of which are beyond the control of the Company. No assurance can be given that future results or expectations covered by such forward-looking statements will be achieved.

The Issuer is subject to market and economic conditions generally

The Issuer is subject to the general market and economic risks that may have a significant impact on the Project and its timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates and property prices. In the event that general economic conditions and property market conditions experience a downturn which is not contemplated in the Issuer's planning during the construction and completion of the Project, this shall have an adverse impact on the financial condition of the Issuer and its ability to meet its obligations under the Global Note.

The issuer is a start-up operation

The Issuer has no trading record or history of operations. It was set up specifically to undertake the Project and is seeking to raise finance for the purpose of completing the Project. Although the Directors and senior management have experience in the real estate development market, the Issuer remains a start-up operation with all the attendant risks that start-ups normally entail. These risks include, but are not limited to the lack of financial stability, risks of cost over-runs; and risks of delays in completion of the Project. In the event that these risks were to materialise they could have a significant impact on the financial position of the Issuer.

The property market is a very competitive market that can influence the sales of units in the Project

The real estate market in Malta is very competitive in nature. An increase in supply and/or a reduction in demand in the property segments in which the Issuer operates may cause sales of units forming part of the Project to sell at prices which are lower than are being anticipated by the Issuer or that sales of such units are in fact slower than is being anticipated. If these risks were to materialise, particularly if due to unforeseen circumstances the *tempo* of sales envisaged by the Issuer were to be delayed, they could have a material adverse impact on the Issuer and its ability to repay the Global Note and interest thereon.

The Issuer depends on third parties in connection with its business, giving rise to counter-party risks

The Issuer, through PCL, relies upon third-party service providers such as architects, building contractors and suppliers for the construction and completion of the Project. PCL has engaged the services of third party contractors for the purpose of the development of the Project including, excavation, construction and finishing of the developments in a timely manner and within agreed cost parameters. This gives rise to counter-party risks in those instances where such third parties do not perform in line with the Issuer's expectations and in accordance with their contractual obligations. If these risks were to materialise, the resulting development delays in completion could have an adverse impact on the Issuer's businesses, and their respective financial condition, results of operations and prospects.

Material risks relating to real estate development may affect the economic performance and value of the property under development

There are a number of factors that commonly affect the real estate development industry, many of which are beyond the Issuer's control, and which could adversely affect the economic performance and value of the Issuer's real estate property under development. Such factors include:

- changes in general economic conditions in Malta;
- general industry trends, including the cyclical nature of the real estate market;
- changes in local market conditions, such as an oversupply of similar properties, a reduction in demand for real estate or change of local preferences and tastes;
- possible structural and environmental problems;
- acts of nature, such as earthquakes and floods, that may damage the property or delay their development; and
- increased competition in the market segment in which the Issuer is undertaking the real estate development may lead to an over-supply of commercial or residential properties in such markets, which could lead to a lowering of prices and a corresponding reduction in revenue of the Issuer from the Project.

Any of the factors described above could have a material adverse effect on the Issuer's business, its respective financial condition and prospects and accordingly on the repayment of the Global Note and interest thereon.

Risks relating to the Participation Notes

An investment in the Participation Notes involves certain risks, including those set out below in this Section. In deciding whether to make an investment in the Participation Notes, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus.

i. General risks

- The value of investments can go up or down and past performance is not necessarily indicative of future performance. If in need of advice, you should consult a licensed stockbroker or an investment advisor licensed under the Investment Services Act, Cap. 370 of the laws of Malta.
- Investment in the Participation Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Participation Notes.
- A Participation Note Holder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Participation Notes and the Note holder's currency of reference, if different.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, may have on the market price of the Participation Notes prevailing from time to time.
- The Issuer has the option to redeem the Global Note and Participation Notes in whole or in part on any of the Early Redemption Dates, together with any accrued and unpaid interest until the time of redemption. This optional redemption feature may condition the market value of the Participation Notes or of a particular denomination of Participation Notes and there can be no guarantee that the Participation Note Holders may be able to re-invest the proceeds of such redemption at equivalent or higher rates of return.
- In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Participation Notes the Trustee shall call a meeting of Participation Note Holders in accordance with the provisions of the Terms and Conditions. These provisions permit defined majorities to bind all Participation Note Holders including Participation Note Holders who did not attend and vote at the relevant meeting and Participation Note Holders who voted in a manner contrary to the majority.

- The terms and conditions of this Offer are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.
- Class B Participation Notes will rank after the Class A Participation Notes in respect of redemption and in respect of all proceeds derived from the enforcement of the Security Interest. As such, Class B Participation Notes will be redeemed only after all Class A Participation Notes have been redeemed in full, and all amounts derived from enforcement of the Security Interest will be used first to pay the Class A Participation Notes and will benefit the Class B Participation Notes only after the Class A Participation Notes have been paid in full.

ii. Trading and Liquidity risks

The following investment considerations in relation to trading and liquidity of the Global Note and Participation Notes should be taken into account:

- The Class B Participation Notes are transferable but shall NOT be traded on any regulated market or other trading facility, and as a result there may be no liquid market for the Class B Participation Notes. The market for Class B Participation Notes may be less liquid than a regulated market or other trading facility and Note Holders may find it more difficult to identify willing buyers for their Class B Participation Notes. Class B Participation Note Holders who wish to sell their Class B Participation Notes may be unable to do so at an acceptable price, or at all, if insufficient liquidity exists in the market for Class B Participation Notes.
- The ease of transferability of the Class B Participation Notes depends on factors beyond the Issuer's control which could impact the trading value of the Class B Participation Notes such as the willingness or otherwise of potential buyers and sellers of the Global Note and Class B Participation Notes.
- The trading value of the Class B Participation Notes may also be impacted by other factors such as the time remaining for maturity of the Class B Participation Notes, the outstanding amount of Class B Participation Notes (including Class B Participation Notes issued pursuant to a Subscription Agreement entered into in conjunction with a related redemption of Class A Participation Notes by the holder thereof), and the level, direction and volatility of market interest rates generally.
- There can be no assurance that an investor will be able to re-sell his/her Class B Participation Notes at or above the offer price.
- Prior to the Participation Note Issue, there has been no public market nor trading record for the Class B Participation Notes within or outside Malta. Due to the absence of any prior market for the Class B Participation Notes, there can be no assurance that the offer price will correspond to the price at which the Class B Participation Notes will be traded subsequent to the Offer.
- The Issuer has not sought the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Global Note and Class B Participation Notes.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This document includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and/or the respective Directors concerning, amongst other things, its strategies and business plans, results of operations, financial condition, liquidity, prospects and the markets in which it operates. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The actual results of operations, financial condition, liquidity, dividend policy and the strategic development of the Issuer may differ materially from the forward-looking statements contained in this Prospectus. In addition, even if the results of operations, financial condition, liquidity and dividend policies of the Issuer are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that may cause these differences include:

- (i) continued, sustained or worsening global economic conditions and in particular economic weakness in the areas in which the Issuer operates;
- (ii) increased competition;
- (iii) increased regulation;
- (iv) failure to complete the Project under development on time and within budget or at all;
- (v) over-supply of similar or competing accommodation.

Potential investors are advised to read this document in its entirety and, in particular, this Section entitled "Risk Factors" for a further discussion of the factors that could affect the Issuer's future performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur. All forward-looking statements contained in this document are made only as at the date hereof. The Company and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

PART IIB – KEY INFORMATION

2.1 The Issuer

The Issuer is a public limited liability company, registered in Malta in terms of the Act on 5 November 2012 with number C58098, having its registered office at GB Buildings, Watar Street, Ta'Xbiex XBX 1301, Malta and with telephone number (+356) 22488600. The Company has an authorised and issued share capital of €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 (one euro) each.

2.2 Selected Financial Information

The Issuer was registered and incorporated to acquire a plot of land measuring *circa* 1,379m² forming part of Pendergardens and situated at Pender Place, St Andrew's Road, St Julians. The Company intends to develop the said plot, known as Block 16, and construct thereon 46 residential apartments, 971m² of Retail Area and car park spaces.

Save for the acquisition of the said land on 8 January 2013, the transactions described under Related Party Transactions (Section 4.14) and 16 preliminary contracts of sale for apartments (Section 4.2 under the heading 'Sales Revenue'), as at the date of this Prospectus the Company has not conducted any business and has no trading record.

There has not been any significant change in the financial or trading position of the Issuer which has occurred since the date of incorporation. The Issuer has however commenced its marketing campaign and has entered into preliminary contracts of sale for 16 units valued at €3,750,000 (three million seven hundred fifty thousand euro).

2.3 Capitalisation and Indebtedness

The following financial information sets out the capitalisation and indebtedness of the Issuer following the Offer and is based on the assumption that the Offer is fully subscribed:

	€'000
EQUITY	
Capital and reserves	3,300
INDEBTEDNESS	
7% Secured Notes 2015-2019	12,000

Total capitalisation	15,300
	=====
 Gearing ratio (debt/total capital)	 78%
	=====

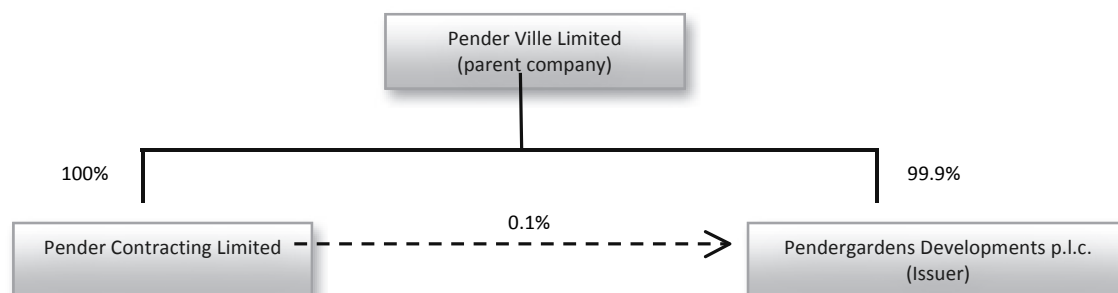
2.4 Reasons for the Offer and Use of Proceeds

The proceeds from the Global Note, which net of commissions and expenses are expected to amount to €11,600,000 (eleven million six hundred thousand euro), shall be used to develop and construct the Project, including the Additional Parts. The construction cost of the Additional Parts shall amount to *circa* €51,000 (fifty one thousand euro).

Part of the funds available from the Global Note proceeds may be utilised, with the approval of the Trustee, for the payment of interest on the Global Note.

The cash outflows relating to the development of the Project are set out in Section 4.2 of this Prospectus.

2.5 Organisational Structure of the Group



PENDER VILLE LIMITED ('PVL')

PVL is a private limited company incorporated, registered and operating in Malta under the Companies Act, with registration number C36675 and whose registered office is at GB Buildings, Watar Street, Ta'Xbiex XBX 1301, Malta. It has an authorised share capital of €11,646,867 (eleven million six hundred forty six thousand eight hundred and sixty seven euro) divided into 5 million ordinary shares of €2.329373 (two point three two nine three seven three euro) and an issued share capital of €10,092,606 (ten million ninety two thousand six hundred and six euro) divided into 4,332,756 ordinary shares of €2.329373 (two point three two nine three seven three euro), of which, €9,434,421 (nine million four hundred thirty four thousand four hundred and twenty one euro) is paid up. The company was set up on 22 July 2005 by a consortium of investors to acquire and develop the Pender Place site (18,500m²) ("**Pendergardens**") and the Mercury House site (8,500m²) ("**The Exchange**") located in St Julians, marked as bold on site plan included hereunder. The whole project has in July 2012 been granted full development permits by the Malta Environment and Planning Authority (MEPA).

SITE PLAN



Pendergardens, which has a Special Designated Area status, is being developed in three phases. The first phase has been completed and includes 150 residential apartments spread over 6 blocks (Blocks 10 to 15) together with 406 car park spaces. As at the date of this Prospectus, 149 apartments and 169 car park spaces have been sold over a 6-year period to a mix of Maltese residents (46%) and foreigners (EU nationals – 43%, non-EU nationals – 11%). The remaining one apartment was not placed on the market due to its proximity to the next phase of development and will therefore be offered for sale once Pendergardens Towers are finalised. Phase II of Pendergardens will include the development of one residential block (Block 16), consisting of 46 residential apartments, commercial space and underlying car park. Phase III, which is earmarked for commencement subsequent to completion of Block 16, will include two towers offering residential apartments and office space, Block 17 consisting of residential apartments, commercial space and underlying car park spaces.

In 2008, a portion of land measuring 4,300m² and forming part of Pendergardens was sold to a company which has common shareholders but does not form part of the Group. The said site is intended for the development of 15 detached and semi-detached villas.

Following the completion of Phase I, management has turned focus on Phase II commencing with the development of Block 16, being the subject of this Prospectus. On 11 December 2012, the directors of PVL approved the transfer of a parcel of land measuring 1,379m² to a newly formed subsidiary of PVL, Pendergardens Developments p.l.c. (the Issuer), for the purpose of developing Block 16. The Project shall be fully funded through the proceeds of the Global Note and the revenues to be generated from the sale of units as of 2015.

The Exchange is earmarked for commercial use and will be promoted as a financial and business centre. It will consist of 16,700m² of office space in two towers and 10,800m² of retail and leisure outlets fronting a large public piazza. Car park spaces, numbering *circa* 476, will be available in the underground levels with direct vertical access to the offices and outlets. In 2009, an area measuring 950m² was sold to FIMBank plc, an international trade finance bank listed on the Malta Stock Exchange. Construction works were completed by PCL in September 2011 and the bank transferred its operations to the new premises in June 2012.

PENDER CONTRACTING LIMITED ('PCL')

PCL is a private limited company incorporated, registered and operating in Malta under the Companies Act, with registration number C38017 and whose registered office is at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta. It has an authorised and issued share capital of €23,293.73 (twenty three thousand two hundred ninety three euro and seventy three cents) divided into 10,000 ordinary shares of €2.329373 (two point three two nine three seven three euro), fully paid up. The company was set up on 17 February 2006 principally to act as PVL's main contractor to execute the construction and development of Pendergardens and The Exchange.

Pursuant to an agreement entered into by and between the Issuer and PCL on 22 January 2013, PCL has been engaged by the Issuer to construct, develop and finalise the Project in accordance with the specifications agreed upon between the Issuer and PCL. The contract of works, which is based on the FIDIC conditions of contract for Plant and DesignBuild, First Edition 1999, with modifications to ensure price certainty, provides for PCL to construct, finish and handover Block 16 in accordance with the milestone dates, programme, and specifications annexed to the said contract. Furthermore, the contract price of €10,019,000 (ten million nineteen thousand euro) is a fixed price and PCL guarantees that any cost overruns will be for its own account. The contract also allows for daily delay penalties and for the waiver of contractor's special privilege and special hypothec which will also be registered by way of public deed. Pursuant to the contract, the Contractor has agreed to postpone its claim for payment of retention monies under this contract until such time when respective amounts are available in the Collateral Account/s from refunds of funds advanced out of the Collateral Account/s.

PENDERGARDENS DEVELOPMENTS PLC ('ISSUER')

The Issuer is a wholly-owned subsidiary of PVL which was established on 5 November 2012, principally to raise funding through the issuance of the Global Note and thereafter to develop Block 16 of Pendergardens. Further details on the Issuer are included in the Section entitled "**Part IV – The Issuer**".

PART III – THE GLOBAL NOTE & PARTICIPATION NOTES

This part of the Prospectus is being published in compliance with the requirements of paragraph 15 of Part A of the Second Schedule of the Act entitled *Details of the Offer*.

3.1 *Details of the Global Note and Participation Notes*

The Issuer is making an offer to the public for participation in the Trust Property through the issuance of Participation Notes.

The Global Note represents a principal amount of €12,000,000 (twelve million euro) due by the Issuer to the Trustee under the terms and conditions of the Global Note. The Global Note is redeemable on the Redemption Date. The Issuer reserves the right to redeem part or all of the Global Note in whole or in part on an Early Redemption Date by announcing at least thirty (30) days prior to such Early Redemption Date. Early Redemptions may be made by the Issuer provided that any partial redemption is made in accordance with the terms and conditions of the Offer at a minimum amount of €500,000 (five hundred thousand euro) and in multiples of €10,000 (ten thousand euro) thereafter together with any interest accrued up to the date fixed for redemption.

The Global Note and payments thereunder constitute the secured and unconditional payment obligations of the Company. In addition, the payment of the principal under the Global Note and interests thereon shall be secured by a general hypothec over all present and future assets of the Company and a special hypothec over the Hypothecated Property. A pledge over the Collateral Account/s shall be granted in favour of the Trustee for the benefit of the Participation Note Holders.

The Participation Notes constituted by means of the Trust Deed represent participations in the Trust Property corresponding to the amount stated in the Participation Notes, and represent also the proportionate entitlement of a Participation Note Holder to the rights over the Trust Property, including in particular the Participation Note Holder's entitlement to receive the repayment of any amounts due under the Global Note. By subscribing to the Participation Note the Participation Note Holder acknowledges and accepts that all enforcement action against the Company shall vest in the Trustee, and the Participation Note Holder shall not have the right to make any claim against the Company other than through the Trustee. By subscribing to the Participation Notes, the Participation Note Holders irrevocably authorise the Trustee for and on their behalf to exercise such rights, powers and discretions as are specifically delegated to it by the terms of the Trust Deed, together with all such rights, powers and discretions as are incidental thereto, and to give a good discharge for any moneys payable under the Global Note.

3.2 *Description of the Offer*

The Offer by the Issuer consists of the issue of €12,000,000 (twelve million euro) 7% (seven per cent) Secured Notes 2015-2019, to be issued to the Trustee pursuant to and under the terms and conditions of the Global Note. Investors can participate in the Trust Property by virtue of the subscription to Participation Notes.

The Participation Notes relating to the Global Note shall be available for subscription during the Subscription Period on a first-come-first-served basis and shall close immediately upon attaining full subscription. Such subscription shall be for an amount of €12,000,000 (twelve million euro) and the Issuer shall make use of such proceeds in the manner set out in Section 3.6 below.

3.3 *Interest*

Interest on amounts outstanding under the Global Note shall accrue at the rate of 7% (seven per cent) *per annum*. Interest shall commence as from 27 February 2013 and shall be payable annually in arrears on 14 January in each year between the years 2014 and 2019, both years included.

When interest is payable for a period of less than a year, it shall be calculated on the basis of the actual number of days elapsed and a year of 365 (three hundred sixty five) days.

3.4 Maturity and Redemption

The Global Note will be redeemed at par on 14 January 2019 unless previously redeemed at the option of the Company upon an Early Redemption Date in accordance with the terms and conditions of issue (*see Annex A1 for the full terms and conditions*). Partial redemptions are allowed between 15 January 2015 to 13 January 2019 (both days included), provided that any partial redemption is made in accordance with the terms and conditions of the Offer at a minimum amount of €500,000 (five hundred thousand euro) and in multiples of €10,000 (ten thousand euro) thereafter.

In the event that the Issuer redeems the Global Note in part, the Trustee shall redeem an equivalent amount of Participation Notes, such amount to be first utilised to redeem Class A Participation Notes. Any remaining balance shall be utilised to redeem Class B Participation Notes in accordance with the order in which applications for redemption were made prior to the Early Redemption Date, by the respective Class B Participation Note Holders. Finally, any other Class B Participation Notes held by Class B Participation Note Holders, who had not submitted an application for redemption prior to the Early Redemption Date as aforesaid, shall be redeemed in accordance with the proportion of the Class B Participation Notes held by the respective Class B Participation Note Holder to the aggregate holding of Class B Participation Notes. The Trustee shall pay to the Registered Beneficiary concerned the nominal value of that Registered Beneficiary's Participation Notes and accrued and unpaid interest thereon. Upon an early redemption, the Participation Notes shall be cancelled in whole or in part. The Participation Note Holder shall hand over the Participation Note, and in case of a redemption in part receive a new Participation Note stating the new amount of the Participation Note (*see Annex A2 for the full terms and conditions*).

Class A Participation Notes may, upon request by the Underwriter, be redeemed at any time in whole or in part, provided that: (i) the amount to be redeemed is of a minimum face value of €5,000 (five thousand euro) and multiples of €1,000 (one thousand euro) thereafter; and (ii) a Subscription Agreement for Class B Participation Notes for the same amount as the amount of Class A Participation Notes to be redeemed is executed by a subscriber and the Trustee on the date of the redemption of Class A Participation Notes. The Trustee shall cancel the redeemed Class A Participation Notes in whole or in part, as the case may be, and issue new Class B Participation Notes for the same value.

3.5 Status and Security

The Global Note constitutes the general, direct, unconditional and secured obligations of the Issuer, and will rank with first priority and preference over all other present and future obligations of the Issuer. In addition, the payment of the principal under the Global Note and interests thereon shall be secured by a first-ranking general hypothec over all the Company's assets, present and future, as well as a first-ranking special hypothec over the Hypothecated Property which the Company has agreed to constitute in favour of the Trustee for the benefit of Participation Note Holders. A pledge over the Collateral Account/s shall be granted by virtue of the Pledge Agreement in favour of the Trustee for the benefit of the Participation Note Holders. The pledge over the Collateral Account/s shall from time to time be released *in parte* by amounts corresponding to the disbursements to be made by the Issuer (following approval by the Trustee) in accordance with the Pledge Agreement and the terms and conditions of the Global Note and the Trust Deed.

During the course of construction of the Project, situations may arise whereby the contractors or suppliers may become entitled by law to register a special privilege over the Hypothecated Property, thereby obtaining a priority in ranking over the Trustee. In this respect the Issuer has entered into an agreement with PCL, the principal contractor, whereby PCL has, *inter alia* waived its right to register any special privilege over the Hypothecated Property until such time that the Security Interest granted in favour of the Security Trustee and referred to in this Prospectus has been settled and repaid in full. This is intended to minimise the possibility that any real rights are created over the Hypothecated Property that would have the effect of diminishing the value of the Security Interests registered in favour of the Trustee.

3.6 Use of Proceeds

The proceeds from the Global Note, which net of commissions and expenses are expected to amount to *circa* €11,600,000 (eleven million six hundred thousand euro), shall be used to develop and construct the Project including the Additional Parts. The construction cost of the Additional Parts shall amount to *circa* €51,000 (fifty one thousand euro). The remaining balance shall be held by the Issuer in the Collateral Account/s from which disbursements may be made by the Issuer with the approval of the Trustee in accordance with the terms and conditions of the Global Note and the Trust Deed.

Part of the funds available from the Global Note proceeds may be utilised, with the approval of the Trustee, for the payment of interest on the Global Note.

The cash outflows relating to the development of the Project are set out in Section 4.2 of this Prospectus.

3.7 Rights of Participation Note Holders

The Global Note constitutes the general, direct, unconditional and secured obligations of the Issuer, and will rank with priority and preference over all other present and future obligations of the Issuer. The Issuer shall constitute a general hypothec over all its assets, present and future, and a special hypothec over the Hypothecated Property to better secure its obligations and grant a right of preference to the Trustee for the benefit of Participation Note Holders in terms of the Trust Deed. A pledge over the Collateral Account/s shall be granted in favour of the Trustee for the benefit of the Participation Note Holders. The Class A Participation Notes shall rank prior to the Class B Participation Notes with regard to all amounts received from or in respect of the Issuer, and in particular (and without limitation) any proceeds derived from the enforcement of the Security Interests, and will be redeemed prior to any other redemption of Class B Participation Notes. Class B Participation Note Holders shall rank *pari passu* between them according to the rights and interests held by each Class B Participation Note Holder in the Global Note.

Investors wishing to participate in the Trust Property will be able to do so by subscribing to Participation Notes. Subscription to the Participation Notes will entitle such investor:

- (i) to participate in the Trust Property with respect to the rights and benefits under the Global Note and the Trust Deed in the proportion that the amount of that subscription constitutes in relation to the face value of the Global Note;
- (ii) to have his/her name entered in the Register of Beneficiaries by the Trustee as a Beneficiary in the Trust Property;
- (iii) to receive from the Trustee an acknowledgement of his interest in the Trust Property by the issue of a Participation Note;
- (iv) to all such rights and benefits applicable to the Class A or Class B Participation Notes, as the case may be, as set out in the Prospectus and in the Trust Deed.

Upon subscription to the Participation Notes, an investor will also be bound by and be deemed to have notice of, all the provisions of the Trust Deed and the terms and conditions of the Global Note. The Participation Notes shall entitle the Participation Note Holders to rank according to the rights and interests held by each Participation Note Holder in the Trust Property in accordance with the terms of the Trust Deed and subject to the difference in ranking between the Class A Participation Notes and the Class B Participation Notes.

3.8 Participation Notes

Participation Notes are certificates issued by the Trustee to a Registered Beneficiary acknowledging the interest of the Beneficiary named therein in the Trust Property and evidences an entry in the Register of Beneficiaries held by the Trustee. The Participation Notes will be issued in registered form and will not be issued in bearer form. Class A Participation Notes are non-transferable certificates, while Class B Participation Notes are transferable certificates.

3.9 The Trustee

The Company has entered into the Trust Deed as settlor, pursuant to which the Trustee has been appointed to hold the Trust Property on trust for the benefit of the Registered Beneficiaries in accordance with the provisions of the Trust Deed.

The Trustee will be the legal owner of the Trust Property which consists of the covenants of the Company to pay the principal under the Participation Notes and interests thereon, the hypothecary rights and privileges under the deeds of hypothec, the rights under the Pledge Agreement and all the rights and benefits emanating from the Trust Deed. The Security Interests will be vested in the Trustee for the benefit of Registered Beneficiaries in proportion to their participation and according to their respective class of Participation Notes. The Trustee recognises the interests of the Registered Beneficiaries and in effect holds the Trust Property in the interest of and acts for the benefit of the Registered Beneficiaries under the Trust Deed.

The Trustee's role therefore includes the status of the Trustee to enforce all the rights under the Participation Notes and the Trust Deed as well as to hold the Trust Property. As the legal owner of the Global Note and all rights attaching thereto the Trustee will receive all payments of interest for distribution to the Registered Beneficiaries. The Trustee will also hold and have registered in its name but for the benefit of the Registered Beneficiaries the hypothecary rights and privileges securing the repayment of any amounts due under the Global Note.

3.10 Distribution and Allotment

The Issuer has appointed Charts Investment Management Service Limited as Placement Agent for the purposes of this Offer. Subscription Agreements for participation in the Offer shall be available from the Placement Agent as from 11 February 2013. All Subscription Agreements must be accompanied by the full price of the Participation Notes applied for in euro and in cleared funds at the offer price. Payment may be made either in cash or by cheque payable to 'Charts Investment Management Service Limited'. In the event that cheques accompanying Subscription Agreements are not honoured on their first presentation, the Trustee and the Placement Agent reserve the right to invalidate the relative Subscription Agreement.

By not later than 27 February 2013, the Issuer shall announce the results of the Offer through a press release in at least one local newspaper.

The Participation Notes are expected to be issued ("**Expected Offer Date**") and mailed to the subscribers on 27 February 2013. Dealing in the Class B Participation Notes may not commence prior to the said notification.

3.11 Offer Expenses

Professional fees, underwriting, management, placing and all other miscellaneous costs related to the Offer are estimated not to exceed €400,000 (four hundred thousand euro), and shall be borne by the Issuer.

3.12 Underwriting

The Offer will be underwritten by Mediterranean Bank plc (the "**Underwriter**"). By virtue of an agreement dated 6 February 2013 by and between the Issuer and the Underwriter, it was agreed that in the event that the Offer of €12,000,000 (twelve million euro) 7% Secured Notes 2015-2019 is not fully subscribed by the end of the Subscription Period, the Underwriter shall procure the purchase of such number of Class A Participation Notes at the offer price as are equal in value to the Offer Amount less the aggregate value of Class B Participation Notes issued in terms of the Offer (the "**Underwriting Agreement**"). The obligation of the Underwriter to procure the purchase of the Class A Participation Notes as aforesaid is subject to standard market terms and conditions in accordance with the Underwriting Agreement. Class A Participation Notes may be redeemed at any time in accordance with the Terms and Conditions.

PART IV – THE ISSUER

This part of the Prospectus is being published in compliance with the requirements of paragraphs 10, 11, 12 and 13 of Part A of the Second Schedule of the Act.

4.1 History and Business

The Issuer is a public limited liability company, registered in Malta in terms of the Act on 5 November 2012 with number C58098, having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta, and with telephone number (+356) 22488600. The Company has an authorised and issued share capital of €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 (one euro) each.

The Company was set up and established to acquire a parcel of land measuring *circa* 1,379m² forming part of Pendergardens and to develop thereon residential apartments and commercial space as detailed in Section 4.2 below. Save for the acquisition of said land on 8 January 2013, the transactions described under Related Party Transactions (Section 4.14) and 16 preliminary contracts of sale for apartments (Section 4.2 under the heading 'Sales Revenue'), as at the date of this Prospectus the Company has not conducted any business and has no trading record.

4.2 The Project

Description

The Project comprises the construction and development of Block 16 having a footprint of *circa* 1,379m² and a gross floor area measuring approximately 15,705m². The property is situated on St Andrew's Road, St Julians and its frontage will include double height commercial space. Above the Retail Area, it is planned to construct 46 apartments, of which 16 are duplex units and 2 are 3-bedroomed duplex penthouses. The Project will include 4 levels of underlying car spaces. Works on Block 16 commenced in January 2013 and should be concluded towards mid-2015.

Market Situation

Pendergardens faces competition from various mixed-use projects located in the Sliema – St Julians area and elsewhere in Malta and which offer residential units, offices and retail space. Despite the stagnation in the property market in Malta and the level of supply on the market, the Directors believe that there remains good demand for middle to high end properties. The concept behind Pendergardens aims at achieving a modern and contemporary lifestyle based on quality and generous living spaces. Coupled with the convenience of being located close to various amenities and within walking distance of Spinola and St George's Bay, it is expected that ongoing demand for units at Pendergardens will be maintained.

Development

The residential apartments to be developed in Block 16 will be delivered and sold in a finished and complete state and will include electrical, plumbing, telephone and air conditioning installations points, intelligent lighting system, gypsum plastering, floor tiles and bathrooms, including sanitary ware and accessories, external apertures (in double glazed aluminium) and the internal doors. The level of finishes will be higher than those of Phase I units and a notable upgrade will be the option to connect to an LPG infrastructure for a more efficient and environmentally cleaner energy source for cooking and water heating.

A positive factor in Phase I was the wide range of apartments, in terms of size and price, on offer. Management has the same proposition for Block 16 and will include the following options:

Pendergardens Block 16	No. of Units	%
1-bedroom unit	10	22
2-bedroom unit	16	35
2-bedroom duplex unit	2	4
3-bedroom unit	2	4
3-bedroom duplex unit	14	31
3-bedroom duplex penthouse	2	4
	-----	-----
	46	100
	=====	=====

Block 16 will, in addition to the residential units, comprise *circa* 971m² of Retail Area and four levels of underground parking. The Retail Area will be split into a number of retail outlets depending on the requirements and specifications of prospective tenants.

Permits

The permit for full development of Block 16 was granted by the Malta Environment & Planning Authority (MEPA) on 31 July 2012, as set out in further detail in Annex B of this Prospectus under the heading “**Architect’s Valuation**”.

Construction and Development

The overall construction and financing expenditure on the development of the Project is expected to be in the region of €19,000,000 (nineteen million euro) as detailed below:

	€'000
Cost of acquisition of site	4,755

Construction expenditure (in terms of contract with PCL)	
Civil works	4,493
Building Services	1,557
Finishes	2,780

	8,830

Other costs	
Direct costs, administration, professional fees & other expenses	1,189
VAT (non refundable)	1,803

	2,992

Financing costs	
Net interest payable	2,107
Offer costs	381

	2,488

Total Estimated Cost	19,065
	=====

The proceeds of the Issue shall amount to €12,000,000 (twelve million euro). The balance between the proceeds of the issue and the overall construction and financing expenditure shall be funded as follows:

- in the amount of €3,294,460 (three million two hundred ninety four thousand four hundred and sixty euro), through the capitalisation of the Shareholder's Loan, which has been granted for the acquisition of the site by virtue of the Title Deed;
- in the amount outstanding thereafter of *circa* €3,770,540 (three million seven hundred and seventy thousand, five hundred and forty euro), through the proceeds of sale of *units* forming part of the Project. The Issuer is projecting that the said amount should be accumulated by the end of the financial year 2015, as detailed in Section 4.2 under the heading 'Sales Revenue'.

The Directors are projecting that, save for any unforeseen circumstances, the construction and finishing of the Project will proceed for approximately 30 months from commencement and therefore project completion is expected to take place in mid-2015.

On 22 January 2013 the Issuer entered into a contract for the construction and completion of the Project with PCL for a value of *circa* €10,019,000 (ten million nineteen thousand euro). Payment under the said contract will be settled by the Issuer according to an agreed payments schedule. The contract also makes provision for the contractual waiver by PCL of its right at law to register a special privilege for the value of its work over the Project in the event of non-payment by the Issuer until such time that the Security Interests granted in favour of the Trustee have been cancelled.

Certain risks and uncertainties associated with the Issuer's business are set out in Part IIA of this Prospectus. In particular investors should note the risk of delays which could cause actual sales revenues to differ from those projected and which are affected, amongst others, by factors attributable to counter-parties, general market conditions and competition which are beyond the Issuer's control.

The Issuer will carry insurance with respect to building works in accordance with normal standards in the construction industry and depending on available terms of cover from time to time.

Pricing and Sales Strategy

The Directors have devised a pricing strategy for Block 16 apartments based on the experience and knowledge acquired from sales of units of Phase I. Pender Ville Ltd. commenced marketing the Pendergardens apartments and car park spaces in 2007 and to date has sold 149 units. Sales tempo over the 6-year period, except for 2009, was broadly in line with management's expectations. In the first two years of launch *circa* 45% of total units were sold, but declined significantly in 2009 in the midst of the global economic crisis. During the last three years (2010 – 2012), there was a substantial increase in demand for units at Pendergardens and as a result the remaining units (44% of total complement) were all sold. In order to maintain interest in its apartments, the Group has established a very competitive pricing strategy for Block 16 units with a similar price range as previously established for Phase I. A typical three-bedroom duplex apartment will be priced at *circa* €450,000 (four hundred and fifty thousand euro) and the average price per unit should amount to *circa* €367,000 (three hundred and sixty seven thousand euro). As to commercial outlets, Block 16 will have available 971m² of Retail Area which could be split as required by prospective purchasers.

As construction works commenced on the Project the Company started marketing the Project through a number of estate agents in Malta as well as through its own internet site www.pendergardens.com

Sales Revenue

The following table illustrates the projected revenues generated from the sale of residential units, car park spaces and units forming part of the Retail Area, net of sales commission. This estimate is based on the Issuer receiving a 10% (ten per cent) deposit of the actual sales price on the execution of a preliminary agreement with the remaining 90% (ninety per cent) of the purchase price being received on execution of the final deed of sale.

	2013 €'000	2014 €'000	2015 €'000	2016 €'000	2017 €'000	Total €'000
Revenue (apartments, Retail Area & car spaces)	120 =====	262 =====	9,236 =====	8,692 =====	1,993 =====	20,303 =====

As at the date of this Prospectus, the Issuer has commenced its marketing campaign and has already entered into preliminary contracts of sale for 16 units amounting to €3,750,000 (three million seven hundred and fifty thousand euro). Sales revenue is expected to increase over the course of development of the Project and is expected to peak in 2015 and 2016 as more preliminary agreements are signed, but principally as contracts transferring title of residential and units of the Retail Area are executed. In the absence of unforeseen circumstances, it is projected that all residential units, car park spaces and units forming part of the Retail Area will be sold by 2017, and the Issuer would be in a position to redeem the Global Note by the end of 2017.

4.3 Investments

The Company is not party to any principal investments, and has not entered into or committed for any principal investments, other than the acquisition of land within Pendergardens dated 8 January 2013 and the contract signed with PCL dated 22 January 2013 for the construction and development of the Project.

4.4 Trend Information and Trading Prospects

There have been no material adverse changes to the prospects of the Issuer since the date of incorporation.

At the time of publication of this Prospectus, the Issuer considers that generally it shall be subject to the normal business risks associated with the property market and barring unforeseen circumstances, does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on its upcoming prospects, at least up to the end of this financial year.

The property market in Malta has been somewhat subdued in the last few years, but is performing much better than other countries in Europe and elsewhere. Notwithstanding the softening of the property market, there is still active demand for owning property at Pendergardens, albeit at lower levels than at the height of the property market in 2007. The Directors are satisfied that their target of selling the full complement of units, which were placed on the market to date, has been achieved and are confident that demand for Block 16 will be equivalent. Management has acquired considerable knowledge from Phase I, not only from the construction and development perspective, but also from a prospective buyer's point of view. The Company's offerings will be based on this experience, and the units will therefore be finished to a higher quality standard than the previous blocks and will also incorporate new features such as the facility to connect to an LPG infrastructure to provide tenants a more efficient and environmentally cleaner energy source. Furthermore, since six blocks are now complete and tenants are residing at Pendergardens, a prospective investor can better appreciate the development generally, its piazza, landscaping and open spaces, and the high quality of finishes of its apartments and common areas.

As to the commercial element, Block 16 will offer *circa* 971m² of Retail Area which is expected to be appealing to prospective investors given that the frontage will be situated on a main arterial road and thereby offering maximum exposure. Moreover, the area enjoys a high level of activity as it is surrounded by a number of hotels (mostly in the five-star category), office blocks and various retail, food and beverage outlets.

4.5 Reserve Account

All sales of residential units and garage spaces shall be made on the basis that units are released of all hypothecary rights and privileges encumbering the units being sold as security for the repayment of the Global Note. For this purpose the Trustee shall be empowered to release individual units of the Hypothecated Property from the Security Interests encumbering such unit/s and garage space/s upon receipt by it from the Company or from a prospective purchaser of a fixed amount of the purchase price of each unit and garage space.

For this purpose the Trustee and the Issuer have agreed that a fixed amount shall be set for each unit and garage space, and it is only upon receipt by the Trustee of such an amount that the Trustee shall be bound to release a particular residential unit or garage space from the effects of any Security Interests encumbering the Hypothecated Property. This is intended to ensure that the security created for the interest of Note Holders is only reduced against a cash payment made by the Issuer in the Reserve Account to be held by the Trustee for the benefit of Participation Note Holders. The funds so received by the Trustee shall be held by it under trust in a segregated bank account with Mediterranean Bank plc for the benefit of the Participation Note Holders and shall be so held with a view to meeting the redemption of the Participation Notes on their date of maturity ("**Maturity Date**") or to meet Early Redemption requests made by the Issuer on the Global Note. Any shortfall in the amount receivable by the Trustee pursuant to the foregoing shall be required to be made up, in whole or in part, out of the available sale proceeds from any subsequent sale or sales until such shortfall shall have been made up in its entirety.

With respect to the proportion of the said fixed amounts to be allocated to the Reserve Account, it is pertinent to note that the Company is party to an agreement with PVL (described in Section 4.14(iii) "**Related Party Transactions**" below) pursuant to which the Company will grant part of the proceeds from the sale of units to PVL by way of an intra-group loan for the purpose of repaying a loan facility amounting to €2,000,000 (two million euro) granted by Bank of Valletta plc to PVL. It is estimated that following repayment in full of the said loan facility, the fixed amount of the purchase price for each released unit to be withheld by the Trustee will equate to between 85% (eighty five per cent) and 90% (ninety per cent) of the contract value, net of commissions and provisional tax. Until full drawdown under the said loan facility by PVL, *circa* 30% (thirty per cent) of the contract value net of commissions and provisional tax will be attributed to the Reserve Account, while *circa* 60% (sixty per cent) of the contract value shall be granted by way of an intra-group loan by the Company to PVL.

All sales of units forming part of the Retail Area shall be made on the basis that units are released of all hypothecary rights and privileges encumbering the units being sold. For this purpose the Trustee shall be empowered to release individual commercial units of the Hypothecated Property from the Security Interests encumbering such unit/s. Proceeds of sales derived from units forming part of the Retail Area shall be applied for any of the following purposes: (i) an amount of €1,461,000 (one million four hundred sixty one thousand euro) shall be made available to PVL in repayment of the Shareholder's Loan, and (ii) any outstanding amount of interest previously advanced by the Trustee out of the Collateral Account/s shall be utilised to replenish the Collateral Account/s and (iii) any amount thereafter shall be made available to the Issuer.

The Trustee shall hold such monies standing to the credit of the Reserve Account subject to the limitations set out in the preceding paragraph, and provided such limitations are adhered to, the Manager from time to time may, but shall not be obliged to, invest such monies in such a manner and in such instruments as are herein provided, namely:

- (i) Redemption of the Participation Notes on any of the Early Redemption Dates or at maturity on the Redemption Date; or
- (ii) Investment or re-investment in any EU Government debt securities or other debt securities issued or guaranteed by an OECD sovereign state and without any currency exchange risk, in either case for a term not exceeding the Maturity Date.

In the absence of unforeseen circumstances and subject to there being no material adverse changes in circumstances, the Directors are of the view that the percentages available for cash flows that will be credited to the Reserve Account will be sufficient to cover the redemption of the Participation Notes on Maturity Date.

4.6 *Hypothecary Situation*

The Hypothecated Property is currently unencumbered and there are no charges registered over the Hypothecated Property. Pursuant to the Trust Deed, the Issuer has agreed to constitute in favour of the Trustee for the benefit of Participation Note Holders as Beneficiaries, a special hypothec over the Hypothecated Property and a general hypothec over all its assets, present and future. The special hypothec is granted over the Hypothecated Property, which as defined excludes the Additional Parts to be constructed on the Land Excluded Parts.

The hypothec will secure the claim of the Trustee, for the benefit and in the interest of Registered Beneficiaries, for the repayment of the principal and interest under the Participation Notes by a preferred claim over the Hypothecated Property. In addition, the general hypothec will also grant to the Trustee, as additional and further security for the repayment of the Participation Notes, a preferred and prior ranking claim over all the assets present and future of the Issuer.

Accordingly, following the issue of the Global Note and application of the proceeds as set out above, the Trustee for the benefit of the beneficiaries will have the benefit of a special hypothec over the Hypothecated Property for the full amount of €12,000,000 (twelve million euro) and interests thereon in addition to the general hypothec over all the assets, present and future of the Company for the full amount of €12,000,000 (twelve million euro).

Furthermore, PCL being the principal contractor engaged to construct and develop the Project has undertaken to waive its right to inscribe a special privilege in its favour until such time as the Security Interests granted in favour of the Trustee have been cancelled.

4.7 *Directors and Senior Management*

A board of directors manages the Issuer and is responsible for the overall management of the Company. The business address of each director of the Issuer is at Pender Place, St Andrew's Road, St Julians STJ 9023. The following are the directors of the Issuer and their respective *curriculum vitae*:

Edmund Gatt Baldacchino is the director and CEO of United Group Limited, which is active in the automobile, real estate and retail sectors. He has initiated and directed various expansions and diversification programs which resulted in the evolution of the United Group to its present level of development. He is also a director on Cars International Ltd and Cars International Finance plc. Edmund Gatt Baldacchino has served as a director at Kordin Grain Terminal Ltd, Valletta Investment Bank Ltd and as deputy chairman and then as chairman of Enemalta Corporation and the Mediterranean Oil Bunkering Corporation. He is the chairman of PVL, PCL and Pendergardens Limited.

Edward Licari is the co-owner and managing director of Combined Industries Ltd, a family run business involved in the manufacture of glass and mirrors established in 1974. He directed an expansion and diversification programme within his own personal business which resulted in other sector specific involvements in both the manufacturing industry, as well as in retail operations. His experience ranges from a portfolio of past activities relating to various sectors, as well as through his various executive directorships in such past commercial involvements. Edward Licari has a long affiliation with the real estate business dating back to 1974. He is deputy chairman of PVL, PCL and Pendergardens Limited. He is also currently an executive director of various companies involved in the construction and development of real estate projects, both residential and commercial, in Malta.

John Attard is a co-owner and director of Michael Attard Ltd, the sole agents and concessionaires of Peugeot automobiles, besides others, for Malta. He has been a director of the company since 1983 and is involved in administration, sales and marketing. The company diversified in 2005, entering the real estate business. John Attard was appointed a director of PVL, PCL and Pendergardens Limited in 2007.

Frank Xerri de Caro (independent Director) has previously been general manager of Bank of Valletta p.l.c., besides serving on the boards of several major financial, banking and insurance institutions. Presently he sits on the Board of Governors of the Malta Financial Services Authority, as well as director of a public listed company, serving also as chairman of its audit Committee, and director of other local companies.

Philip Farrugia (independent Director) is a former senior bank executive. He joined Barclays Bank in 1969. Philip Farrugia was appointed director and senior manager of HSBC Home Loans (Malta) Ltd between 2000 and 2003. In 2011 he was appointed executive director, and chief technology and services officer of HSBC Bank Malta p.l.c. until his retirement in May 2012. During his employment with HSBC Bank Malta p.l.c. he sat on various senior bank committees. He is a non-executive director of HSBC Life Insurance (Malta) Limited and of HSBC Merchant Services Limited.

4.8 Directors' Service Contracts and Remuneration

The Board determines the remuneration of both executive and non-executive directors. None of the Directors of the Issuer have a service contract with the Issuer.

In accordance with the Issuer's Articles of Association, the total emoluments payable to all Directors, whether as fees and/or salaries by virtue of holding employment with the Issuer, is subject to shareholder approval at general meeting.

Save for the independent Directors, none of the Directors will be receiving emoluments for the financial period ending 31 December 2013. The aggregate emoluments receivable by the independent Directors in the aforesaid period will amount to *circa* €8,000 (eight thousand euro).

All Directors may be removed by the shareholder appointing them or by an ordinary resolution of the shareholders in general meeting. The Directors currently in office are expected to remain in office at least until the next Annual General Meeting.

4.9 Conflict of Interest

Edmund Gatt Baldacchino, Edward Licari and John Attard are directors of both the Issuer and its parent company, PVL. The audit committee of the Issuer has the task of ensuring that any potential conflicts of interest that may arise at any moment, pursuant to these different roles held by directors, are handled according to law. To the extent known or potentially known to the Issuer and PVL as at the date of this Prospectus, there are no other potential conflicts of interest between any duties of the directors of the Issuer and of PVL and their private interests and/or their duties which require disclosure in terms of law.

4.10 Loans to Directors

There are no loans outstanding by the Issuer to any of its Directors nor any guarantees issued for their benefit by the Issuer.

4.11 Board Practices

The Issuer supports the Corporate Governance Guidelines for Public Interest Companies (the "**Code**") and during the period since incorporation to the date of the Prospectus, the Issuer has fully complied with the requirements of the Code.

AUDIT COMMITTEE

The Issuer has set up an Audit Committee to assist the Board amongst others in monitoring and reviewing the Company's financial reporting and performance, financial policies and internal procedures and control mechanisms. In addition, the Audit Committee also has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Issuer and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Issuer.

The Audit Committee will be meeting at least once every three months. Meetings may also be convened at the request of the external auditors. The Chief Executive Officer and Financial Controller of the Group, and the Issuer's company secretary and external auditor may be invited to attend Audit Committee meetings.

As at the date of this Prospectus, the audit committee is composed of Philip Farrugia as chairman and independent non-executive director, Frank Xerri de Caro as independent non-executive director and Edmund Gatt Baldacchino as director. Philip Farrugia was appointed by the Board of Directors as the director who is independent and competent in accounting and/or auditing matters having previously served in various senior positions in a financial institution.

4.12 Employees

As at the date of this Prospectus the Issuer has no employees. The Issuer is therefore reliant on the resources which are made available to it by PVL, including the services of its senior management, whose names and responsibilities are set out hereunder:

Peter Diacono	Chief Executive Officer
Robert Darmanin	Financial Controller
Michael De Maria	Sales and Marketing Manager
Ernest Debono	Cost Manager and Quantity Surveyor

4.13 Share Ownership

The majority of the issued share capital of the Issuer is held by PVL. The presence of an audit committee has the task to ensure that any potential abuse is managed, controlled and resolved in the best interest of the Issuer. The presence of independent non-executive Directors on the Board of the Issuer aims to minimise the possibility of any abuse of control by its major shareholder. Furthermore, in terms of the Memorandum and Articles of Association of the Issuer, in the event that a Director has a personal material interest, either directly or indirectly, in any contract or arrangement with the Issuer, such Director is not entitled to vote on any decisions taken in connection therewith. This ensures that any director sitting on the boards of PVL and the Issuer is precluded of using his vote on any decisions involving a contract or arrangement between PVL and the Issuer.

4.14 Related Party Transactions

- i) The Company has on 8 January 2013 acquired from PVL a parcel of land measuring 1,379m² and located within Pendergardens (known as Block 16) for a total amount of €4,755,460 (four million seven hundred fifty five thousand, four hundred and sixty euro) in consideration for the issue of €3,294,460 (three million two hundred ninety four thousand four hundred and sixty euro) in ordinary shares of the Company by way of capitalisation of the Shareholder's Loan, and the balance of €1,461,000 (one million four hundred sixty one thousand euro) payable on such Shareholder's Loan, which balance will be subordinated in repayment to the repayment of the Global Note, except in so far as its repayment may be made from revenues derived from the sale of units forming part of the Retail Area;
- ii) The Company entered into a fixed price contract with PCL for the execution and completion of the civil works, finishes and overheads pertaining to the construction of Block 16 for the total price of €10,019,000 (ten million nineteen thousand euro), excluding VAT. Pursuant to this contract the stipulated price cannot be amended. Furthermore the Contractor covenants to waive the right to register a special privilege over the Block 16 land. Pursuant to this contract the Contractor has agreed to postpone its claim for payment of retention monies under the said contract until such time as respective amounts are available in the Collateral Account/s from refunds of funds advanced out the Collateral Account/s;
- iii) The Company has entered into an agreement with PVL pursuant to which the Company will grant part of the proceeds from the sale of units to PVL by way of intra-group loan for the purpose of repaying a loan facility amounting to €2,000,000 (two million euro) granted by Bank of Valletta p.l.c. to PVL. The loan to PVL of a maximum of €2,000,000 (two million euro) is interest free and repayable by 2019. The Company will not depend on the repayment of this loan in order to meet its commitment under the Global Note;

- iv) The Additional Parts to be constructed on the Land Excluded Parts under the fixed price contract with PCL are necessary for the construction of Block 16 in accordance with the plans attached to the Title Deed. As owner of the Additional Parts, PVL has granted a right to the Issuer to construct the Additional Parts at the Issuer's cost in the amount of *circa* €51,000 (fifty one thousand euro).

4.15 Interests of Experts and Advisors

Save for the Architect's Valuation Report and the Accountants' Report in Annex B and Annex C respectively, this Prospectus does not contain any statement or report attributed to any person as an expert. The Architect's Valuation Report has been included in the form and context in which it appears with the authorisation of Architect Aaron Abela (B.E.&A Hons) of Arken, Triq iz-Zonqor, Marsaskala MSK 1019, Malta who has given and has not withdrawn his consent to its inclusion herein. The Accountants' Report has been included in the form and context in which it appears with the authorisation of PricewaterhouseCoopers of 167 Merchants Street, Valletta VLT 1174, Malta, who have given and have not withdrawn their consent to its inclusion herein. The Issuer confirms that the Architect's Valuation and the Accountants' Report have been accurately reproduced in this Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading. The experts do not have any beneficial interest in the Issuer.

4.16 Financial Information

The Company was established on 5 November 2012 and since the date of incorporation, the Company acquired the parcel of land as detailed in Section 4.2, entered into a works agreement with PCL included in Section 4.14, and entered into preliminary agreements for the sale of 16 apartments amounting to €3,750,000 (three million seven hundred fifty thousand euro) included in Section 4.2. No financial statements for the Company have been published. The Issuer shall prepare and maintain accounts in accordance with the standards required under the Act.

PART V – ADDITIONAL INFORMATION

This part of the Prospectus is being published in compliance with the requirements of paragraph 16 of Part A of the Second Schedule of the Act.

5.1 Incorporation

The Issuer, whose registered office is at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta, was registered and incorporated as a private limited liability company with company registration number C58098 on 5 November 2012. The Issuer was converted into a public limited company on 22 January 2013. By virtue of a resolution dated 23 January 2013 the Issuer approved the Offer.

The Issuer is a public limited liability company, registered in Malta in terms of the Act on 5 November 2012 with number C58098, having its registered office at GB Buildings, Watar Street, Ta' Xbiex XBX 1301, Malta, and with telephone number (+356) 22488600. The Company has an authorised and issued share capital of €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 (one euro) each.

5.2 Share Capital

The authorised share capital of the Company is €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 (one euro) each.

The issued share capital of the Company is €3,300,000 (three million three hundred thousand euro) divided into 3,300,000 (three million three hundred thousand) ordinary shares of €1 (one euro) each, fully paid up and subscribed as follows:

Shareholder	Number of shares held
PVL	3,295,959
PCL	4,041

The authorised share capital of the Company may be increased by an ordinary resolution of the shareholders in a general meeting. In terms of the Company's Prospectus and articles of association none of the capital shall be issued in such a way as would effectively alter the control of the Company or nature of the business, without the prior approval of the Company in a general meeting.

The shares of the Company are not listed on the Malta Stock Exchange. Application has not been filed for the shares of the Company to be quoted on the Official List or the Alternative Companies List of the Malta Stock Exchange. The Directors of the Issuer have no intention of submitting an application for the admissibility of the Issuer's shares to listing and subsequent trading on the Malta Stock Exchange.

The Company was registered on 5 November 2012. Accordingly there is no capital of the Company, save for the capital issued on original subscription and the capitalisation of the Shareholder's Loan amounting to €3,294,460 (three million two hundred ninety four thousand four hundred and sixty euro) which has been issued during the two (2) years immediately preceding the publication of this Prospectus nor is it expected that the Company issues during the next financial year any shares, whether fully or partly paid up, in consideration for cash or otherwise.

There is no capital of the Company, which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Company is to be put under option.

5.3 *Future Issues*

Within the next twenty four (24) months, the Issuer shall not issue any other financial instruments or debt securities, creating or acknowledging indebtedness.

5.4 *Memorandum and Articles of Association*

The following are highlights of the Issuer's Memorandum and Articles of Association:

OBJECTS

The principal objects of the Issuer are (i) to carry on the business of a finance, investment and property development company; (ii) to carry on the business of the financing or re-financing of the funding requirements of the business of the Group; (iii) to borrow and raise money for the purpose of its business and to secure the repayment of the money borrowed by hypothecation or other charge upon the whole or part of the movable and immovable assets or property of the Company, present or future; and (iv) to issue notes, bonds, commercial paper or other instruments creating or acknowledging indebtedness and the sale or offer thereof to the public. Clause 3 of the Memorandum of Association contains the full list of objects of the Issuer.

APPOINTMENT OF DIRECTORS

The Directors are appointed by the shareholders in terms of the Company's Articles of Association.

POWERS OF DIRECTORS

The Directors are vested with the management of the Company and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Company and in this respect have the authority to enter into contracts, sue and be sued in representation of the Company. In terms of the Memorandum and Articles of Association they may do all such things as are not by the Memorandum and Articles of Association reserved for the Company in general meeting.

Directors may not vote on any proposal, issue, arrangement or contract in which they have a personal material interest.

The maximum limit of aggregate emoluments of the Directors is in terms of the Memorandum and Articles of Association, to be established by the shareholders in general meeting. Within that limit the Directors shall have the power to vote remuneration to themselves or any number of their body. Any increases in the maximum limit of Directors' aggregate emoluments have to be approved by the general meeting. The Directors may also vote that pensions, gratuities or allowances are to be granted on retirement to any director who has held any other salaried office with the Company or to his widow or dependents. However, any such proposal shall have to be approved by the shareholders in general meeting.

In terms of the Memorandum and Articles of Association, the Board of Directors may exercise all the powers of the Company to borrow money and give security thereof, subject to the limitations established in the Articles of Association and the overriding authority of the shareholders in general meeting to change, amend, restrict and or otherwise modify such limitations and the Directors' borrowing powers.

There are no provisions in the Memorandum and Articles of Association regulating the retirement or non-retirement of Directors over an age limit.

COMMISSIONS

There were no commissions, discounts, brokerages or other special terms granted during the two (2) years immediately preceding the publication of this document in connection with the issue or sale of any capital of the Company or any of its subsidiaries.

5.5 Directors' Interests

The following Directors have an indirect interest in PVL, which is the parent company of the Issuer:

Director	Number of shares held
Edmund Gatt Baldacchino through United Group Ltd	1,000 ordinary shares of €2.329373 each, fully paid up 832,189 ordinary shares of €2.329373 each, 93.47069% paid up
Edward Licari through Silverline Investments Ltd	1,000 ordinary shares of €2.329373 each, fully paid up 832,189 ordinary shares of €2.329373 each, 93.47069% paid up
John Attard through Micjon Ltd.	1,000 ordinary shares of €2.329373 each, fully paid up 499,000 ordinary shares of €2.329373 each, 93.46547% paid up

Save for the matters disclosed herein and in Section 4.13 "**Share Ownership**", there are no known potential conflicts of interests between any duties of the Directors of the Issuer and their private interests and/or other duties.

5.6 Litigation

There have not been governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the period covering twelve (12) months prior to the date of the Prospectus which may have, or have had, in the recent past significant effects on the financial position or profitability of the Issuer.

5.7 Taxation

GENERAL

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Participation Note, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Participation Note Holders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Prospective investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of prospective investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Participation Notes from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

INTEREST

Unless the Issuer and/or the Trustee is otherwise instructed by a Participation Note Holder or if the Participation Note Holder does not fall within the definition of "recipient" in terms of article 41(c) of the Income Tax Act (Chapter 123 of the Laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% (fifteen per cent) of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Participation Note Holders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual note holder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income. However where the note holder is a Maltese resident individual, he is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the individual's tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Participation Note Holder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally, in this latter case, the Trustee will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients, unless the beneficiary is a non-resident of Malta. Any such election made by a resident Participation Note Holder at the time of subscription may be subsequently changed by giving notice in writing to the Trustee. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Participation Note Holders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer and/or the Trustee in terms of law.

EUROPEAN UNION SAVINGS DIRECTIVE

Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Malta Commissioner of Inland Revenue who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the EU Savings Directive 2003/48/EC.

DUTY ON DOCUMENTS AND TRANSFERS

In terms of article 42(1) of the Duty on Documents Act (Cap. 364 of the laws of Malta), a duty of 2% of the value of the Class B Participation Notes is chargeable in respect of transfers of the Class B Participation Notes.

REDEMPTION OF THE PARTICIPATION NOTES

No capital gains should arise upon redemption of the Participation Notes. No duty under the Duty on Documents Act (Cap. 364 of the laws of Malta) should arise upon redemption of the Participation Notes.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF PARTICIPATION NOTES AS WELL AS INTEREST PAYMENTS MADE BY THE AUTHORISED FINANCIAL INTERMEDIARY. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE PARTICIPATION NOTES AND TO PARTICIPATION NOTE HOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO NOTE HOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

5.8 *Material Contracts*

The Issuer has not entered into any material contracts that are not in the ordinary course of their business, which could result in any member thereof being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to Participation Note Holders in respect of the Notes.

5.9 *Loan Capital & Borrowings*

Before the issue of the Global Note the Company had no loan capital and borrowings other than the Shareholder's Loan mentioned in Section 4.14.

5.10 Documents on Display

Copies of the following documents will be available for inspection during normal business hours on any weekday (Saturday, Sundays and public holidays excluded) at the offices of the Issuer at Pender Place, St Andrew's Road, St Julians STJ 9023. Malta for the duration period of this Prospectus:

- (i) Memorandum and Articles of Association of the Issuer;
- (ii) Architect's Valuation Report;
- (iii) Accountants' Report;
- (iv) Trust Deed;
- (v) Underwriting Agreement;
- (vi) Pledge Agreement;
- (vii) Prospectus.

ANNEX A1 TERMS AND CONDITIONS OF THE GLOBAL NOTE

GENERAL TERMS AND CONDITIONS APPLICABLE TO THE €12,000,000 (TWELVE MILLION EURO) 7% (SEVEN PER CENT) SECURED GLOBAL NOTE REDEEMABLE ON 14 JANUARY 2019 BY PENDERGARDENS DEVELOPMENTS P.L.C. (THE "ISSUER" OR THE "COMPANY") IN TERMS OF THE TRUST DEED AND THE PROSPECTUS.

THE ISSUE OF THE GLOBAL NOTE IS BEING MADE SUBJECT TO THE PROVISIONS OF THE TRUST DEED DATED 6 FEBRUARY 2013 (HEREINAFTER REFERRED TO AS THE "TRUST DEED") AND OF THESE TERMS AND CONDITIONS. A PARTICIPATION NOTE HOLDER AS WELL AS ANY PERSON HAVING AN INTEREST UNDER THE GLOBAL NOTE IS DEEMED TO HAVE INVESTED ONLY AFTER HAVING RECEIVED, READ AND UNDERSTOOD THE CONTENTS OF THIS DOCUMENT AND THEREFORE ONLY AFTER HAVING FULL KNOWLEDGE OF THE INFORMATION CONTAINED IN THIS DOCUMENT AND IS ACCORDINGLY DEEMED TO HAVE ACCEPTED ALL THE TERMS AND CONDITIONS SET OUT IN THIS DOCUMENT AND THE TRUST DEED.

ALL TERMS USED HEREIN SHALL UNLESS THE CONTEXT OTHERWISE REQUIRES OR UNLESS OTHERWISE DEFINED HAVE THE SAME MEANINGS ATTRIBUTED TO THEM IN THE PROSPECTUS AND THE TRUST DEED.

1. General

- (a) The issuance of the Global Note has been duly authorised by a resolution of the Board of Directors of the Issuer on 23 January 2013 by virtue of the power contained in the Memorandum of Association.
- (b) The Global Note shall be issued to the Trustee, on trust for the benefit of the Registered Beneficiaries, which together with the Security Interests to be constituted in favour of the Trustee shall constitute the Trust Property.
- (c) The Global Note shall constitute the Issuer as the true and lawful debtor of the Offer Amount in favour of the Trustee on behalf of the Beneficiaries.
- (d) Unless previously purchased and cancelled, the Global Note shall be redeemable at the nominal value including accrued but unpaid interest on the Redemption Date, subject to the Issuer's option to redeem all or part of the Global Note at any time between 15 January 2015 and 13 January 2019 (both days included) in whole or in part, on giving not less than 30 days prior written notice to the Trustee. In making an Early Redemption as aforesaid, the Issuer reserves the right to adopt such redemption policy as it may consider appropriate at its sole discretion subject to such terms and conditions as contained herein.

2. Form, Denomination and Title

The Global Note shall be issued in fully certificated and registered form, without a coupon. The Global Note shall be issued to the Trustee for the Offer Amount and the Trustee shall be entered in the register of Global Note Holders as the holder of the Global Note. The Trustee shall hold the Global Note on trust for the benefit of the Registered Beneficiaries, which together with the Security Interests to be constituted by the Issuer in favour of the Trustee shall constitute the Trust Property.

3. Interest

- (a) Interest on amounts outstanding under the Global Note shall accrue at the rate of 7% (seven per cent) *per annum*. Interest shall be payable annually in arrears on 14 January in each year between the years 2014 and 2019 (both years included), (each such day, an "Interest Payment Date"), PROVIDED THAT any Interest Payment Date which falls on a day other than a Saturday, Sunday or a public holiday in Malta ("Business Day"), will be carried over to the next following day that is a Business Day. The first interest payment on 14 January 2014 shall cover the period 27 February 2013 to 14 January 2014 (both days included);
- (b) The Global Note shall cease to bear interest from and including the Redemption Date unless, upon due presentation, payment of the principal in respect of the Global Note is improperly withheld or refused, or unless the Issuer defaults in respect of payment, in any of which event interest shall continue to accrue at the greater of the rate specified above or

at the rate of 2% (two per cent) *per annum* above the European Central Bank's refinancing rate, but in any event not in excess of the maximum rate of interest allowed by Maltese law;

- (c) For the avoidance of doubt, when interest is payable for a period of less than one year, it shall be calculated on the basis of the actual number of days elapsed and a year of 365 (three hundred sixty five) days.

4. Status of the Notes and Negative Pledge

- (a) The Global Note constitutes the general, direct, unconditional and secured obligations of the Issuer, and will rank with first priority and preference over all other present and future obligations of the Issuer. The Issuer shall constitute a first-ranking general hypothec over all its assets, present and future, and a first-ranking special hypothec over the Hypothecated Property to better secure its obligations and grant a right of preference to the Trustee for the benefit of Participation Note Holders in terms of the Trust Deed. A pledge over the Collateral Account/s shall be granted by the Issuer in favour of the Trustee on behalf of the Participation Note Holders.
- (b) The Issuer undertakes, for as long as any principal or interest under the Global Note remains outstanding, not to create or permit to subsist any Security (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of its present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer.

"Financial Indebtedness" means any indebtedness in respect of (A) monies borrowed; (B) any debenture, bond, note, loan stock or other security; (C) any acceptance credit; (D) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance for the acquisition of that asset; (E) leases entered into primarily as a method of raising finance for the acquisition of the asset leased; (F) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (G) any guarantee, indemnity or similar assurance against financial loss of any person;

"Security" means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer;

"Permitted Security Interest" means any Security arising by operation of law (excluding the privilege of contractors and workmen arising from the provisions of Article 2010 of the Civil Code, Cap. 16 of the laws of Malta);

"unencumbered assets" means assets which are not subject to a Security.

5. Use of Proceeds

The proceeds of the Global Note issue shall be deposited in the Collateral Account/s which are opened in the name of the Issuer, and any funds held in the Collateral Account/s shall be solely used for the following purposes (the **"Permitted Purposes"**):

- (i) costs and expenses incurred in connection with the issuance of the Global Note, including reasonable costs and expenses required to be reimbursed to the Underwriter;
- (ii) interest payments due on the Global Note;
- (iii) expenses directly related to the building and finishing of the Project;
- (iv) amounts due to Pender Contracting Limited under a contracting agreement;
- (v) amounts due to Pender Contracting Limited under a service agreement covering architectural fees;
- (vi) tax and VAT payments;
- (vii) audit and legal fees;
- (viii) reasonable costs and expenses payable in connection with the administration of the Issuer, including reasonable and customary fees due to the administrator, independent directors, company secretary of the Issuer, and other consultants;
- (ix) fees and expenses due to the Trustee under the Trust Deed;
- (x) amounts due for all costs of acquisition of the Hypothecated Property.

Any disbursement from the Collateral Account/s requires the written approval of the Trustee, which shall not be unreasonably withheld, provided that (i) no Event of Default has occurred and is continuing in respect of the Global Note and (ii) the Issuer presents an invoice relating to such expenses, as well as a report issued by an independent expert on the construction progress of specifically listed and invoiced items in the case of construction invoices. Disbursements from the Collateral Account/s shall be notified to the Trustee at least thirty (30) days prior to the intended disbursements, provided that the Trustee may at its own discretion, acting in the best interests of the Participation Note Holders, allow disbursements to be made before the lapse of the thirty (30) days notice. The pledge over the Collateral Account/s shall be released by the Trustee up to the amount of the disbursements approved as aforesaid.

6. Payments

- (a) Payment of the principal amount (with interest accrued and unpaid to the Redemption Date) as well as payment of interest on the Global Note shall be made in euro to the person in whose name such Global Note is registered as at the close of business fifteen (15) days prior to the date set for redemption or fifteen (15) days prior to the relevant Interest Payment Date (as the case may be) against surrender of the Global Note at the registered office of the Issuer or at such other place in Malta as may be notified by the Issuer. Such payment shall be effected by direct credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the Global Note Holder. The Issuer shall not be responsible for any loss or delay in transmission. Such payment shall be effected within seven (7) days of the date set for redemption or the Interest Payment Date (as the case may be).
- (b) All payments with respect to the Global Note are subject in all cases to any pledge (duly constituted) of the Global Note and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments by the Issuer in respect of the Global Note shall be made gross of any amount to be deducted or withheld for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed or levied by or on behalf of the Government of Malta or authority thereof or therein having power to tax.
- (c) No commissions or expenses shall be charged to the Global Note Holder in respect of such payments.
- (d) For the purposes of paragraphs (a), (b) and (c) hereof, the term Redemption Date shall be deemed to include an Early Redemption Date where such may have been set from time to time by the Issuer in respect of all or part of the Global Note, PROVIDED THAT in making an early redemption as aforesaid, the Issuer reserves the right to redeem the Global Note in whole or in part, at the discretion of the Issuer.

7. Redemption

- (a) Unless previously redeemed, purchased and cancelled, the Global Note shall be redeemed at the nominal value (together with interest accrued and which has remained unpaid to the date set for redemption) on the Redemption Date, PROVIDED THAT the Issuer reserves the right to redeem all or part of the Global Note on any day between 15 January 2014 and 13 January 2019, on giving not less than thirty (30) days prior written notice to the Global Note Holder.

The Issuer may at any time re-purchase the Global Note from the Trustee by giving the Trustee at least thirty (30) days prior written notice of its intention to effect such redemption specifying the date when such redemption shall be effected. Such redemption may be made in whole or in part, PROVIDED THAT any partial redemption is made at a minimum amount of €500,000 (five hundred thousand euro) and in multiples of €10,000 (ten thousand euro) thereafter.

- (b) The Redemption of the Global Note shall take place by payment of all principal and interest accrued until the date of redemption. The notice of redemption shall be effective only on actual receipt by the Trustee, shall be irrevocable and shall oblige the Issuer to make and the Trustee to accept such redemption on the date specified in the notice.
- (c) All of part of the Global Note being redeemed shall be cancelled forthwith and may not be re-issued or re-sold.

8. Covenants by the Issuer

- (1) The Company hereby covenants in favour of the Trustee for the benefit of Registered Beneficiaries, that at all times during which any of the Global Note shall remain outstanding:
 - (a) It shall, until the Global Note has been redeemed, pay to the Trustee for the benefit of the Participation Note Holders interest at the rate of 7% (seven per cent) *per annum* on each Interest Payment Date and the principal amount of the Global Note on the Redemption Date;
 - (b) It shall maintain its corporate existence as a company duly organised and existing and in good standing under Maltese law;
 - (c) It shall promptly notify the Trustee, upon the happening of any Event of Default;
 - (d) It shall construct and develop the Project by diligently selecting and engaging contractors of the required skills for projects of that nature and shall diligently monitor and supervise the construction and development works on the Project;
 - (e) It shall provide to the Trustee the necessary documentation for disbursements from the Collateral Account/s in accordance with clause 5 of the terms and conditions of the Global Note in a timely manner from the receipt of any invoice;
 - (f) In case the Trustee has provided for funds to be disbursed from the Collateral Account/s in order to meet interest payments under the Global Note, the Company covenants to replenish the Collateral Account/s with such amounts out of the sale proceeds derived from the sale of any units forming part of the Project;
 - (g) It shall maintain and keep in proper order, repair and condition such parts of the Hypothecated Property as are of a repairable nature and the Trustee shall have power in the event of any such part of the Hypothecated Property being or becoming out of proper order, repair or condition to call upon the Issuer to effect such repairs within a reasonable time as may be specified in the notice. If the Issuer fails to undertake the repairs requested by the Trustee in the notice after the lapse of the time granted to it by the Trustee in the notice, the Trustee may, but shall not be bound to do so, call a meeting of Registered Beneficiaries for the purpose of determining what action, if any, should be taken in the circumstances. PROVIDED THAT if requested to do so in writing by not less than 75% (seventy five per cent) in value of the Registered Beneficiaries, and provided the Trustee is indemnified by the Registered Beneficiaries to its satisfaction, the Trustee shall have the power to engage itself such persons as may be necessary to repair or to put and maintain the same in proper order, repair and condition. Any expenses incurred by the Trustee and its costs and charges therein shall be a debt due from the Issuer payable on demand;
 - (h) It shall provide to the Trustee an authentic copy of a notarial deed by which Pender Contracting Limited irrevocably renounces to its right to register a special privilege or special legal hypothec on the Hypothecated Property accorded to it by law in terms of Article 2010 of the Civil Code (Cap. 16 of the laws of Malta) and to register or secure any other cause of preference or security on the Hypothecated Property to which it may become entitled in terms of law, by virtue of any claim for outstanding dues for supplies, materials, work or services performed or undertaken by it in connection with the development of the Hypothecated Property without first obtaining the written consent of the Trustee, which consent may be granted or otherwise in the absolute discretion of the Trustee. Such notarial deed shall also bind Pender Contracting Limited to obtain a similar valid and enforceable waiver of privilege from subcontractors, which shall be documented by notarial deed in cases of a contract value above €1,000,000 (one million euro) and in private writing to be registered at the Public Registry in accordance with the provisions of Article 1996A of the Civil Code (Cap. 16 of the laws of Malta) in all other cases. Pender Contracting Limited shall under such deed also covenant that its subcontractors shall only be allowed to subcontract further after provision of a

similar waiver of privilege to be documented by notarial deed in cases of a contract value above €1,000,000 (one million euro) and in private writing to be registered at the Public Registry in all other cases;

- (i) Whereas the Issuer shall receive advance payments made under a preliminary agreement of sale and purchase by a purchaser of a residential unit or a garage space up to an amount of 10% (ten per cent) of the sale price, in the case of advance payments in excess of 10% (ten per cent) of the sale price made before the conclusion of the contract of sale and purchase, the excess shall be made available to the Trustee to be applied to the Reserve Account;
- (j) It shall enter into an agreement with PCL and the Trustee pursuant to which PCL agrees to postpone its claim for payment of retention monies under the contract for the construction and completion of the project with PCL until such time as the Collateral Account/s is placed in funds through refund of monies advanced to the Issuer for interest payments under the Global Note;
- (k) It shall enter into an agreement pursuant to which PVL subordinates the repayment of the Shareholder's Loan to the repayment of the Global Note, except insofar as the repayment of the Shareholder's Loan is made from proceeds derived from the sale of units forming part of the Retail Area;
- (l) It shall insure and keep insured to the satisfaction of the Trustee, and to the full replacement value thereof, all such parts of the Hypothecated Property as are of an insurable nature against loss or damage by fire, explosion, lightning, storm, tempest, flood, (where appropriate) aircraft and things dropped therefrom and such other risks as in accordance with sound commercial practice are normally insured against by companies carrying on a similar business with one or more insurance companies licensed to transact insurance business in Malta or such other insurance company agreed to between the Company and the Trustee. The Issuer will procure that the interest of the Trustee as hypothecary creditor is duly noted on the policies of insurance and will produce the policies of such insurance to the Trustee if required, and duly pay or cause to be paid the *premia* and other sums of money payable in respect of such insurance, and if required produce to the Trustee the receipt for the same within fifteen (15) days of the same becoming due. All monies received by virtue of any such insurance shall so far as they are in respect of part of the Hypothecated Property be deemed part of the Hypothecated Property and shall be paid to the Trustee and shall be applied in making good the loss or damage in respect of which the monies were received or in such other manner as the Trustee shall approve;
- (m) It shall duly and punctually pay, perform and observe all rents, rates, taxes, stamp duties, covenants and other obligations whatsoever which ought properly to be paid or to be observed or to be performed by the Issuer in respect of any part of the Hypothecated Property;
- (n) It shall permit the Trustee or any person or persons authorised by it, at any time and from time to time during the usual times of business so long as the Global Note shall remain outstanding and secured by the Security Interests, to inspect and examine any part of the Hypothecated Property and will afford the Trustee and its agent access to the Hypothecated Property and render them such assistance as may be required for any of the purposes aforesaid; PROVIDED THAT the aforementioned inspection may only be made by the Trustee after having notified the Issuer in writing of its intention and provided further that the aforementioned inspection is made during reasonable business hours;
- (o) It shall keep proper books of account which shall at all reasonable times be open to inspection by the Trustee or any person appointed by the Trustee for that purpose, and will furnish to the Trustee or any such agent all such information relating to the business or affairs of the Issuer as they shall require, and shall deliver to the Trustee at least five (5) days before the annual general meeting of the Issuer each year a copy of the balance sheet and profit and loss account of the Issuer certified by the auditors of the Issuer and copies of the auditors' and directors' reports thereon, together with copies of any other documents required by law to be attached thereto;

- (p) It shall carry on and conduct their business in a proper and efficient manner;
- (q) It shall permit the Trustee to hold the Land Registry Certificates showing title to the Hypothecated Property, if applicable;
- (r) It shall forthwith on receipt of the same deliver to the Trustee all orders, directions, notices and any other thing whatsoever affecting or likely to adversely affect the Hypothecated Property;
- (s) It shall comply with the requirements of all applicable laws in force in Malta from time to time, including but not limited to the Development Planning Act (Cap. 356 of the laws of Malta) and all regulations made thereunder, and with the requirements of any permits issued by the Malta Environment and Planning Authority, so far as such requirements relate to the Hypothecated Property or any part thereof, and will promptly produce to the Trustee any notice, order, direction, requisition, permission or other document served on it in connection with such law which affects or is likely to affect the Hypothecated Property or any part thereof; and
- (t) It shall not hypothecate the Hypothecated Property further, nor transfer ownership and/or any other real right over the Hypothecated Property under any title whatsoever without the Trustee's consent. For the avoidance of doubt, a transfer of control of the Issuer shall be deemed to constitute a transfer of the Hypothecated Property under this paragraph. For the purposes of this paragraph a transfer of control shall include, but without prejudice to the generality of the foregoing shall not be limited to, (i) the transfer of voting shares in the Issuer which amounts to a transfer of 50% (fifty per cent) plus 1 share of the total shareholding having voting rights in the Issuer; (ii) the transfer in any manner of the ability to appoint a majority of the directors of the Issuer; and (iii) the transfer to any person of the ability to determine the financial and operational decision making power of the Issuer. For the avoidance of doubt, a transfer of control in the Issuer arising as a result of a series of separate transactions shall also be deemed to constitute a transfer of the Hypothecated Property under this paragraph.

9. Representations and Warranties

- (1) The Issuer represents and warrants to the Trustee and each Participation Note Holder, and each of the Trustee and Participation Note Holder that relies on such representations and warranties, that:
 - (a) It is duly registered and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its property and other assets under valid legal title;
 - (b) It has the power to execute, deliver, and perform its obligations under this document and the Trust Deed; and that all necessary corporate, shareholder and other action has been duly taken to authorise the execution, delivery and performance of the same, and no limitation on the powers of the Issuer to borrow or guarantee shall be exceeded as a result of this Deed;
 - (c) This document and the Trust Deed constitute valid and legally binding obligations of the Issuer;
 - (d) The execution and performance of its obligations under and in compliance with the provisions of this document and the Trust Deed by the Issuer shall not:
 - (i) contravene any existing applicable law, statute, rule or regulation or any judgement, decree or permit to which the Issuer is subject;
 - (ii) conflict with or result in any breach of any terms of or constitute a default under any bond or other instrument to which the Issuer is a party, or is subject, or by which it or any of its property is bound;
 - (iii) contravene any provision of the Issuer's Memorandum or Articles of Association;

- (e) No litigation, arbitration or administrative proceeding is taking place, pending or, to the knowledge of the officers of the Issuer, threatened against the Issuer which could have a material adverse effect on its business, assets or financial condition of the Issuer;
 - (f) This Prospectus contains all material information with respect to the Issuer and that all information contained therein is in every material respect true and accurate and not misleading and that there are no other facts in relation to the Issuer, its business and financial position, the omission of which would in the context of issue of the Global Note make any statement in the Prospectus misleading or inaccurate in any material respect;
 - (g) The expert providing reports on the construction progress as required under clause 5 is an independent third party, which has no connection with, and no direct or indirect interest in the Issuer.
- (2) The Issuer further represents and warrants to the Trustee and each Participation Note Holder that relies on such representations and warranties that:
- (a) Every consent, authorisation, approval or registration with, or declaration to governmental or public bodies or authorities or courts, required by the Issuer in connection with the Project, the execution, validity, enforceability of the Trust Deed or the performance of its obligations under the Trust Deed have been obtained or made and are in full force and effect and there has been no default in the observance of any of the conditions or restrictions, if any, imposed in, or in connection with, any of the same;
 - (b) No default mentioned in this document or the Trust Deed has occurred and is continuing.

10. Functions and Powers of Trustee

- (1) The Trustee may, but shall not be bound, unless requested to do so in writing by not less than 75% (seventy five per cent) in value of the Registered Beneficiaries, to enforce or take any step to enforce the covenants in clause 7 hereof, and (subject to any such request as aforesaid) may waive on such terms and conditions as it shall deem expedient any of the covenants and provisions hereinabove contained and on the part of the Issuer to be performed and observed.
- (2) The Trustee shall monitor financial information relating to the Issuer, on behalf of the Registered Beneficiaries, as may be forwarded to the Trustee by the Issuer on an annual basis.
- (3) Without prejudice to the powers and reliefs conferred on trustees by the applicable law and by the Trust Deed, the Trustee shall have the following powers:
 - (a) To employ and pay at the reasonable cost of the Issuer in discharge of its duties any servant or agent to do anything or transact any business to be done or transacted under the Trust Deed or this document, without being under any liability for any default of such servant or agent; PROVIDED THAT prior to employing any servant or agent as aforementioned, notice in writing of the estimated costs to be incurred is to be given to the Issuer;
 - (b) To rely on the advice, opinion of any lawyer, broker, surveyor, valuer or accountant or other professional person without incurring any liability for so relying notwithstanding that such professional person may have been employed by the Issuer or may otherwise not be disinterested and without incurring liability for any error in the transmission of any such advice or by reason of the same not being authentic;
 - (c) To delegate any of its discretions under this Prospectus to any officer or servant of the Trustee believed by it to be competent and responsible and to delegate any of its powers and duties under this Prospectus to such persons (including any such officer or servant as aforesaid) as it shall think fit, and to confer power to sub-delegate, without incurring any liability for the default of any person to whom such discretions powers or duties are delegated or sub-delegated;

- (d) To deposit any Land Registry Certificates or other documents of title relating to the Hypothecated Property with any banker or firm of lawyers or accountants or in any safe or other place where securities are commonly kept without being further responsible for their safe keeping;
- (e) To accept such title as the Issuer has to the Hypothecated Property without being liable for accepting a defective title.

And generally the Trustee shall not be liable for any error of judgement committed in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts and the Trustee, its officers, servants and agents shall be entitled to be indemnified out of the Hypothecated Property so far as may be lawful in respect of all liabilities incurred in the execution of the trusts under the Trust Deed.

(4) In addition the Trustee shall also undertake the following functions:

- (a) The Trustee shall approve any disbursement from the Collateral Account/s in accordance with clause 5 of these terms and conditions of the Global Note;
- (b) Part of the funds available from the Global Note proceeds may be utilised, with the approval of the Trustee, for the payment of interest on the Global Note;
- (c) The Trustee shall release from the pledge over the Collateral Account/s any amounts disbursed in accordance with clause 5 of these terms and conditions of the Global Note;
- (d) The Trustee shall appear on all contracts of sale and purchase of units forming part of the Hypothecated Property for the purpose of collecting the agreed portion of the proceeds from the sale of the said units;
- (e) Out of the proceeds from the sale price of residential units and garages net of commissions and VAT thereon and provisional tax, up to approximately 85% to 90% of said proceeds are to be retained by the Trustee for the creation of an adequate redemption reserve fund (the “**Reserve Account**”);
- (f) The proceeds from the sale price of units forming part of the Retail Area net of commission and VAT thereon and provisional tax shall be applied for any of the following purposes: (i) an amount of €1,461,000 (one million four hundred sixty one thousand euro) shall be made available to PVL in repayment of the Shareholder’s Loan; (ii) any outstanding amount of interest previously advanced by the Trustee out of the Collateral Account/s; and (iii) any amount thereafter shall be made available to the Issuer;
- (g) The Trustee shall apply any funds held by it pursuant to these provisions to an account (the Reserve Account) to be held with Mediterranean Bank plc;
- (h) Upon full redemption of the Global Note, the Trustee shall pay any excess funds held by it to the Issuer after having ascertained that all expenses relative to the issue and redemption of the Global Note or the Participation Notes have been paid;
- (i) When the value of the hypothec on the basis of the sale price of the said hypothec together with any cash held by the Trustee is lower than the amount of the outstanding Global Note, and one year’s interest thereon, the Trustee shall have the right to cease to allow any further disbursements from the available cash.

11. *Events of Default*

The Trustee may at its discretion, and shall upon the request in writing of not less than 75% (seventy five per cent) in value of the Registered Beneficiaries, by notice in writing to the Issuer declare the Global Note to have become immediately payable (unless provided otherwise in the foregoing provisions) on the occurrence of any of the following events ("**Events of Default**"):

- (a) the Issuer shall fail to pay any interest on the Global Note when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by the Global Note Holder;
- (b) the Issuer shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in these Terms and Conditions and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by the Global Note Holder;
- (c) if the Issuer, having announced the redemption of the Global Note whether in whole or in part, defaults for ninety (90) days in the payment of any principal monies owing in respect of such Early Redemption;
- (d) if a Court order or other judicial process is levied or enforced upon or sued out against any material part of the properties of the Issuer and is not paid out, withdrawn or discharged within one month;
- (e) if the Issuer stops payment of its debts or ceases or threatens to cease to carry on its business;
- (f) if the Issuer is unable to pay its debts within the meaning of Article 214(5) of the Act, or any statutory modification or re-enactment thereof;
- (g) if a receiver is appointed of the whole or any part of the properties of the Issuer and such appointment is certified by the Trustee to be prejudicial in its opinion to the Registered Beneficiaries;
- (h) if an order is made or an effective resolution is passed for winding up of the Issuer, except for the purpose of a reconstruction, amalgamation or division on the terms of which have been approved in writing by the Trustee;
- (i) if the Issuer substantially changes the object or nature of business as currently carried on;
- (j) if the Issuer commits a breach of any of the covenants or provisions herein contained and on its part to be observed and performed and the said breach still subsists for thirty (30) days after having been notified by the Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Global Note);
- (k) if the security constituted by any hypothec or charge upon the whole or any part of the undertaking or assets of the Issuer shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Trustee to be in its reasonable opinion prejudicial to the Registered Beneficiaries;
- (l) if any representation or warranty made, or deemed to be made, or repeated by, or in respect of the Issuer is or proves to have been incorrect in any material respect;
- (m) if any material indebtedness of the Issuer is not paid when properly due, or becomes properly due and payable, or any creditor of the Issuer becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Issuer in respect of indebtedness is not honoured when properly due and the said indebtedness, guarantee or indemnity is called upon. Provided that for the purposes of this provision, material indebtedness shall mean an amount exceeding €500,000 (five hundred thousand euro);
- (n) if any consent, authorisation, licence or approval of or registration with or declaration to governmental or public bodies or authorities or courts required by the Issuer in connection with or pursuant to the Project or the execution, delivery, validity, enforceability or admissibility in evidence hereof or the performance by the Issuer of its obligations hereunder,

is substantially modified or is not granted or is revoked or terminated or expires and is not renewed or otherwise ceases to be in full force and effect;

- (o) if it becomes unlawful at any time for the Issuer to perform all or any of its obligations hereunder;
- (p) if the Issuer repudiates or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Global Note and/or the Trust Deed; and
- (q) all, or in the sole opinion of the Trustee, a material part of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Company are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

Upon any such declaration being made as aforesaid the Global Note and all principal monies and interest accrued shall be deemed to have become immediately due and payable at the time of the event which shall have happened as aforesaid.

12. Register of Global Note Holders

- (a) The Issuer shall maintain a register, at its registered office or at such other place in Malta as the Directors of the Issuer may determine, in which it shall enter the name and address of the Trustee as the holder of the Global Note, together with particulars of the Global Note. A copy of such register shall at all reasonable times during business hours be open to inspection by the Trustee at the registered office of the Issuer.
- (b) Any person becoming entitled to the Global Note in consequence of bankruptcy or winding-up of a holder thereof may, upon such evidence being produced as may from time to time properly be required by the Issuer, request in writing the redemption and cancellation of such Global Note followed by the issuance of a Global Note of the same amount and may elect either to be registered himself as holder of the Global Note or to have some person nominated by him registered as the holder thereof.
- (c) In the event that any Global Note represented by certificate shall be worn out, defaced, destroyed or lost, it may be replaced on such evidence being produced and such indemnity (if any) being given as the Issuer may at its discretion require and in accordance with the Global Note register, and in the case of wearing out, or defacement, or change of address of the Global Note Holder, on delivery of the old certificate, and in the case of destruction or loss, on the execution of such indemnity as is considered necessary, and in any case upon the payment of €50 (fifty euro). In case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to the Issuer all expenses incidental to the investigation by the Issuer of the evidence of such destruction or loss and to such indemnity.

13. Further Issues

The Issuer shall not as long as the Global Note is still outstanding, without the consent of the Global Note Holder, create and issue further bonds, notes, debentures or any other debt securities, unless such instruments so issued shall be unsecured. Within the next twenty four (24) months, the Issuer shall not issue any other financial instruments or debt securities, creating or acknowledging indebtedness.

14. Security

In warranty of the proper observance by the Issuer of all the covenants and obligations undertaken by it in the Trust Deed and the Global Note (including these terms and conditions), and in particular in warranty of its obligation to repay the principal amount of the Global Note and all interests thereon, and all other monies intended to be secured, the Issuer shall constitute in favour of the Trustee, on trust for the Registered Holders, a general hypothec over all its assets present and future; a special hypothec for €12,000,000 (twelve million euro) over the Hypothecated Property, and a pledge over the Collateral Account/s, the latter being granted to the Trustee for the benefit of the Participation Note Holders only, as described in detail in the Trust Deed.

15. Governing Law and Jurisdiction

- (a) The Global Note, the Trust Deed and all contractual arrangements arising therefrom are governed by and shall be construed in accordance with Maltese law, *inter alia* the Act, the Regulation and the Trusts and Trustees Act.
- (b) Any suit, action or proceedings arising out of, or in connection with, the Global Note shall be brought to arbitration in accordance with the Arbitration Act (Cap. 387 of the laws of Malta). The Issuer and the Trustee shall jointly nominate one (1) arbitrator. If the Issuer and the Trustee fail to agree on such appointment, the Issuer and the Trustee shall request the Chairman of the Malta Arbitration Centre to appoint an arbitrator in terms of the Arbitration Act. The arbitration shall take place in Malta and the language of the arbitration shall be English. No further recourse to the courts of any country shall apply.

16. Notices

Notices will be mailed to the Global Note Holder at its registered address and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Global Note Holder at its registered address and posted.

ANNEX A2 TERMS AND CONDITIONS OF THE PARTICIPATION NOTES

TERMS AND CONDITIONS OF THE PARTICIPATION NOTES IN TERMS OF THE TRUST DEED AND THE PROSPECTUS

GENERAL TERMS AND CONDITIONS APPLICABLE TO THE €12,000,000 (TWELVE MILLION EURO) 7% (SEVEN PER CENT) SECURED PARTICIPATION NOTES, IN TERMS OF THE TRUST DEED AND THE PROSPECTUS REDEEMABLE ON 14 JANUARY 2019 BY THE TRUSTEE.

THE ISSUE OF THE PARTICIPATION NOTES IS BEING MADE SUBJECT TO THE PROVISIONS OF THE TRUST DEED DATED 6 FEBRUARY 2013 (HEREINAFTER REFERRED TO AS THE "TRUST DEED") AND OF THESE TERMS AND CONDITIONS. A PARTICIPATION NOTE HOLDER AS WELL AS ANY PERSON HAVING AN INTEREST UNDER THE PARTICIPATION NOTES IS DEEMED TO HAVE INVESTED ONLY AFTER HAVING RECEIVED, READ AND UNDERSTOOD THE CONTENTS OF THIS DOCUMENT AND THEREFORE ONLY AFTER HAVING FULL KNOWLEDGE OF THE INFORMATION CONTAINED IN THIS DOCUMENT AND IS ACCORDINGLY DEEMED TO HAVE ACCEPTED ALL THE TERMS AND CONDITIONS SET OUT IN THIS DOCUMENT AND THE TRUST DEED.

ALL TERMS USED HEREIN SHALL UNLESS THE CONTEXT OTHERWISE REQUIRES OR UNLESS OTHERWISE DEFINED HAVE THE SAME MEANINGS ATTRIBUTED TO THEM IN THE PROSPECTUS AND THE TRUST DEED.

1. *General*

- (a) The Global Note shall constitute the Issuer as the true and lawful debtor of the Offer Amount in favour of the Trustee on behalf of the Beneficiaries. The Participation Notes constitute the beneficial interest of the Participation Note Holders in the Trust Property. The Participation Notes are divided in two classes, Class A and Class B; Class A Participation Notes shall be subscribed by the Underwriter and shall rank prior to Class B Participation Notes with regard to all proceeds derived from the enforcement of the Security Interests, and will be redeemed prior to any other redemption of Class B Participation Notes. Class B Participation Note Holders shall rank *pari passu* between them according to the rights and interests held by each Class B Participation Note Holder in the Global Note.
- (b) The Participation Notes shall bear interest at a rate of 7% (seven per cent) per annum in accordance with the terms and conditions as set out in this document.
- (c) Class A Participation Notes are redeemable at any time provided that a Subscription Agreement for Class B Participation Notes of an amount corresponding to the redemption amount is executed at the same date.
- (d) The Participation Notes shall be redeemable at their nominal value including accrued but unpaid interest on the Redemption Date in accordance with the ranking of the Participation Notes. Upon an early redemption of the Global Note, the Participation Notes of all Participation Note Holders shall be redeemed in whole or in part according and up to the amount received by the Trustee from the redemption of the Global Note.
- (e) The Class B Participation Notes are freely transferable. The Class A Participation Notes are non-transferable.

2. *Form, Denomination and Title*

- (a) The Participation Notes shall be issued in fully certificated and registered form, without coupons. Participation Notes shall be issued under the signature of a duly authorised signatory of the Trustee.

- (b) The Trustee shall maintain a Register of Beneficiaries which shall identify the Registered Beneficiaries from time to time. An entry in the Register shall be conclusive evidence of the beneficial interest of the person or persons named therein in the Trust Property. The Register of Beneficiaries shall contain the following information:

- Name of the Beneficiary;
- Address of the Beneficiary;
- Identity Card Number (in the case of an individual);
- Company Registration Number (in the case of a company);
- The class of the Participation Note (Class A or Class B);
- The value expressed in euro (€) of the beneficial interest of the Registered Beneficiary in the Trust Property; and
- Date of entry into the Register.

Every Registered Beneficiary shall be entitled to be entered in the Register of Beneficiaries as a beneficiary under the Trust and shall be entitled to receive from the Trustee a Participation Note acknowledging the Registered Beneficiaries' beneficial interest in the Trust Property and evidencing the appropriate entry in the Register of Beneficiaries.

- (c) Any such Participation Note issued by the Trustee in favour of a single or joint Registered Beneficiary shall be for an amount not below €5,000 (five thousand euro) and in multiples of €1,000 (one thousand euro) each.
- (d) Joint Registered Beneficiaries shall be entitled to only one entry in the Register of Beneficiaries and accordingly to only one Participation Note, such Participation Note shall be issued and delivered to that joint Registered Beneficiary whose name first appears in the Register of Beneficiaries and the Trustee shall not be bound to register more than three (3) persons as the joint Registered Beneficiaries.

3. Interest

- (a) Interest on amounts outstanding under the Participation Note shall accrue at the rate of 7% (seven per cent) *per annum*.
- (b) Interest shall be payable annually in arrears on 14 January in each year between the years 2014 and 2019 (both years included), (each such day, an "**Interest Payment Date**"), PROVIDED THAT any Interest Payment Date which falls on a day other than a Business Day, will be carried over to the next following day that is a Business Day. The first interest payment on 14 January 2014 shall cover the period 27 February 2013 to 14 January 2014 (both days included).
- (c) The Participation Notes shall cease to bear interest from and including the Redemption Date.
- (d) For the avoidance of doubt, when interest is payable for a period of less than one year, it shall be calculated on the basis of the actual number of days elapsed and a year of 365 (three hundred sixty five) days.

4. Payments

- (a) Payment of the principal amount (with interest accrued and unpaid to the Redemption Date) as well as payment of interest on the Participation Notes shall be made in euro to the person in whose name such Participation Note is registered as at the close of business fifteen (15) days prior to the date set for redemption or fifteen (15) days prior to the relevant Interest Payment Date (as the case may be) against surrender of the Participation Note at the registered office of the Trustee or at such other place in Malta as may be notified by the Trustee. Such payment shall be effected by direct credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the Participation Note Holder. The Trustee shall not be responsible for any loss or delay in transmission. The Trustee shall effect payments of principal or interest within three (3) Business Days from the date of actual receipt of payment thereof from the Issuer.
- (b) All payments with respect to the Participation Notes are subject in all cases to any pledge (duly constituted) of the Participation Notes and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments by the Trustee in respect of the Participation Note shall be made gross of any amount to be deducted or

withheld for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed or levied by or on behalf of the Government of Malta or authority thereof or therein having power to tax.

- (c) No commissions or expenses shall be charged to the Participation Note Holder in respect of such payments.
- (d) The Trustee shall only be under an obligation to effect payments of principal or interest to the Participation Note Holders if the Issuer has placed the Trustee in sufficient funds to effect such payments. No liability shall attach to the Trustee if it fails to effect such payments to Participation Note Holders when such failure is due to the non-payment by the Issuer of the necessary funds as aforesaid.
- (e) Payment of the principal and/or interest by the Issuer to the Trustee under the Global Note shall relieve the Issuer from any further liability, to the extent of the payment made, towards the Participation Note Holders and the Participation Note Holders shall have no right or claim against the Issuer should they not receive the relative payment from the Trustee.

5. Redemption

- (a) Unless previously redeemed and cancelled, the Participation Notes shall be redeemed at their nominal value (together with interest accrued to the date set for redemption) on the Redemption Date.
- (b) Class A Participation Notes may be redeemed at any time in whole or in part upon request of the Class A Participation Note Holder subject to the following:
 - (i) the amount to be redeemed is of a minimum face value of €5,000 (five thousand euro) and multiples of €1,000 (one thousand euro) thereafter; and
 - (ii) a Subscription Agreement for Class B Participation Notes over the same amount as the amount of Class A Participation Notes to be redeemed is executed by a subscriber and the Trustee on the date of the redemption of Class A Participation Notes.

Upon redemption as aforesaid, the Trustee shall cancel the redeemed Class A Participation Notes in whole or in part and issue new Class B Participation Notes for the same value.

- (c) In the event of an Early Redemption of the Global Note by the Issuer in whole or in part, the Trustee shall redeem an equivalent amount of:
 - (i) first, Class A Participation Notes; and
 - (ii) second, Class B Participation Notes in accordance with the applications for redemption made by the respective Class B Participation Notes Holders before the Early Redemption Date; and
 - (iii) third, any other Class B Participation Notes in accordance with the proportion of Class B Participation Notes held by the respective Class B Participation Note Holder to the aggregate holding of Class B Participation Notes.

Applications for redemption referred to in sub-paragraph (c)(ii) above shall be subject to a minimum face value of €5,000 (five thousand euro) and multiples of €1,000 (one thousand euro) thereafter.

The Trustee shall pay to the Registered Beneficiary concerned the nominal value of the redeemed Class B Participation Notes and accrued and unpaid interest thereon.

- (d) Upon an Early Redemption, the Participation Notes shall be cancelled in whole or in part. The Participation Note Holder shall hand over the Participation Note, and in case of a redemption in part receive a new Participation Note stating the new amount of the Participation Note.
- (e) The Trustee may, at its discretion, charge a fee to Registered Beneficiaries for each cancellation and subsequent entry made in the Register of Beneficiaries, which fee shall not exceed €60 (sixty euro) per cancellation or subsequent entry.

6. Covenants by the Company

- (1) The Company hereby covenants in favour of the Trustee for the benefit of Registered Beneficiaries, that at all times during which any of the Global Note shall remain outstanding:
 - (a) It shall, until the Global Note has been redeemed, pay to the Trustee for the benefit of the Participation Note Holders interest at the rate of 7% (seven per cent) *per annum* on each Interest Payment Date and the principal amount of the Global Note on the Redemption Date;
 - (b) It shall maintain its corporate existence as a company duly organised and existing and in good standing under Maltese law;
 - (c) It shall promptly notify the Trustee, upon the happening of any Event of Default;
 - (d) It shall construct and develop the Project by diligently selecting and engaging contractors of the required skills for projects of that nature and shall diligently monitor and supervise the construction and development works on the Project;
 - (e) It shall provide to the Trustee the necessary documentation for disbursements from the Collateral Account/s in accordance with clause 5 of the terms and conditions of the Global Note in a timely manner from the receipt of any invoice;
 - (f) In case the Trustee has provided for funds to be disbursed from the Collateral Account/s in order to meet interest payments under the Global Note, the Company covenants to replenish the Collateral Account/s with such amounts out of the sale proceeds derived from the sale of any units forming part of the Project;
 - (g) It shall maintain and keep in proper order repair and condition such parts of the Hypothecated Property as are of a repairable nature and the Trustee shall have power in the event of any such part of the Hypothecated Property being or becoming out of proper order, repair or condition to call upon the Company to effect such repairs within a reasonable time as may be specified in the notice. If the Company fails to undertake the repairs requested by the Trustee in the notice after the lapse of the time granted to it by the Trustee in the notice, the Trustee may, but shall not be bound to do so, call a meeting of Registered Beneficiaries for the purpose of determining what action, if any, should be taken in the circumstances. PROVIDED THAT if requested to do so in writing by not less than 75% (seventy five per cent) in value of the Registered Beneficiaries, the Trustee shall, provided it is indemnified by the Registered Beneficiaries to the satisfaction of the Trustee, have the power itself to engage such persons as may be necessary to repair or to put and maintain the same in proper order, repair and condition and any expenses incurred by the Trustee and its costs and charges therein shall be a debt due from the Company payable on demand;
 - (h) It shall provide to the Trustee an authentic copy of a notarial deed by which Pender Contracting Limited irrevocably renounces to its right to register a special privilege or special legal hypothec on the Hypothecated Property accorded to it by law in terms of Article 2010 of the Civil Code (Cap. 16 of the laws of Malta) and to register or secure any other cause of preference or security on the Hypothecated Property to which it may become entitled in terms of law, by virtue of any claim for outstanding dues for supplies, materials, work or services performed or undertaken by it in connection with the development of the Hypothecated Property without first obtaining the written consent of the Trustee, which consent may be granted or otherwise in the absolute discretion of the Trustee. Such notarial deed shall also bind Pender Contracting Limited to obtain a similar valid and enforceable waiver of privilege from subcontractors, which shall be documented by notarial deed in cases of a contract value above €1,000,000 (one million euro) and in private writing to be registered at the Public Registry in accordance with the provisions of Article 1996A of the Civil Code (Cap. 16 of the laws of Malta) in all other cases. Pender Contracting Limited shall under such deed also covenant that its subcontractors shall only be allowed to subcontract further after provision of a similar waiver of privilege to be documented by notarial deed in cases of a contract value above €1,000,000 (one million euro) and in private writing to be

registered at the Public Registry in all other cases; Whereas the Issuer shall receive advance payments made under a preliminary agreement of sale and purchase by a purchaser of a residential unit or a garage space up to an amount of 10% (ten per cent) of the sale price, in the case of advance payments in excess of 10% (ten per cent) of the sale price made before the conclusion of the contract of sale and purchase, the excess shall be made available to the Trustee to be applied to the Reserve Account;

- (i) It shall enter into an agreement with PCL and the Trustee pursuant to which PCL agrees to postpone its claim for payment of retention monies under the contract for the construction and completion of the project with PCL until such time as the Collateral Account/s is placed in funds through refund of monies advanced to the Issuer for interest payments under the Global Note;
- (j) It shall enter into an agreement pursuant to which PVL subordinates the repayment of the Shareholder's Loan to the repayment of the Global Note, except insofar as the repayment of the Shareholder's Loan is made from proceeds derived from the sale of units forming part of the Retail Area;
- (k) It shall insure and keep insured to the satisfaction of the Trustee and to the full replacement value thereof all such parts of the Hypothecated Property as are of an insurable nature against loss or damage by fire, explosion, lightning, storm, tempest, flood (where appropriate), aircraft and things dropped therefrom and such other risks as in accordance with sound commercial practice are normally insured against by companies carrying on a similar business with one or more insurance companies licensed to transact insurance business in Malta or such other insurance company agreed to between the Company and the Trustee and will procure that the interest of the Trustee as hypothecary creditor is duly noted on the policies of insurance and will produce the policies of such insurance to the Trustee if required and duly pay or cause to be paid the *premia* and other sums of money payable in respect of such insurance and if required produce to the Trustee the receipt for the same within fifteen days of the same becoming due. All monies received by virtue of any such insurance shall so far as they are in respect of part of the Hypothecated Property be deemed part of the Hypothecated Property and shall be paid to the Trustee and shall be applied in making good the loss or damage in respect of which the monies were received or in such other manner as the Trustee shall approve;
- (l) The Company shall duly and punctually pay, perform and observe all rents, rates, taxes, stamp duties, covenants and other obligations whatsoever which ought properly to be paid or to be observed or performed by the Issuer in respect of any part of the Hypothecated Property;
- (m) The Company shall permit the Trustee or any person or persons authorised by it at any time and from time to time during the usual times of business so long as the Global Note shall remain outstanding and secured by the Security Interest to inspect and examine any part of the Hypothecated Property and will afford the Trustee and its agent access to the Hypothecated Property and render them such assistance as may be required for any of the purposes aforesaid; PROVIDED THAT the aforementioned inspection may only be made by the Trustee after having notified the Issuer in writing of its intention and provided further that the aforementioned inspection is made during reasonable business hours;
- (n) The Company shall keep proper books of account which shall at all reasonable times be open to inspection by the Trustee or any person appointed by the Trustee for that purpose and will furnish to the Trustee or any such agent all such information relating to the business or affairs of the Issuer as they shall require and shall deliver to the Trustee at least five (5) days before the annual general meeting of the Company each year a copy of the balance sheet and profit and loss account of the Issuer certified by the auditors of the Company and copies of the auditors' and directors' reports thereon together with copies of any other documents required by law to be attached thereto;
- (o) The Company shall carry on and conduct its business in a proper and efficient manner;
- (p) The Company shall permit the Trustee to hold the Land Registry Certificates showing title to the Hypothecated Property, if applicable;

- (q) The Company shall forthwith on receipt of the same deliver to the Trustee all orders, directions, notices and any other thing whatsoever affecting or likely to adversely affect the Hypothecated Property;
- (r) The Company shall comply with the requirements of all applicable laws in force in Malta from time to time, including but not limited to the Development Planning Act (Cap. 356 of the laws of Malta) and all regulations made thereunder and with the requirements of any permits issued by the Malta Environment and Planning Authority so far as such requirements relate to the Hypothecated Property or any part thereof and will promptly produce to the Trustee any notice, order, direction, requisition, permission or other document served on it in connection with such law which affects or is likely to affect the Hypothecated Property or any part thereof;
- (s) The Company shall not hypothecate the Hypothecated Property further nor transfer ownership and/or any other real right over the Hypothecated Property under any title whatsoever without the Trustee's consent. For the avoidance of doubt, a transfer of control of the Company shall be deemed to constitute a transfer of the Hypothecated Property under this paragraph. For the purposes of this paragraph a transfer of control shall include, but without prejudice to the generality of the foregoing shall not be limited to, (i) the transfer of voting shares in the Company which amounts to a transfer of 50% (fifty per cent) plus 1 share of the total shareholding having voting rights in the Company; (ii) the transfer in any manner of the ability to appoint a majority of the directors of the Company; and (iii) the transfer to any person of the ability to determine the financial and operational decision making power of the Company. For the avoidance of doubt, a transfer of control in the Issuer arising as a result of a series of separate transactions shall also be deemed to constitute a transfer of the Hypothecated Property under this paragraph.

7. Representations and Warranties of the Company

- (1) The Company represents and warrants to the Trustee and each Participation Note Holder, and each of the Trustee and Participation Note Holder that relies on such representations and warranties, that:
 - (a) It is duly registered and validly existing under the laws of Malta and has the power to carry on its business as it is now being conducted and to hold its properties and other assets under valid legal title;
 - (b) It has the power to execute, deliver, and perform its obligations under the Global Note and the Trust Deed; and that all necessary corporate, shareholder and other action has been duly taken to authorise the execution, delivery and performance of the same and no limitation on the powers of the Company to borrow or guarantee shall be exceeded as a result of this Deed;
 - (c) The Global Note and the Trust Deed constitute valid and legally binding obligations of the Company;
 - (d) The execution and performance of its obligations under, and in compliance with the provisions of the Global Note and the Trust Deed by the Company shall not:
 - (i) contravene any existing applicable law, statute, rule or regulation or any judgement, decree or permit to which the Company is subject;
 - (ii) conflict with, or result in any breach of any terms of, or constitute a default under any bond or other instrument to which the Company is a party or is subject or by which it or any of its property is bound;
 - (iii) contravene any provision of the Company's Memorandum or Articles of Association;
 - (e) No litigation, arbitration or administrative proceeding is taking place, pending or, to the knowledge of the officers of the Company, threatened against the Company which could have a material adverse effect on its respective business, assets or financial condition of the Company;

- (f) The Prospectus contains all material information with respect to the Company and that all information contained therein is in every material respect true and accurate and not misleading and that there are no other facts in relation to the Company, its business and financial position, the omission of which would in the context of issue of the Global Note makes any statement in the Prospectus misleading or inaccurate in any material respect;
 - (g) The expert providing reports on the construction progress as required under clause 5 of the terms and conditions of the Global Note is an independent third party, which has no connection with, and no direct or indirect interest in the Issuer.
- (2) The Company further represents and warrants to the Trustee and each Participation Note Holder that relies on such representations and warranties that:
- (a) Every consent, authorisation, approval or registration with or declaration to, governmental or public bodies or authorities or courts, required by the Company in connection with the Project, the execution, validity, enforceability of the Trust Deed or the performance of its obligations under the Trust Deed have been obtained or made and are in full force and effect and there has been no default in the observance of any of the conditions or restrictions, if any, imposed in, or in connection with, any of the same;
 - (b) No default mentioned in this document or the Trust Deed has occurred and is continuing.

8. Functions and Powers of Trustee

- (1) The Trustee may, but shall not be bound, unless requested to do so in writing by not less than 75% (seventy five per cent) in value of the Registered Beneficiaries to enforce or take any step to enforce the covenants in clause 6 hereof, and (subject to any such request as aforesaid) may waive on such terms and conditions as it shall deem expedient any of the covenants and provisions hereinabove contained and on the part of the Company to be performed and observed.
- (2) The Trustee shall only be bound to monitor financial information relating to the Company, on behalf of the Registered Beneficiaries, as may be forwarded to the Trustee by the Company on an annual basis.
- (3) Without prejudice to the powers and reliefs conferred on trustees by the applicable law and by the Trust Deed, the Trustee shall have the following powers:
 - (a) To employ and pay at the reasonable cost of the Company in discharge of its duties any servant or agent to do anything or transact any business to be done or transacted under the Trust Deed or this document, without being under any liability for any default of such servant or agent; PROVIDED THAT prior to employing any servant or agent as aforementioned, notice in writing of the estimated costs to be incurred is to be given to the Company;
 - (b) To rely on the advice of any lawyer, broker, surveyor, valuer or accountant or other professional person without incurring any liability for so relying notwithstanding that such professional person may have been employed by the Company or may otherwise not be disinterested and without incurring liability for any error in the transmission of any such advice or by reason of the same not being authentic;
 - (c) To delegate any of its discretions under the Prospectus to any officer or servant of the Trustee believed by it to be competent and responsible and to delegate any of its powers and duties under the Prospectus to such persons (including any such officer or servant as aforesaid) as it shall think fit, and to confer power to sub-delegate, without incurring any liability for the default of any person to whom such discretions powers or duties are delegated or sub-delegated;
 - (d) To deposit any Land Registry Certificates or other documents of title relating to the Hypothecated Property with any banker or firm of lawyers or accountants or in any safe or other place where securities are commonly kept without being further responsible for their safe keeping;

- (e) To accept such title as the Company has to the Hypothecated Property without being liable for accepting a defective title.

And generally the Trustee shall not be liable for any error of judgement committed in good faith unless it shall be proved that it was negligent in ascertaining the pertinent facts and the Trustee, its officers, servants and agents shall be entitled to be indemnified out of the Hypothecated Property so far as may be lawful in respect of all liabilities incurred in the execution of the trusts under the Trust Deed.

- (4) In addition the Trustee shall also undertake the following functions:

- (a) The Trustee shall approve any disbursement from the Collateral Account/s in accordance with clause 5 of the terms and conditions of the Global Note;
- (b) Part of the funds available from the Global Note proceeds may be utilised, with the approval of the Trustee, for the payment of interest on the Global Note;
- (c) The Trustee shall release from the pledge over the Collateral Account/s any amounts disbursed in accordance with clause 5 of the terms and conditions of the Global Note;
- (d) The Trustee shall appear on all contracts of sale and purchase of units forming part of the Hypothecated Property for the purpose of collecting the agreed proceeds from the sale of the said units;
- (e) Out of the proceeds from the sale price of residential units and garages net of commission and VAT thereon and provisional tax, up to approximately 85% to 90% of said proceeds are to be retained by the Trustee for the creation of an adequate redemption reserve fund (the “**Reserve Account**”);
- (f) The proceeds from the sale price of units forming part of the Retail Area net of commission and VAT thereon and provisional tax shall be applied for any of the following purposes: (i) an amount of €1,461,000 (one million four hundred sixty one thousand euro) shall be made available to PVL in repayment of the Shareholder’s Loan; (ii) any outstanding amount of interest previously advanced by the Trustee out of the Collateral Account/s; and (iii) any amount thereafter shall be made available to the Issuer;
- (g) The Trustee shall apply any funds held by it pursuant to these provisions to an account (the Reserve Account) to be held with Mediterranean Bank plc;
- (h) Upon full redemption of the Global Note, the Trustee shall pay any excess funds held by it to the Company after having ascertained that all expenses relative to the issue and redemption of the Global Note and the Participation Notes have been paid;
- (i) When the value of the hypothec on the basis of the sale price of the said hypothec together with any cash held by the Trustee is lower than the amount of the outstanding Global Note and one year’s interest thereon, the Trustee shall have the right to cease to allow any further disbursements from the available cash.

9. **Events of Default under the Global Note**

The Trustee may at its discretion and shall upon the request in writing of not less than 75% (seventy five per cent) in value of the Registered Beneficiaries by notice in writing to the Company declare the Global Note to have become immediately payable (unless provided otherwise in the foregoing provisions) on the occurrence of any of the following events (“**Events of Default**”):

- (a) the Company shall fail to pay any interest on the Global Note when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Company by the Global Note Holder;
- (b) the Company shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in these Terms and Conditions and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer by the Global Note Holder;
- (c) if the Company having announced the redemption of the Global Note, whether in whole or in part, defaults for ninety (90) days in the payment of any principal monies owing in respect of such Early Redemption;
- (d) if a Court order or other judicial process is levied or enforced upon or sued out against any material part of the properties of the Company and is not paid out, withdrawn or discharged within one month;
- (e) if the Company stops payment of its debts or ceases or threatens to cease to carry on its business;
- (f) if the Company is unable to pay its debts within the meaning of Article 214(5) of the Act, or any statutory modification or re-enactment thereof;
- (g) if a receiver is appointed of the whole or any part of the properties of the Company and such appointment is certified by the Trustee to be prejudicial in its opinion to the Registered Beneficiaries;
- (h) if an order is made or an effective resolution is passed for winding up of the Company, except for the purpose of a reconstruction, amalgamation or division on the terms of which have been approved in writing by the Trustee;
- (i) if the Company substantially changes the object or nature of business as currently carried on;
- (j) if the Company commits a breach of any of the covenants or provisions herein contained and on its part to be observed and performed and the said breach still subsists for thirty (30) days after having been notified by the Trustee (other than any covenant for the payment of interests or principal monies owing in respect of the Global Note);
- (k) if the security constituted by any hypothec or charge upon the whole or any part of the undertaking or assets of the Company shall become enforceable and steps are taken to enforce the same and the taking of such steps shall be certified in writing by the Trustee to be in its reasonable opinion prejudicial to the Registered Beneficiaries;
- (l) if any representation or warranty made or deemed to be made or repeated by or in respect of the Company is or proves to have been incorrect in any material respect;
- (m) if any material indebtedness of the Company is not paid when properly due or becomes properly due and payable or any creditor of the Company becomes entitled to declare any such material indebtedness properly due and payable prior to the date when it would otherwise have become properly due or any guarantee or indemnity of the Company in respect of indebtedness is not honoured when properly due and the said indebtedness, guarantee or indemnity is called upon. PROVIDED THAT for the purposes of this provision, material indebtedness shall mean an amount exceeding €500,000 (five hundred thousand euro);
- (n) if any consent, authorisation, licence or approval of or registration with or declaration to governmental or public bodies or authorities or courts required by the Company in connection with or pursuant to the Project or the execution, delivery, validity, enforceability or admissibility in evidence hereof or the performance by the Company of its obligations hereunder, is substantially modified or is not granted or is revoked or terminated or expires and is not renewed or otherwise ceases to be in full force and effect;
- (o) if it becomes unlawful at any time for the Company to perform all or any of its obligations hereunder;

- (p) if the Company repudiates or does or causes or permits to be done any act or thing evidencing an intention to repudiate the Global Note and/or the Trust Deed;
- (q) all, or in the sole opinion of the Trustee, a material part of the undertakings, assets, rights, or revenues of or shares or other ownership interests in the Company are seized, nationalised, expropriated or compulsorily acquired by or under the authority of any government.

Upon any such declaration being made as aforesaid the Global Note and all principal monies and interest accrued shall be deemed to have become immediately due and payable at the time of the event which shall have happened as aforesaid.

Any payment made by the Company of the Global Note to the Trustee pursuant to an Event of Default shall trigger an early redemption of the Participation Notes under clause 5.

10. Registration and Replacement of the Participation Notes

- (a) A register of the Participation Notes shall be maintained by the Trustee at its registered office or at such other place in Malta as the Trustee may determine, wherein there will be entered the names and addresses of the Participation Note Holders and particulars of the Participation Notes held by them respectively and a copy of such register will at all reasonable times during business hours be open to inspection by Participation Note Holders at the registered office of the Trustee.

Any person becoming entitled to a Participation Note in consequence of bankruptcy or winding-up of a Participation Note Holder may, upon such evidence being produced as may from time to time properly be required by the Trustee, request in writing the redemption and cancellation of such Participation Note followed by the issuance of a new Participation Note of the same amount and may elect either to be registered himself as Participation Note Holder or to have some person nominated by him registered as Participation Note Holder. All redemptions are subject to any pledge (duly constituted) of the Participation Notes and to any applicable laws and regulations.

- (b) In the event that any Participation Note represented by certificate shall be worn out, defaced, destroyed or lost, it may be replaced on such evidence being produced and such indemnity (if any) being given as the Trustee may at its discretion require and in accordance with the Participation Note register, and in the case of wearing out, or defacement, or change of address of the Participation Note Holder, on delivery of the old certificate, and in the case of destruction or loss, on the execution of such indemnity as is considered necessary, and in any case upon the payment of €50 (fifty euro). In case of destruction or loss, the person to whom such replacement certificate is given shall also bear and pay to the Trustee all expenses incidental to the investigation by the Trustee of the evidence of such destruction or loss and to such indemnity.
- (c) The Trustee shall be required to provide the Issuer with an updated copy of the register of Participation Note Holders, including extracts therefrom, as may be required by the Issuer from time to time, and the Participation Note Holder shall by entering into the Subscription Agreement relative to the Participation Notes taken up by him be deemed to have given his express, unequivocal and irrevocable consent to the communication of such information to the Issuer.

11. Meetings of Participation Holders

- (a) The provisions of this Prospectus and of the Trust Deed may be amended with the approval of Registered Investors at a meeting called for that purpose by the Trustee in accordance with the terms hereunder.
- (b) In the event that the Issuer wishes to amend any of the provisions set out in this Prospectus or of the Trust Deed, it shall call upon the Trustee, in writing, seeking its consent to such amendment or amendments. The Trustee, prior to granting or refusing such consent, shall call a meeting of Participation Note Holders registered in the Register of Beneficiaries as at that date, by giving such Participation Note Holders not less than fourteen (14) days notice in writing, setting out in the notice the time, place and date set for the meeting and the matters to be discussed thereat, including sufficient information on any amendment of the Prospectus or the Trust Deed that is proposed to be voted upon at the meeting and seeking the approval of the Participation Note Holders registered as aforesaid. Following a meeting of Participation Note Holders held in accordance with the provisions contained hereunder, the Trustee shall, acting in accordance with

the resolution(s) taken at the meeting, communicate to the Issuer whether its consent to a request of the Issuer is granted or withheld. Subject to having obtained the necessary approval by the said Participation Note Holders in accordance with the terms set out hereunder at a meeting called for that purpose as aforesaid, any such proposed amendment or amendments to the provisions set out in the Prospectus or Trust Deed shall subsequently be given effect to by the Issuer in consultation with the Trustee.

- (c) For all intents and purposes it is hereby set out that any meeting of Participation Note Holders, including but not limited to meetings held for the purposes set out in paragraphs (a) and (b) above, shall be held in accordance with the provisions of the Trust Deed and the procedure set out below.
- (d) A meeting of Participation Note Holders shall be called by giving Participation Note Holders not less than fourteen (14) days notice in writing, setting out in the notice the time, place and date set for the meeting and the matters to be discussed thereat.
- (e) A meeting of Participation Note Holders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Participation Note Holders present, in person or by proxy, representing not less than fifty per cent (50%) in nominal value of the Participation Notes then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Participation Note Holders present at that meeting. An adjourned meeting shall be held not earlier than five (5) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Note Holders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- (f) Once a quorum is declared present by the Chairman of the meeting (who shall be the person who in accordance with the memorandum and articles of association of the Issuer would chair a general meeting of members of the Issuer), the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting, the directors or their representative shall present to the Participation Note Holders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken, including but not limited to why the Terms and Conditions of Issue of the Participation Notes ought to be amended as proposed by the Issuer. For the avoidance of doubt, Participation Note Holders cannot propose amendments to the Terms and Conditions of the Participation Note. The meeting shall allow reasonable and adequate time to Participation Note Holders to present their views to the Issuer and the other Participation Note Holders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Participation Note Holders present at the time at which the vote is being taken, and any Participation Note Holders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- (g) The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the Auditors of the Issuer.
- (h) The proposal placed before a meeting of Participation Note Holders shall only be considered approved if at least seventy five per cent (75%) in nominal value of the Participation Note Holders present at the meeting at the time at which the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.
- (i) Upon a request made at any time by one or more Participation Note Holders holding at least 10% (ten per cent) of the outstanding value of the Global Note the Trustee shall call a meeting of Participation Note Holders.
- (j) The Participation Note Holders shall have the power exercisable by a resolution passed at a meeting of Participation Note Holders passed by seventy five per cent (75%) in value of the Participation Notes to remove the Trustee.
- (k) Save for the above, the rules generally applicable to the Issuer during general meetings of shareholders of the Issuer shall apply *mutatis mutandis* to meetings of Participation Note Holders.

12. Participation Notes held Jointly

In respect of a Participation Note held jointly by several persons (including but not limited to husband and wife), the joint Participation Note Holders shall nominate one of their number as their representative and his/her name will be entered in the register with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Participation Note so held. In the absence of such nomination and until such nomination is made, the person first named on the register in respect of such Participation Note shall, for all intents and purposes, be deemed to be the registered holder of the Participation Note so held.

13. Participation Notes held Subject to Usufruct

In the respect of a Participation Note held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall for all intents and purposes be deemed, *vis-a-vis* the Trustee, to be the holder of the Participation Note so held and shall have the right to receive interest on the Participation Note, but shall not, during the continuance of the Participation Note, have the right to dispose of the Participation Note so held without the consent of the bare owner.

14. Governing Law and Jurisdiction

- (a) The Participation Notes, the Trust Deed and all contractual arrangements arising therefrom are governed by and shall be construed in accordance with Maltese law, *inter alia* the Act, the Regulation and the Trusts and Trustees Act.
- (b) Any suit, action or proceedings arising out of, or in connection with, the Participation Notes shall be brought to arbitration in accordance with the Arbitration Act (Cap. 387 of the laws of Malta). The Participation Note Holder and the Trustee shall jointly nominate one (1) arbitrator. If the Participation Note Holder and the Trustee fail to agree on such appointment, the Participation Note Holder and the Trustee shall request the Chairman of the Malta Arbitration Centre to appoint an arbitrator in terms of the Arbitration Act. The arbitration shall take place in Malta and the language of the arbitration shall be English. No further recourse to the courts of any country shall apply. The Participation Note Holders shall be deemed to acknowledge that they are submitting to the exclusive jurisdiction of arbitration as aforesaid.

15. Notices

Notices will be mailed to Participation Note Holders at their registered addresses and shall be deemed to have been served at the expiration of twenty-four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Participation Note Holders at his registered address and posted.



p e r i t a a r o n a b e l a

B.E. & A. (Hons)
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warrant no: 424 vat reg. no: MT 1595-5707

6th November 2012

The Directors
Pendergardens Developments plc
Pender Place,
St. Andrew's Road
St. Julian's STJ 9023
Malta

Valuation Report – Undeveloped Immovable Property forming part of Pendergardens Development in St Julian's Malta earmarked for the construction of Block 16 of the same Project for the purposes of the proposed Note Issue.

Introduction

In accordance with your instructions, the undersigned in the capacity of warranted architect and civil engineer has carried out market evaluation of the above-mentioned property. This report is based on a visual inspection made on the 4th October 2012 and relates to the general state of the property as it is today and described below. It is not intended to read as, or substituted for a formal structural survey of the inspected property.

Basis of Valuation

It is understood that the purpose of the valuation report is for the inclusion with the prospectus to be published with the proposed public Note Issue, and that a copy of this report will be included with the prospectus.

The valuation has been carried out by the undersigned, as an external valuer in terms of and with regards given to, the UK Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual. The valuation was based on direct knowledge of the site, and its potential, as well as on such inspections and investigations as are, in the professional judgment of the undersigned, appropriate and possible in the circumstances. The valuation relies on information provided by the Directors of Pendergardens Developments plc, and their professional advisers, as far as concerns tenures, privileges, charges and other related matters. The valuation is nevertheless based on the assumption that no harmful or hazardous materials lie on the present excavated site and that there is no contamination in or from the ground.

The market value is the amount that a property might be expected to realise, usually expressed in monetary terms, when it is offered for sale in an open market, for a reasonable period of time, by a willing seller, in order to enable the property to be brought to the attention of all or most potential and willing buyers and when the transaction is not affected by any special circumstances that might affect the buyer, the

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seller or the property. The best price that a property might reasonably be expected to realize if sold in the normal course of business, after allowing a reasonable time for exposure to potential buyers, and assuming that the buyer and seller are acting in their own best interests, have entered into the transaction without any element of compulsion or duress, and the buyer does not have any special relationship or obligation to the seller. The determination of market value is normally based on a set of assumptions, such as the type and condition of the property, the interest held, the nature and conditions prevalent in the market at the date of the valuation and the purpose of the valuation.

Pendergardens Development

Pender Ville Ltd was formed in 2005 by a consortium of local investors to acquire and develop the Pender Place site (18,500 square metres) and the old Mercury House site (8,500 square metres) in St Julian's. The consortium set up a senior management team that has considerable experience in property development and project management.

Part of the Pender Place site (4,300 square metres) was sold to a related company in 2008. In 2009, part of Mercury House site (950 square metres) was sold to FIM Bank plc, a trade finance bank as their global headquarters as part of the company's strategy to position for The Exchange as a key finance and business centre. The remaining areas within the sites have now been respectively branded 'Pendergardens' and 'The Exchange – Financial Business Centre'. So the property development area at Pendergardens includes a residential development whereas The Exchange will focus solely on commercial activity.

The Government clearly outlined the parameters for developing these sites in the project's Development Brief. The Malta Environment and Planning Authority (MEPA) granted an Outline Development permit for the whole property development. The full development permit for the demolition and excavation of both sites and for the construction of Pendergardens Phase One was issued in 2007.

Phase 1 of this development which included exclusively residential units and car parking facilities have been successfully complete and sold out. Selling prices met predicted prices and properties were acquired by both local and foreign buyers from seventeen different countries (46.3% Local 53.7% Foreign). These have been sold primarily as a rental investment (43.6%), for direct residential purposes (38.9%) and as direct investment (17.5%). In a recent survey conducted by a local Real Estate Agency, Pendergardens classified first place compared to other SDAs' yield on investment in the residential rental market with an expected annual return of 5% on one bedroom apartments and of 6% on two and three bedroom apartments.

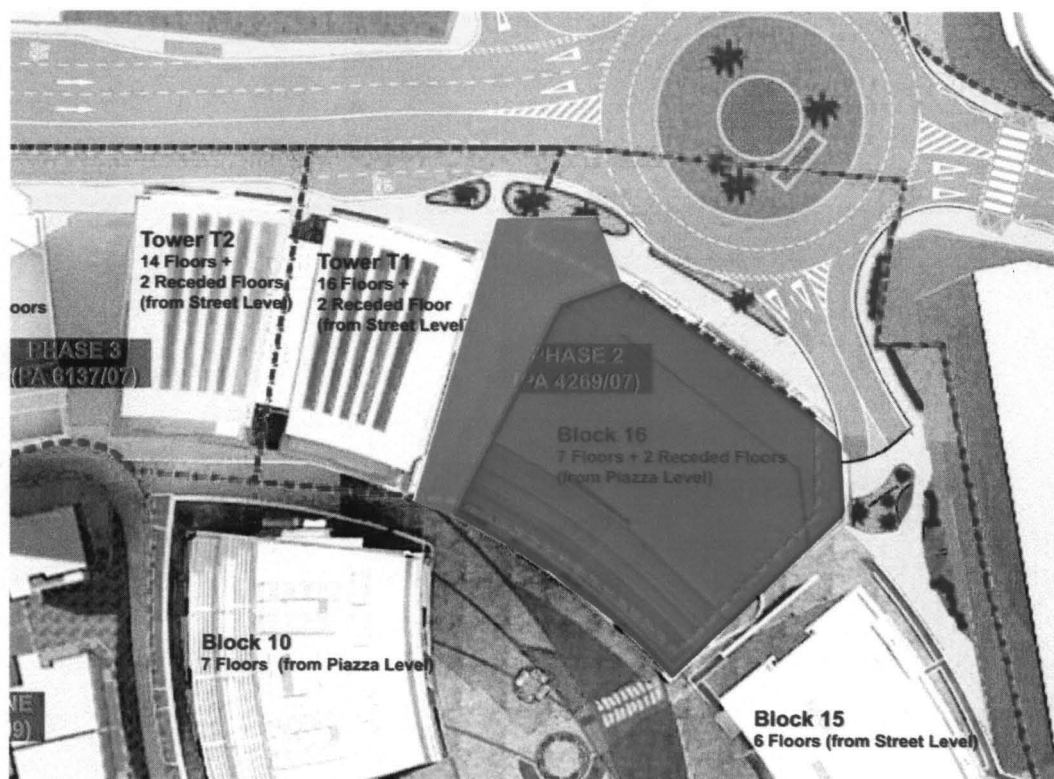

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Site Location

The property being valued is known as Block 16 Site and forms part of Pendergardens Development Project in St Julian's Malta and shall be developed in Phase 2. The property is shown in red in Pendergardens Development Master Plan below and has an area of circa 1,379 square meters all of which is a developable site area. At present state site has been fully excavated and construction works are to start shortly.



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Planning applications and Permits on site:

PA 04073/95 Car parking lots and car port extension.

Granted on the 4^h December 1996

PA 00356/01 Temporary parking area at Pender place.

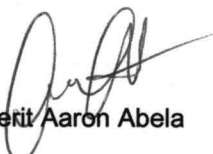
Granted on the 6th June 2001

PA 06494/01 Extension of existing car park. Proposal of advertisement boards, proposal for kiosk (no food preparation to be carried out).

Withdrawn by Applicant

PA 004295/02 To install advertisements boards.

Granted on the 7th November 2002


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Pa 05804/05 **OUTLINE** Development at Pender Place & Mercury House Sites as per development brief included in the CFO issued by the Malta Government Investments Limited.

Granted on the 1st February 2007

Pa 05805/05 Excavation of Pender Place Site (To accommodate underground parking as per development brief included in the CFO issued by the Malta Government Investments Limited) and the formation of the villa residential private road between PP2 and PP3.

Granted on the 1st February 2007

Pa 06137/07 It is proposed to construct 4 underground floors and overlying commercial and residential floors and the transfer of 2,157 square metres of commercial floor space from level -1 at Pender Place phase III site to level -1 at Mercury House site, and to change of use of an equivalent area of the vacated commercial floor space to domestic storage, plant, equipment or service areas or other acceptable uses, from the parking levels -2, -3 and -4 at Pender Place. The development comprises parking for residents, public parking, commercial areas, residential units and domestic storage spaces at Pender site.

Granted on the 18th February 2012

PA 04269/07 It is proposed to construct 4 underground floors and overlying commercial and residential floors and the transfer of 1344 square meters of commercial floor space from level -1 at Pender Place phase 2 site to level -1 at Mercury House site, and to use level -1 at Pender Place phase 2 site for car parking; and to change of use of an equivalent area of the vacated commercial floor space at level -1 to domestic storage, plant, equipment of service areas or other acceptable uses, from the parking levels -2, -3 and -4 at Pender Place. The development comprises parking for residents, public parking, commercial areas, residential units and domestic storage spaces at Pender site.

Granted on the 11th August 2011

PA 06042/08 It is proposed to construct underground parking and commercial areas at level -1 and below, and commercial areas and office space at level 0 and above at the Mercury House site. This includes the transfer of floor space from Pender Place comprising of 3,501 square metres of commercial floor space from level -1 at Pender Place site to level -1 at Mercury House site, and the transfer of 6,458 square metres from Pender Place site from level 0 upwards, to Mercury House site above level 0. Restoration and alteration works Mercury House and Cold War rooms shall also be carried out.

Granted on the 15th September 2011


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Development

The permit directly relevant to the site is PA 04269/07, which will include the construction of thirteen floor building with four levels (level -4 to level -1) underground to be used for parking facilities, two above ground levels (level 0 to level 1) of mixed commercial and residential and the upper seven levels (level 2 to level 8) as residential units.

Block 16 will include a car park on four floors of a gross floor area of 6,099 square meters with 32 parking spaces for private residential use and 66 public parking lots; 5 retail and commercial outlets with double height volumes with a flat gross floor area of 634 square meters which can be increased by another 75% with the addition of intermediate levels and 46 residential apartments, amounting a gross area of 8,972 square meters.

There will be an array of different residential units and are subdivided as follows: ten (10) one bedroom apartments; sixteen (16) two bedroom apartments; two (2) two bedroom duplex apartments; two (2) three bedroom apartments; fourteen (14) three bedroom duplex apartments and two (2) duplex penthouses.




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Special Designated Area

Pendergardens Development has acquired the status of Special Designated Area, hence non Maltese residents can purchase property with the same property rights as Maltese citizens and thereby enjoy the great capital growth as well as rental yields that these prime areas offer.

It is important to note that properties falling within "Special Designated Areas" are exempt from the restrictions set out in the AIP Act. These areas represent recently constructed developments intended to provide top-end residential properties. It is therefore possible for any non-EU citizen or EU citizen to acquire multiple properties within such Special Designated Areas. Such properties are also exempt from any restriction on acquisition through inheritance and there are also several other special exemptions.

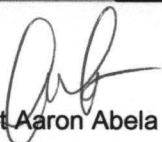



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Present State of Site

The site today is covered with all necessary Planning and Building permits, all excavation works carried out and construction drawings, documents and tenders have been prepared. Tenders have been issued and a number of tenderers have submitted their proposals.



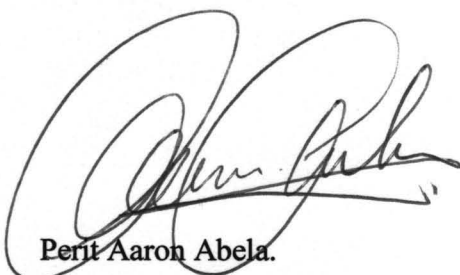

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Valuation

The value of the Property is based upon facts and evidence available at the date of the valuation, part of which information was made available by the Directors and their advisors. No detailed area measurements have been undertaken, although my knowledge of the project allows me to confirm that the areas quoted in this valuation report are broadly correct. It has been assumed that no unusually onerous conditions will arise as the site is already excavated. Furthermore, it has also been assumed that all development will take place in strict conformity with the relative planning permits, and other statutory obligations, and constructed by reputable contracting firms, to high quality standards and first class workmanship.

After considering the above, location, layout, approved MEPA permits, together with other information supplied by my client which could have had a bearing on my assessment, the fact the property is freehold and on the basis of an open market value, I am in a position to estimate the current market value is **€ 5,136,000** (Five million, one hundred and thirty six thousand Euros)

Valuations are not a prediction of price, nor a guarantee of value, and whilst my valuation is one which I consider both reasonable and defensible, different valuers may properly arrive at different opinions of value. Moreover, the value of property development is susceptible to changes in economical conditions, and may therefore change over relatively short periods. This valuation and report is submitted without prejudice to the party to whom they are addressed.



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The Directors
Pendergardens Developments p.l.c.
GB Buildings
Triq il-Watar
Ta' Xbiex
Malta

6 February 2013

Dear Sirs

We have examined the financial information that is included in Section 4.2 of the prospectus for the issue of €12,000,000 7% Secured Notes 2015-2019 (the Prospectus), dated 6 February 2013. This financial information has been extracted from the projected financial information of Pendergardens Developments p.l.c. for the five years ending 31 December 2017 (the Projected Financial Information) as set out in the report entitled "Pendergardens Development plc: Projections for the development of Block 16", dated 31 January 2013.

The directors are responsible for preparing the extracted financial information included in Section 4.2 of the Prospectus. We have carried out the procedures we considered necessary to confirm that this financial information has been properly extracted from the Projected Financial Information.

In our opinion, the financial information included in Section 4.2 of the Prospectus has been properly extracted from the Projected Financial Information.

On 5 February 2013, we reported as Independent Accountants, to the directors of Pendergardens Developments p.l.c. on the Projected Financial Information and our report was as follows:

"Independent Accountants' report on the Projected Financial Information of Pendergardens Developments p.l.c."

We report on the projected financial information of Pendergardens Developments p.l.c. for the five years ending 31 December 2017. The forecast cash flow statement and the material assumptions on which the forecast is based (together the Projected Financial Information), are set out in the report entitled "Pendergardens Development plc: Projections for the development of Block 16", dated 31 January 2013 (copy attached for identification purposes).

This report has been prepared at the request of the directors of Pendergardens Developments p.l.c., who instructed us to prepare a report on the Projected Financial Information in terms of the requirements of EU Regulation EC809/2004. This report has been prepared solely to comply with the directors' request and for no other purpose.

Directors' responsibility for the Projected Financial Information

It is the responsibility of the directors of Pendergardens Developments p.l.c. to prepare the Projected Financial Information, and the assumptions upon which they are based, in accordance with the requirements of EU Regulation EC809/2004.

PricewaterhouseCoopers,
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The firm is registered as a partnership of Certified Public Accountants in terms of the Accountancy Profession Act.
A list of partners and directors of the firm is available at 78 Mill Street, Qormi, Malta.



Accountants' Responsibility

It is our responsibility to form an opinion as required by Annex I item 13.2 of EU Regulation EC 809/2004 as to the proper compilation of the Projected Financial Information, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned, and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the requirements of EU Regulation EC809/2004, consenting to its inclusion in the prospectus for the issue of €12,000,000 7% Secured Notes 2015-2019 (the Prospectus).

Basis of preparation of the Projected Financial Information

The Projected Financial Information has been prepared on the basis stated in the report entitled "Pendergardens Development plc: Projections for the development of Block 16", dated 31 January 2013 and is based on the forecast for the five years ending 31 December 2017. The Projected Financial Information is required to be presented on a basis consistent with the accounting policies of the Company.

Basis of opinion

We have examined the basis of compilation and the accounting policies of the accompanying Projected Financial Information of Pendergardens Developments p.l.c. for the five years ending 31 December 2017 in accordance with ISAE 3000, 'Assurance Engagements Other than Audits and Reviews of Historical Financial Information'. Our work included evaluating whether the Projected Financial Information has been accurately computed based upon the assumptions and accounting policies adopted by Pendergardens Developments p.l.c. The assumptions upon which the Projected Financial Information is based are solely the responsibility of the directors of Pendergardens Developments p.l.c. and accordingly we express no opinion on the validity of the assumptions. However, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the directors which, in our opinion, are necessary for a proper understanding of the Projected Financial Information have not been disclosed and whether any material assumption made by the directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Projected Financial Information have been properly compiled on the basis stated, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

The projected financial information is not intended to, and does not, provide all the information and disclosures necessary to give a true and fair view of the results of the operations and the financial position of the Company in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs). Accordingly, we do not give an opinion as to whether the Projected Financial Information has been properly prepared in accordance with IFRSs.



Since the Projected Financial Information and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Projected Financial Information and differences may be material.

Opinion

In our opinion, the Projected Financial Information has been properly compiled and the basis of accounting used is consistent with the accounting policies of the Company.”

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Valenzia', written over a horizontal line.

David Valenzia
Partner

