

# PROSPECTUS

Dated: 12 January 2016



## Investar p.l.c.

a public limited liability company registered under the laws of Malta with company registration number C 65310 and having its registered office at 171, Old Bakery Street, Valletta VLT 1455, Malta

## €6,000,000 6% Exchangeable Notes Due 2021

ISIN: MT0001011205

**THE LISTING AUTHORITY, THE MALTESE COMPETENT AUTHORITY IN MALTA FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE, HAS AUTHORISED THE ADMISSIBILITY OF THE NOTES TO LISTING ON THE EUROPEAN WHOLESALE SECURITIES MARKET, WHICH MEANS THAT THIS PROSPECTUS HAS BEEN APPROVED BY THE LISTING AUTHORITY AS A PROSPECTUS IN TERMS OF THE PROSPECTUS DIRECTIVE AND THAT THE NOTES ARE IN COMPLIANCE WITH THE LISTING RULES FOR THE EUROPEAN WHOLESALE SECURITIES MARKET.**

**APPLICATION WILL ALSO BE MADE TO THE EUROPEAN WHOLESALE SECURITIES MARKET FOR THE NOTES TO BE ADMITTED TO LISTING AND TRADING ON THE EUROPEAN WHOLESALE SECURITIES MARKET.**

## **Important Information**

This Prospectus has been filed with the Listing Authority and will be published in electronic form on the website of the Listing Authority and is also available, in printed form, free of charge, from the registered office of the Issuer and the Agent.

This Prospectus is to be read and construed in conjunction with any Supplement hereto and any documents that are incorporated herein by reference.

The Issuer confirms that (i) this Prospectus contains all information with respect to the Issuer and the Notes that is material in the context of the issue and offering of the Notes; (ii) the information contained herein in respect of the Issuer and the Notes is accurate in all material respects and is not misleading; (iii) any opinions and intentions expressed herein are honestly held and based on reasonable assumptions; (iv) there are no other facts, the omission of which would make any statement, whether fact or opinion, in this Prospectus misleading in any material respect; and (v) all reasonable enquiries have been made to ascertain all facts and to verify the accuracy of all statements contained herein.

No person has been authorised to give any information, issue any advertisement or make any representation which is not contained or consistent with this Prospectus or any other document produced in relation to the Notes and, if given or made, such information, advertisement or representation must not be relied upon as having been authorised by the Issuer.

All of the Directors whose names appear under Section 4.3.1 of this Prospectus are the persons responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import, and the Directors have taken all reasonable care to ensure that this is the case. The Directors accept responsibility accordingly.

None of the advisors or any person mentioned in this Prospectus, other than the Issuer and its Directors, shall be responsible for the information contained in this Prospectus, in any Supplement, and in any documents incorporated by reference, and accordingly, to the extent permitted by the laws of any relevant jurisdiction, none of these persons accepts any responsibility as to the accuracy and completeness of the information contained in any of these documents.

All the advisors to the Issuer have acted and are acting exclusively for the Issuer in relation to this Prospectus and have no contractual, fiduciary or other obligation or responsibility towards any other person and will accordingly not be responsible to any investor or any other person whomsoever in relation to the contents of and any information contained in the Prospectus, its completeness or accuracy or any other statement made in connection therewith. Each person receiving this Prospectus acknowledges that such person has not relied on any of the advisors in connection with its investigation of the accuracy of such information or its investment decision and each person must rely on its own evaluation of the Issuer and the Notes and the merits and risks involved in the investing in the Notes.

The Issuer confirms that information included in this Prospectus in respect of undertakings or obligors that are not involved in the issue has been accurately reproduced from information published by or sourced from the relevant undertaking/obligor. The Issuer further confirms that such information has been accurately reproduced, and as far as the Issuer is aware and is able to ascertain from information published by that third party (including by GlobalCapital), no facts have been omitted which would render the reproduced information inaccurate or misleading.

It is the responsibility of any person in possession of this document to inform themselves of and to observe and comply with, all applicable law and regulations of any relevant jurisdiction. Prospective Applicants for the Notes should inform themselves as to the legal, tax and investment requirements of applying for any such Notes and any applicable exchange control requirements and taxes in the countries of their nationality, residence or domicile. Applicants must rely on their own legal advisors, accountants and other financial advisors as to legal, tax, investment or any other related matters concerning the Notes.

This Prospectus, together with all Supplements and any documents incorporated by reference, should be read in their entirety before deciding whether to acquire any Notes. This Prospectus and any Supplement reflect their status as at their respective dates of issue.

The Prospectus and/or the offering, sale or delivery of any Notes may not be taken as an implication that (i) the information contained in such documents is accurate and complete subsequent to their respective dates of issue, (ii) there has been no adverse change in the financial condition of the Issuer since such dates or (iii) any other information supplied in connection with the Notes is accurate at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

This Prospectus does not constitute, and may not be used for the purposes of an offer, invitation or solicitation to any person (i) in any jurisdiction in which such offer, invitation or solicitation is not authorised, (ii) in any jurisdiction in which any person making such offer, invitation or solicitation is not qualified to do so or (iii) to whom it is unlawful to make such offer, invitation or solicitation. The distribution of this Prospectus in certain jurisdictions may be restricted and accordingly, persons into whose possession it is received are required to inform themselves about, and to observe, such restrictions.

The Notes will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to 'U.S. persons' (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended). The Notes may only be offered, sold or delivered to, and accepted by, 'qualified investors' (as such term is defined in the Prospectus Directive).

All Notes issued will be listed and admitted to trading on the European Wholesale Securities Market. The European Wholesale Securities Market is a 'regulated market' for the purposes of MiFID that is authorised and supervised by the MFSA.

The value of investments can rise or fall and past performance is not necessarily indicative of future performance. If you need advice with respect to the Notes, you should consult a licensed investment advisor.

The Notes, all the rights and obligations of the Noteholders and the Issuer, and any non-contractual obligations arising out of or in connection with the Notes, shall be governed by and construed in accordance with Maltese law. The Courts of Malta shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, all the rights and obligations of the Noteholders and/or the Issuer, and any non-contractual obligations arising out of or in connection with the Notes. Statements made in this document are (except where otherwise stated) based on the law and practice currently in force in Malta and are subject to changes thereto.

This Prospectus can only be used for the purposes for which it has been published.

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## Definitions

The following words and expressions shall bear the following meanings, except where the context otherwise requires:

<b>Account Bank</b>	Sparkasse Bank Malta plc, an MFSA licensed credit institution in terms of the Banking Act, Chapter 371 of the laws of Malta;
<b>Agency Agreement</b>	the agreement between the Issuer and the Agent dated on or around the date of this Prospectus pursuant to which the Agent is appointed as the Issuer's subscription agent, exchange agent, redemption agent and paying agent in respect of the Notes;
<b>Agent</b>	Calamatta Cuschieri Investment Services Ltd of 5th Floor, Valletta Buildings, South Street, Valletta, Malta, in its capacity as the Issuer's subscription agent, exchange agent, redemption agent and paying agent pursuant to the terms of the Agency Agreement;
<b>Applicant</b>	a person whose name, or persons whose names in the case of joint applicants, appear in the registration details of an Application Form;
<b>Approved Investors</b>	Applicants whose Application Forms have been accepted and approved by the Issuer or the Agent on behalf of the Issuer;
<b>Application Form</b>	the application for subscription of the Notes, copies of which are available from the Issuer or the Agent upon request;
<b>Asset Pool</b>	the Issuer's pool of assets that backs the issue of the Notes (a portion of which is expected to be actively managed), which pool is comprised of the Eligible Assets and all payments due to the Issuer in respect of the Eligible Assets (but shall not include the Excluded Shares);
<b>Business Day</b>	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
<b>Board</b>	the board of directors of the Issuer;
<b>CSD</b>	the central registration system for dematerialised financial instruments in Malta operated by the MSE (of Garrison Chapel, Castille Place, Valletta VLT 1063, Malta) and authorised in terms of the Financial Markets Act;
<b>Companies Act</b>	the Companies Act, Chapter 386 of the laws of Malta;
<b>Credit Institution</b>	means a credit institution which is, or whose head office or parent company is, licensed, regulated, registered or based in an Eligible State;
<b>Debt Securities</b>	means debt instruments in whatever form with a determinable maturity or redemption date;
<b>Directors</b>	the directors of the Issuer;



<b>Duty on Documents and Transfers Act</b>	the Duty on Documents and Transfers Act, Chapter 364 of the laws of Malta;
<b>Eligible Assets</b>	GlobalCapital Shares and the Other Eligible Securities;
<b>Eligible Asset Obligors</b>	the obligors of the Issuer in respect of the Eligible Assets acquired and held by the Issuer from time to time (including but not limited to GlobalCapital);
<b>Eligible Investors</b>	persons who are ‘qualified investors’ (as this term is defined in Article 2 of the Prospectus Directive) and that are not ‘U.S. persons’ (as this term is defined in Regulation S of the U.S. Securities Act of 1933, as amended);
<b>Eligible State</b>	means any member state of the European Union (excluding Malta) and any member state of the Organisation for Economic Co-operation and Development;
<b>Eligible State Issuer</b>	means (i) an Eligible State, (ii) any local authorities situated in an Eligible State and (iii) any public international body of which one or more Eligible States are members;
<b>Equity Securities</b>	shares and other securities that are equivalent to shares in companies and that are issued by issuers whose registered office or main place of business is located in an Eligible State;
<b>EUR, Euro or €</b>	means the lawful currency of the Eurozone, being the region comprised of Member States of the European Union that have and continue to adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union and by the Treaty of Amsterdam;
<b>Event of Default</b>	each event specified as an event of default in Section 10.14.1;
<b>EWSM</b>	the European Wholesale Securities Market, a ‘regulated market’ for the purposes of MiFID that is authorised and supervised by the MFSA;
<b>Exchange Date</b>	each of the third Interest Payment Date, the fourth Interest Payment Date, the fifth Interest Payment Date and the final Interest Payment Date;
<b>Exchange Maximum</b>	in respect of each Note exchanged, EUR100,000 in value of GlobalCapital Shares held by the Issuer, with the value of each GlobalCapital Share to be calculated at 80% of its market price (as published by the MSE) at the opening of trading on the MSE on the Exchange Notice Deadline;
<b>Exchange Notice</b>	the form to be made available to the Noteholders by the Agent upon request, which duly completed and signed form is required to be submitted by a Noteholder to the Agent in order to exercise its Exchange Option;
<b>Exchange Notice Deadline</b>	15 Business Days prior to the relevant Exchange Date;

<b>Exchange Option</b>	the option of each Noteholder to exchange Notes into GlobalCapital Shares held by the Issuer in accordance with the Terms and Conditions;
<b>Exchange Period</b>	the period during which Noteholders are entitled to exercise their Exchange Option, commencing 30 Business Days prior to the third Interest Payment Date and up to the Exchange Notice Deadline immediately preceding the final Interest Payment Date (both days included);
<b>Exchange Property</b>	all GlobalCapital Shares that are acquired by the Issuer after the Issue Date but prior to the Long Stop Date (which for avoidance of doubt, shall not include the Excluded Shares nor shall it include any other assets of the Issuer from time to time), which shall be reduced following each Exchange Date by such number of GlobalCapital Shares delivered to Noteholders (and, accordingly, released from the Exchange Property) pursuant to an exercise of their Exchange Option on that Exchange Date;
<b>Excluded Shares</b>	the 1,180,000 GlobalCapital Shares currently held by the Issuer (less any number of those GlobalCapital Shares that may be disposed of by the Issuer from time to time), which shares will not be subject to the Exchange Option or the Pledge of Shares and will be held in a different securities account (of the Issuer with the Agent) than the Securities Account;
<b>Financial Markets Act</b>	the Financial Markets Act, Chapter 345 of the laws of Malta;
<b>Fungible Notes</b>	further notes that may be issued by the Issuer with terms and conditions that are identical to the Notes in all respects except for the issue date, interest commencement date and/or issue price;
<b>GlobalCapital</b>	GlobalCapital p.l.c., a public limited company registered under the laws of Malta with company registration number C 19526 and having its registered office at GlobalCapital plc, Testaferrata Street, Ta' Xbiex XBX 1403, Malta;
<b>GlobalCapital Group</b>	GlobalCapital and all of its subsidiaries;
<b>GlobalCapital Shares</b>	Ordinary Shares of GlobalCapital, which class of shares is listed on the Official List of the MSE;
<b>Income Tax Act</b>	the Income Tax Act, Chapter 123 of the laws of Malta;
<b>Interest Commencement Date</b>	the Issue Date;
<b>Interest Payment Date</b>	October 1 of each year and the Maturity Date (or if any such date is not a Business Day, the next following day that is a Business Day);
<b>Interest Rate</b>	six percent (6%) per annum;
<b>Investment Services Act</b>	the Investment Services Act, Chapter 370 of the laws of Malta;

<b>Issuer</b>	Investar p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 65310 and having its registered office at 171, Old Bakery Street, Valletta VLT 1455, Malta;
<b>Issue Date</b>	expected March 1 2016 but may be earlier at the option of the Issuer (on any date during the Issue Period);
<b>Issue Period</b>	January 11 2016 to March 1 2016, both days included;
<b>Issue Price</b>	€100,000 per Note;
<b>Listing Agent</b>	ISE Listing Services of 28 Anglesea Street, Dublin 2, Ireland;
<b>Listing Authority</b>	the MFSA, appointed as Listing Authority for the EWSM (and, where appropriate, for the MSE) for the purposes of the Financial Markets Act;
<b>Listing Rules</b>	the Listing Rules for the EWSM issued by the Listing Authority and the Guidelines for Listing and Trading on the European Wholesale Securities Market issued by the EWSM;
<b>Long Stop Date</b>	the date falling 6 months after the Issue Date;
<b>Maturity Date</b>	March 1 2021;
<b>Memorandum and/or Articles of Association</b>	the memorandum and articles of association of the Issuer in force at the time of publication of this Prospectus;
<b>MiFID</b>	Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC;
<b>MFSA</b>	Malta Financial Services Authority as established under the Malta Financial Services Authority Act (Chapter 330 of the laws of Malta);
<b>Money Market Instruments</b>	any securities that at the time of acquisition by the Issuer have an initial or remaining maturity which does not exceed 397 days;
<b>MSE</b>	Malta Stock Exchange p.l.c., as originally constituted by the Financial Markets Act, bearing company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
<b>Nominal Value</b>	(in respect of each Note) EUR 100,000;
<b>Noteholder/s</b>	any holder/s of the Notes from time to time, as evidenced by an electronic entry in the register of Notes held by the CSD;
<b>Notes</b>	the exchangeable notes issued by the Issuer in terms of this Prospectus;
<b>Operating Account</b>	the Issuer's cash operating account with the Account Bank;

<b>Other Eligible Securities</b>	the Eligible Assets (other than GlobalCapital Shares) in which the Issuer is permitted to invest in accordance with Section 5.2 of this Prospectus;
<b>Pledge Agreement</b>	the initial pledge agreement to be entered into between the Issuer and the Trustee as soon as possible following the Issue Date, whereby the Issuer shall create the Pledge of Shares, together with such additional pledge agreements that are entered into between the Issuer and the Trustee pursuant and subject to the terms of the initial pledge agreement in respect of further GlobalCapital Shares allotted to or acquired by the Issuer following the effective date of the initial pledge agreement but prior to the Long Stop Date;
<b>Pledge of Shares</b>	a pledge over the Exchange Property granted by the Issuer in favour of the Trustee for the benefit of the Noteholders pursuant and subject to the terms of the Pledge Agreement;
<b>Prospectus</b>	this Prospectus in its entirety together with any Supplements;
<b>Prospectus Directive</b>	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, and as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010;
<b>Prospectus Regulation</b>	Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive as amended by Commission Delegated Regulation (EU) No 486/2012 of 30 March 2012 and as further amended by Commission Regulation (EU) No 862/2012;
<b>Regulated Market</b>	any stock exchange or other regulated market which operates regularly and which is recognised and is open to the public, and which is located in an Eligible State;
<b>Securities Account</b>	the Issuer's securities account with the Agent in which all Eligible Assets (excluding the Excluded Shares) will be held;
<b>Subscription Account</b>	the Agent's clients' account with Bank of Valletta p.l.c. (MT65VALL22013000000040012572078);
<b>Supplement</b>	any supplement to this Prospectus dated 12 January 2016 which may be issued from time to time by the Issuer;
<b>Terms and Conditions</b>	the terms and conditions of the Notes set out in the Trust Deed and described in Section 10;
<b>Trust Deed</b>	the trust deed constituting the Notes entered into by the Issuer on or prior to the Issue Date;
<b>Trustee</b>	Equity Wealth Solutions Limited, a private limited liability company, with company registration number C 31987 and its registered office at 176, Old Bakery Street Valletta;

## **1. Risk Factors**

### **1.1 General**

An investment in the Notes issued by the Issuer involves certain risks, including but not limited to those risks described in this Section. The following risks are those identified by the Issuer as at the date of this Prospectus. Prospective investors should carefully consider, together with their independent financial and other professional advisors, the following risk factors (not listed in order of priority) and other investment considerations as well as all the other information contained in the Prospectus before deciding to make an investment in the Issuer and the Notes.

Some of these risks are subject to contingencies that may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingencies occurring. The sequence in which the risks below are listed is not intended to be indicative of any order of probability of a particular cause of loss arising or of the extent of that loss should it arise.

Should any of the risks described below materialise, they could have a serious adverse effect on the Issuer's financial results and trading prospects and the ability of the Issuer to fulfil its obligations under the Notes.

The risks and uncertainties discussed below may not be the only ones that the Issuer or GlobalCapital faces. Additional risks and uncertainties, including those the Directors of the Issuer may not currently be aware of, could well result in a material impact on the financial condition and operational performance of the Issuer. Accordingly, prospective investors should make their own independent evaluation of all risk factors, and should carefully read, consider and understand the Prospectus as a whole before investing in the Notes. In addition, prospective investors ought to be aware that risk may be amplified due to a combination of risk factors.

### **1.2 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 but not limited to 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 are based purely on the intentions, beliefs or current expectations of the Issuer and/or the Directors. There can be no assurance that the results and events contemplated by the forward-looking statements contained in this Prospectus will occur.

Forward-looking statements, by their very nature, involve substantial uncertainties because they relate to events and depend on circumstances that may or may not occur in the future, many of which are beyond the Issuer's control. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer's actual results of operations and financial condition may, as a result of many different factors, differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if the results of operations and financial condition of the Issuer are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Subject to its legal and regulatory obligations (including those under the Listing Rules), 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.

## **1.3 Risks Relating to the Issuer**

### **1.3.1 Limited Source of Funds for Payments to Noteholders**

The Issuer will have no assets other than the Eligible Assets and any payments received by the Issuer in respect of the Eligible Assets. While the expected returns on the Eligible Assets are discussed herein, there can be no assurance that there will be sufficient funds in the Asset Pool to enable the Issuer to pay interest when due on the Notes and/or to repay the principal on the Notes on the Maturity Date, in whole or in part.

### **1.3.2 No Current Income**

The Issuer's investment policies should be considered speculative as there can be no assurance that the assessment of the prospectus of the Issuer's investments, some of which have not yet been identified, will generate a return sufficient for the Issuer to meet its obligations to Noteholders.

### **1.3.3 Concentration Risk**

Concentration risk may arise because of lack of diversification in the Issuer's business that may lead to excessive exposure or concentration in one counterparty or group of connected counterparties. The Issuer's current investment objective is not diversified. GlobalCapital Shares are expected to constitute a substantial portion of the Eligible Assets, which means that the Issuer's financial position and its ability to meet its obligations to Noteholders will be heavily dependent on GlobalCapital's operations and its ability to generate a dividend for its shareholders, including the Issuer.

### **1.3.4 Credit Risk**

The Issuer is subject to the credit risk of the Eligible Asset Obligors defaulting on their obligations to the Issuer. Any default or inability of the Eligible Asset Obligors to pay the Issuer amounts due in respect of the Eligible Assets may result in the inability of the Issuer to meet its obligations, in whole or in part, to Noteholders under the Notes.

### **1.3.5 Liquidity Risk**

The Issuer is also subject to liquidity risk, which is the risk that the Issuer may be unable to meet its obligations as they become due. The ability of the Issuer to meet its obligations in respect of the Notes is dependent on, *inter alia*, the timely payment of any amounts due under the Eligible Assets. The Issuer is subject to the risk of delay arising between the scheduled payment dates for interest, dividends or other distributions owed to the Issuer in respect of the Eligible Assets and the date of actual receipt of those payments, dividends or other distributions. Any delay in payments due to the Issuer in respect of the Eligible Assets could result in a delay in payments due by the Issuer to Noteholders under the Notes.

### **1.3.6 Limited Operating History**

The Issuer was incorporated on 26 May 2014 and therefore has a limited operating history that can be evaluated as a basis for the Issuer's potential performance.

### **1.3.7 Dependence on the Board of Directors**

In addition to being responsible for the general management of the Issuer's affairs, the Board is responsible for the selection of Eligible Assets that are to comprise the Asset Pool. The Issuer has not appointed and will not be appointing a collateral manager or other outside service provider to manage

the Asset Pool. The selection of assets for the Asset Pool by the directors will therefore have a significant effect on the ability of the Issuer to meet its obligations to Noteholders under the Notes.

### **1.3.8 Market Risk**

The Eligible Assets are subject to normal market fluctuations and the risks inherent in investment in the international securities markets. There can be no assurance that the Eligible Assets will appreciate in value or will not depreciate in value or produce the expected returns necessary for the Issuer to meet its obligations to the Noteholders.

### **1.3.9 Currency Risk**

The investments of the Issuer are denominated predominantly in the same currency as the Notes i.e. in Euro. Should the Issuer invest in Eligible Assets that are denominated in a currency other than Euro, the Issuer may be subject to, and its ability to meet its obligations in respect of the Notes affected adversely by, exchange rate movements.

## **1.4 Risks Relating to GlobalCapital**

GlobalCapital is a holding company with subsidiaries engaged primarily in life assurance business, insurance agency activities, investment and advisory services and property holding and management and as a result of GlobalCapital's broad range of business activities it is exposed to various risks, including but not limited to the various risks detailed below, all of which are outside the Issuer's control.

### **1.4.1 Financial Risk**

The GlobalCapital Group is exposed to financial risk, principally through its GlobalCapital Life Insurance Limited's financial assets and liabilities, reinsurance assets, and insurance liabilities. In particular, a key financial risk is that the proceeds from GlobalCapital Life Insurance Limited's financial assets may not be sufficient to fund the obligations arising from its insurance and investment contracts with a discretionary participation feature. The most important components of financial risk are market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk, all of which are highlighted below. These risks partly arise from open positions in interest rate, currency, and equity products, all of which are exposed to general and specific market movements.

### **1.4.2 Market Risk**

The various businesses of the GlobalCapital Group are materially affected by conditions in the financial markets and economic conditions generally, both in Malta and elsewhere around the world. Therefore, all of the business segments of the GlobalCapital Group are affected by market conditions which can cause results to fluctuate from year to year as well as on a long-term basis.

Risk can arise, *inter alia*, from adverse changes in interest rates, credit spreads, foreign exchange rates, equity prices and other relevant parameters, such as market volatility. For example, the current global economic and financial crisis led to a re-evaluation of risks, particularly credit risks. Similarly, the Eurozone sovereign debt crisis and concerns over the viability of the European Monetary Union have further increased uncertainties in the financial markets. The probability of default increased across many asset classes, including sovereign debt, resulting in a multitude of credit rating downgrades and widening credit spreads. In addition, price volatility of many financial assets such as equities, credit and structured products increased significantly. Simultaneously therewith, liquidity in the markets for these assets decreased substantially, making it difficult to sell certain assets at reasonable prices. Demographics, inflation, interest rates, consumer and business spending, recession,

unemployment and other such factors which are beyond GlobalCapital's control, including general economic conditions, may also influence the GlobalCapital Group's overall performance and results.

### **1.4.3 Insurance Business Risk / Dependence on GlobalCapital Life Insurance Limited**

GlobalCapital Life Insurance Limited, one of the principal subsidiaries of GlobalCapital, is engaged in Class I (life and annuity) and Class III (linked long term) insurance activities, which are subject to insurance risk, as further highlighted below. The diversification of GlobalCapital's subsidiaries across different business sectors does not eliminate GlobalCapital's dependence on GlobalCapital Life Insurance Limited and there can be no guarantee as to the level of success that will be achieved by GlobalCapital Life Insurance Limited, its results of operations or financial condition generally. If any of the risks hereunder is not adequately managed, then this could have a material adverse effect on the assets, financial condition and results of the operations of GlobalCapital Life Insurance Limited, thereby adversely impacting GlobalCapital and, correspondingly, the Issuer.

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount and timing of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable. Depending on the insurance product, this risk is influenced by macroeconomic changes, changes in customer behaviour, changes in public health, pandemics and catastrophic events such as earthquakes, industrial disasters, fires, riots or terrorism. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk and geographical location. For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that GlobalCapital Life Insurance Limited faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could take place because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques.

*Frequency and severity of claims* – For contracts where death is the insured risk, the most significant factor that could increase the overall frequency of claims are epidemics or widespread changes in lifestyle resulting in earlier or more claims than expected. In this regard, undue concentration by amounts could have an impact on the severity of benefit payments on a portfolio basis. For contracts with fixed and guaranteed benefits and fixed future premiums there are no mitigating terms and conditions that reduce the insurance risk accepted.

*Sources of uncertainty in the estimation of future benefit payments and premium receipts* – Uncertainty in the estimation of future benefit payments and premium receipts for long term insurance contracts arises from the unpredictability of long term changes in overall levels of mortality and the variability in contract holder behaviour. GlobalCapital Life Insurance Limited may be liable for certain insured events that occur during the term of a contract, even if the loss is discovered after the end of the contract term. As a result, the estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to GlobalCapital Life Insurance Limited where information about the claim event is generally available. Certain classes of business, most notably those exposed to liability, can take several years to develop and are therefore subject to a greater degree of uncertainty than other classes of business which are typically settled in a shorter period of time. The assumptions used in conventional statistical or actuarial models used in the estimation of claims reserves may differ from actual future results. The estimated cost of claims includes direct expenses to be incurred in settling claims, value and recoveries. Given the uncertainty in establishing claims provisions, it is possible that the final outcome will prove to be different from the original liability established.

*Actual results could deviate from actuarial and other assumptions* – Actual results could deviate from the actuarial and other assumptions made in calculating the actuarial reserves in life insurance business and in computing the value of in-force business. The assumptions used in calculating



actuarial reserves and the value of in-force business may differ from actual future results. Actuarial reserves are calculated and the associated value of in-force business is based on recognised actuarial methods and assumptions. These assumptions include estimates of long-term developments in interest rates, financial investment yields, allocation of financial investments between shares, interest-bearing securities and other categories, participations in profits, mortality and morbidity rates, lapse rates as well as future costs. Changes in these assumptions or incorrect assumptions may lead to an increase of the actuarial reserves for the life insurance business and to changes in the value of in-force business.

*Reinsurance* – The lack of available reinsurance protection or the availability of reinsurance protection at increased costs and/or the inability/untimely payment by reinsurers, could have a material adverse effect on the earnings of GlobalCapital Life Insurance Limited and consequently of the GlobalCapital Group. Reinsurance does not discharge GlobalCapital Life Insurance Limited’s liability as primary insurer. If a reinsurer fails to pay a claim for any reason, GlobalCapital Life Insurance Limited remains liable for payment to the policyholder. Various factors applying to the global reinsurance market may from time to time result in higher premiums sought by reinsurers for the acceptance of risk on their part. This will inevitably have a negative impact on the assets, financial position and earnings for GlobalCapital Life Insurance Limited and consequently for the GlobalCapital Group. Should GlobalCapital Life Insurance Limited be unable to cede certain risks to reinsurance companies at an economical cost, thus retaining larger proportions of risks for its’ own account and increasing its’ exposure to uncertainty on the probability of occurrence, this could also have a negative impact on the assets, financial position and earnings for GlobalCapital Life Insurance Limited.

*Distribution channels* – GlobalCapital Life Insurance Limited distributes its insurance products through a combination of direct sales and of third party distributors that include tied insurance intermediaries and insurance brokers. GlobalCapital Life Insurance Limited may accordingly be exposed to the risk of distributors seeking to terminate their business relationship, which could lead to a loss of business. GlobalCapital Life Insurance Limited also may also be exposed to the risk of its own employees and third party distributors mis-selling policies.

#### **1.4.4 Investment Services Business Risk**

GlobalCapital Financial Management Limited’s (i.e. GlobalCapital’s investment services arm’s) income and profits or losses from its investment and advisory business, may vary significantly from year to year as a result of market cycles, including volatile movements on the financial markets, in equity and bond prices, interest rates and exchange rates which may reduce investment and demand for investment products promoted or distributed by GlobalCapital Financial Management Limited. A decline in the financial markets could also have an adverse effect on GlobalCapital Financial Management Limited’s ability to earn advisory and other fees. GlobalCapital Life Insurance Limited’s and GlobalCapital Financial Management Limited’s performance is also influenced by returns dependent to a significant extent on the health of the financial markets, both locally and overseas.

#### **1.4.5 Stock Market Risk**

GlobalCapital Life Insurance Limited’s and GlobalCapital Financial Management Limited’s local stock market investments may be affected by the relatively low liquidity of the local market as a whole. Protracted market declines, both locally and internationally, can also reduce the liquidity of the assets of GlobalCapital Life Insurance Limited and GlobalCapital Financial Management Limited which can in turn have an adverse effect on GlobalCapital. If GlobalCapital Life Insurance Limited and GlobalCapital Financial Management Limited require significant amounts of cash on short notice in excess of anticipated cash requirements at a time when some or any of their respective assets have low liquidity they may have difficulty selling these investments in a timely manner at the fair values

at which these investments are reflected in their respective financial statements. This potential constraint may be more marked in the case of securities listed on the local stock market.

#### **1.4.6 Real Estate Market Risk**

GlobalCapital's real estate subsidiaries will be influenced by the health of the property market, both locally and overseas, and fluctuations in property prices. An increase in supply and/or a reduction in demand in the property markets in which GlobalCapital's real estate subsidiaries are active could impact negatively upon the capital value, income streams and investment strategy of those subsidiaries and consequently of GlobalCapital.

#### **1.4.7 Interest Rate Fluctuations**

GlobalCapital and its subsidiaries are exposed to the risk of fluctuating market interest rates, which may have a material adverse effect on the financial and earnings position of the GlobalCapital Group. Assets/liabilities with variable rates expose the GlobalCapital Group to cash flow interest risk. Assets/liabilities with fixed rates expose the GlobalCapital Group to fair value interest rate risk to the extent that they are measured at fair value. Interest rate fluctuations in the Eurozone significantly influence the value of the GlobalCapital Group's financial assets. Interest rate fluctuations result in the following risks:

*Write-downs* – Book value depends on changes in the interest rate level; if interest rates rise, the market value of these securities falls.

*Attractiveness of products* – The sales success of fund and index linked products also depends on the volatility of capital markets. Fluctuations in the capital markets, in particular in interest rates, influence the attractiveness of these products.

*Reinvestment* – Upon the maturity of higher-interest securities, a lower interest level at the time of reinvestment in interest-bearing securities will lead to a decline in net earnings.

#### **1.4.8 Price Risk**

The GlobalCapital Group is exposed to market price risk arising from the uncertainty about the future prices of investments held at fair value through profit or loss or as available for sale.

#### **1.4.9 Currency Risk**

The GlobalCapital Group's exposure to foreign exchange risk arises primarily from investments that are denominated in currencies other than the Euro. Accordingly, the GlobalCapital Group may be subject to, and its ability to meet its obligations in respect of the Notes affected adversely by, exchange rate movements.

#### **1.4.10 Liquidity Risk**

Liquidity risk for the GlobalCapital Group is the risk of decrease in profits or capital, arising from an inability of the GlobalCapital Group to meet its immediate obligations, without incurring additional costs. This risk can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-balance sheet instruments. The GlobalCapital Group is also exposed to significant liquidity risk in relation to interest and capital payment obligations arising on outstanding debt securities it has issued. Accordingly, the GlobalCapital Group is exposed to increased risk of default vis-à-vis its capital requirement obligations, consequently running the risk of impeding its ability to continue as a going concern.

#### **1.4.11 Credit Risk**

The GlobalCapital Group has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. These include issuers of securities held by the GlobalCapital Group, reinsurers, customers and trading counterparties. Due to insolvency, a lack of liquidity, an economic downturn or a decline in real estate values, business management errors or other reasons, these parties may no longer be in a position to satisfy their obligations towards the GlobalCapital Group. Financial assets that potentially subject the GlobalCapital Group to concentrations of credit risk consist principally of investments (including counterparty risk); reinsurers' share of technical provisions; trade and other receivables; and cash and cash equivalents.

#### **1.4.12 Regulatory Risk**

The GlobalCapital Group is subject to a broad regulatory framework, relating, in particular, to the insurance and investment services activities of its subsidiaries. As a result the Group operates in a highly regulated environment. GlobalCapital Life Insurance Limited and GlobalCapital Health Insurance Agency Limited are licensed by the MFSA under the Insurance Business Act and the Insurance Intermediaries Act, respectively. GlobalCapital Financial Management Limited is licensed by the MFSA under the Investment Services Act and the Financial Institutions Act. Furthermore, GlobalCapital Financial Management Limited is licensed as an Alternative Investment Fund Manager - *De Minimis* AIFM and as a Recognised Fund Administrator.

In particular, the Solvency II Directive, as supplemented by the Solvency II Regulation, encompasses requirements on own funds, the calculation of technical provisions, valuation of assets and liabilities, governance structure, regulatory reporting and disclosure as well as governance of insurance companies. GlobalCapital Life Insurance Limited is required to comply with the Solvency II regime as from 1 January 2016. Solvency II provides for more risk-sensitive standards in relation to capital requirements, aims to align capital requirements for insurance companies with those applicable to banks and investment firms in order to avoid regulatory arbitrage, as well as to align regulatory capital with economic capital and bring about an enhanced degree of public disclosure. The Solvency II regime will create a stricter and more comprehensive regulatory framework (compared to the supervisory and solvency rules existing pre-2016 (i.e. the 'Solvency I' regime) for insurance and re-insurance companies within the EU. As a result, solvency capital requirements for insurance and reinsurance companies will increase compared to the current Solvency I regime and also result in capital ratios becoming more volatile.

Under the Solvency II regime insurance holding companies are required to meet a group minimum capital requirement ('Group MCR') and a group solvency capital requirement ('Group SCR') at the parent company level as of 1 January 2016. GlobalCapital has determined that in view of the GlobalCapital Group's activities and revenues GlobalCapital constitutes a mixed activity insurance holding company and is therefore not required to meet a Group MCR and a Group SCR under Solvency II. In the event that GlobalCapital were to constitute, at any time after the 1 January 2016, an insurance holding company as a result of a change in the nature of its activities and revenues or otherwise as a result of a determination to this effect made by the MFSA, GlobalCapital will be required to meet a Group MCR and a Group SCR under Solvency II which would in turn entail significantly more onerous capital requirements and increased operational costs. There can be no assurance that in such case GlobalCapital would qualify to meet the MSFA's requirements for the application of the transitional arrangements in respect of Solvency II at a consolidated level.

In the event that GlobalCapital Life Insurance Limited and/or GlobalCapital (if the latter constitutes, at any time, an insurance holding company) should have inadequate capital resources to meet the applicable regulatory capital requirements, GlobalCapital Life Insurance Limited and/or GlobalCapital (in the event aforesaid) could be subjected to regulatory sanctions which may have a detrimental effect on the ongoing insurance business activity of GlobalCapital Life Insurance Limited and GlobalCapital, and in the most extreme case could lead to the suspension or termination of

GlobalCapital Life Insurance Limited's insurance business activity. In addition, the imposition of fines could have a material adverse effect on the assets, financial position and earnings of GlobalCapital Life Insurance Limited and the Group. Moreover, the violation of regulatory requirements could lead to intensified supervision of GlobalCapital Life Insurance Limited and the GlobalCapital Group and, accordingly, to an increase in operational expenses. The imposition of any public regulatory sanctions or fines against GlobalCapital and/or any of its subsidiaries could lead to a loss of confidence among customers and business partners, and could also materially adversely affect the financial position and earnings of the GlobalCapital Group.

#### **1.4.13 Legal and Compliance Risk**

The GlobalCapital Group is exposed to various forms of legal and compliance risk due to the extent and complexity of its operations and the wide range of its regulatory obligations.

Governmental and other regulatory authorities continue to introduce proposals to strengthen the regulatory and supervisory framework for the financial services industry which include, inter alia, stricter own funds requirements, liquidity standards, the regulation of types of business considered as potentially high risk, expansion of the powers of competent authorities, and new or additional forms of redress for consumers of financial services. Such future changes to the existing regulatory framework for the financial services industry may be significant with negative impacts on the GlobalCapital Group, such as increased cost of capital due to stricter own funds requirements and additional administrative cost incurred in the implementation and compliance with such new rules. In particular, the implementation of Solvency II is causing a substantial increase in the regulation applicable to insurance companies, including increased (quantitative and qualitative) capital and disclosure requirements, as well as restrictions on certain types of transactions, as set out in more detail under Section 1.4.12 (*Regulatory Risk*) above.

Financial service firms are also at risk of regulatory sanctions or fines related to conduct of business and financial crime. The incidence of regulatory proceedings against financial service firms is increasing, with a consequent increase also in civil litigation arising from or relating to matters which are subject to regulatory investigation, sanction or fine.

In recent years, the regulated operating subsidiaries of GlobalCapital have experienced increasing levels of compliance risk as regulators pursued investigations into historical and existing activities, and the GlobalCapital Group remains in regular communication with the MFSA in relation to possible breaches of regulations. The direct and indirect costs of regulatory breaches can be significant. Given the increased levels of regulatory scrutiny experienced in recent years across the financial services industry and the substantial rise in the volume of new legislation and regulation the level of inherent legal and compliance risk faced by the GlobalCapital Group will continue to remain high for the foreseeable future.

The volume and amount of damages claimed in legal and other adversarial proceedings against financial services firms are increasing for many reasons, including legislative and regulatory developments and changes in regulatory policy, increased media attention and higher expectations from the government, regulators and the public.

Judicial and regulatory decisions that are unfavourable to other regulated companies operating in the same sectors as the GlobalCapital Group may also have implications for GlobalCapital's regulated operating subsidiaries, even in cases in which the subsidiary in question is not a party to the proceedings. This could occur in cases where certain business practices or contractual provisions are interpreted against third party service providers in circumstances where the same or similar business practices or contractual provisions have historically also been adopted by any of GlobalCapital's regulated operating subsidiaries. For instance, decisions that have an impact on life insurance policies or terms of investment services business could affect the whole of the insurance and investment services industries respectively. As a result, such judicial and/or regulatory decisions may have a

material adverse impact on the GlobalCapital Group's results, business, financial condition and prospects.

Certain GlobalCapital Group companies are themselves subject to on-going legal proceedings and regulatory investigations in respect of their financial services business and consumer claims for mis-selling of financial products. It is inherently difficult to predict the outcome of such legal proceedings, regulatory investigations and other adversarial proceedings involving the GlobalCapital Group companies particularly in those cases in which the liquidation of damages is being sought, or in which matters are brought on behalf of classes of claimants, or which otherwise involve new legal claims.

Such proceedings and/or investigations could result in the GlobalCapital Group incurring significant expense, substantial financial loss, fines, penalties and reputational damage and could have a material adverse effect on the GlobalCapital Group's results, business, financial condition and prospects, including the potential loss of key licences, potential regulatory restrictions and/or the requirement to exit certain businesses and payments of compensation to customers. Moreover, the GlobalCapital Group may face additional legal proceedings and regulatory investigations in the future with respect to matters similar or different to the existing proceedings and investigations. As a result the GlobalCapital Group faces significant legal and compliance risks in its business.

In addition, accounting provisions for legal proceedings and regulatory matters typically require a higher degree of judgement than other types of provisions. Accounting judgements can be difficult because of the high degree of uncertainty associated with determining whether a present obligation exists, and estimating the probability, timing and amount of any outflows that may arise. As such legal proceedings and/or regulatory matters progress previous accounting judgements and estimates may need to be revised, however, any amount provisioned is likely to remain very sensitive to the assumptions used. There could be a wide range of possible outcomes for any pending legal proceedings, investigations or inquiries. As a result, it is often not practicable to quantify a range of possible outcomes for individual matters. It is also not practicable to meaningfully quantify ranges of potential outcomes in aggregate for these types of provisions because of the diverse nature and circumstances of such matters and the wide range of uncertainties involved.

#### **1.4.14 Operational Risks**

The GlobalCapital Group is exposed to a number of operational risks, including:

*Key succession planning* – The loss of specialised employees occupying key positions within the different business units making up the Group could result in a loss of know-how. The financial results of the GlobalCapital Group are to a significant degree dependent on the existing market and industry knowledge of its management. The loss of executives or of employees in key positions could materially adversely affect the assets, financial position and earnings of the GlobalCapital Group if it is not possible to fill the vacant positions with equally qualified executives within an appropriate time period.

*External fraud risk* – The GlobalCapital Group is exposed to the risk of damages arising as a result of illicit manipulation. Such manipulation, if not countered by effective control, could lead to financial losses.

*IT Risk* – The GlobalCapital Group relies on complex IT systems, which could be considerably impaired by internal and external factors. The GlobalCapital Group is dependent on the functioning of an efficient IT system (hardware and software). IT systems are susceptible to a number of risks, such as computer viruses, hackers, or damage to critical IT hardware. The partial or complete failure of the GlobalCapital Group's IT systems, accompanied by a breakdown in back-up resources, could lead to a significant disruption of business processes, a temporary shutdown of business operations, claims for damages and/ or a loss of customers. Should such events or similar events occur and lead

to damages or lost revenues, there could be a material adverse effect on the GlobalCapital Group's assets, financial position and earnings.

#### **1.4.15 Reputational Risk**

Reputational risk is usually associated with conflicts of interest, regulatory compliance, remuneration systems, professional behaviour of the human resources, reputation and financial soundness of major shareholders, corporate culture, leadership and corporate strategy and its implementation. Reputational risk could materially and adversely affect the Group's ability to retain or attract customers, particularly institutional and retail customers, whose loss could adversely affect the GlobalCapital Group's operations, financial condition and prospects. More specifically, reputational harm may result in the loss of market share and revenue, increased compliance costs and higher financing costs, reflecting the perceived increased risks.

#### **1.4.16 Strategic Business Risk**

Strategic risk is the risk associated with the future business plans and strategies of the GlobalCapital Group. Improper strategic choices or the actual implementation of strategic decisions, as well as lack of responsiveness to changes in the economic environment, can have a serious and significant impact on prospective financial results. Closely linked with the above, business risk is the risk associated with the particular business and operating circumstances of the GlobalCapital Group, and is more within the control of decisions taken by management but which nevertheless can have a significant impact on operating and business results.

#### **1.4.17 Competition**

The insurance and investment services markets are highly competitive, with several factors affecting the GlobalCapital Group's insurance and investment services subsidiaries' ability to sell their products, including price and yields offered, financial strength, range of product lines and product quality, brand strength and name recognition, investment management performance and historical bonus levels. In some of its markets the Group faces competitors that are larger, have greater financial resources or a greater market share, offer a broader range of products or have higher bonus rates, claims-paying ratios, or products delivering superior returns.

In addition, the financial services industry is also very competitive and the GlobalCapital Group faces substantial competitive pressures which could adversely affect GlobalCapital's results of operations and profitability. Competition in the financial services industry is affected by the high level of consolidation, both at national and an international level, in the markets in which GlobalCapital's regulated subsidiaries operate. The GlobalCapital Group competes with other insurance and investment services providers, including the subsidiaries and/or associated companies of national and multi-national banking, insurance, and other investment services firms which are authorised in Malta and/or which have established a branch and/or provide their services in Malta on a cross border basis under the EU freedoms of establishment and services on a cross border basis.

Competitive pressures could result in a reduction in margins on a number of the GlobalCapital Group's products and services and may affect GlobalCapital's ability to maintain or increase profitability. Competition is also expected to result in increased pressures on the availability of technical and qualified human resources and this in turn may pose a challenge to the retention by the GlobalCapital Group of its key personnel.

#### **1.4.18 External Factors**

The GlobalCapital Group's overall performance and results may also be adversely affected by external factors beyond GlobalCapital's control. These include changes in economic conditions,

business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.

#### **1.4.19 Solvency Risk**

GlobalCapital's shareholders, including the Issuer, assume the solvency risk of GlobalCapital as the issuer of GlobalCapital Shares. In the case of insolvency of GlobalCapital, its shareholders, including the Issuer, may suffer direct and materially adverse consequences, including loss of their entire investment.

#### **1.4.20 Future Funding Risk**

In May 2006, GlobalCapital issued €17,000,000 of 5.6% bonds maturing on 2 June 2016, subject to an early redemption at the option of GlobalCapital on 2 June 2014 and 2 June 2015. The proceeds from these bonds were used in part to finance group operations and in part to acquire investment property. There currently are outstanding €3,823,200 of those bonds (i.e. the aggregate amount of the bonds in relation to which GlobalCapital did not exercise its early redemption options). It is very likely that there will be liquidity shortfall in 2016 as a result of the redemption obligation of GlobalCapital of the bonds which are due for redemption by not later than 2 June 2016. Accordingly, GlobalCapital is currently intends to raise funding of €15,000,000 (including, at least in part, through an upcoming rights issue of GlobalCapital expected to take place in Q1 2016), in the aggregate, in order to finance the repayment of the bonds together with an amount of approximately €800,000 equivalent to the payment of one year's interest on the bonds which also falls due on 2 June 2016.

Depending on the size of the upcoming rights issue and its success in terms of GlobalCapital Shares actually issued and the proceeds received by GlobalCapital in relation to the same, it is possible that GlobalCapital will require additional funding (i.e. further to the funds raised in the rights issue) in order to meet its bond repayment obligations. The success of the rights issue will likely also depend, in part, on the success of the Issuer to raise funds through the proposed issue of Notes in order to use those funds to acquire GlobalCapital Shares in the rights issue. There is no guarantee that the prevailing market conditions will be conducive to a successful rights issue or further financing (whether through shareholder support or otherwise), if required, will be forthcoming.

### **1.5 Risks Relating to the Notes**

#### **1.5.1 Issuer Dependence on GlobalCapital's Performance**

If the Issuer is successful in achieving its investment objective of investing approximately 80% of the aggregate proceeds from the issue of the Notes in GlobalCapital Shares, the ability of the Issuer to meet payment of interest and repayment of principal obligations to Noteholders under the Notes will be heavily dependent on the success of GlobalCapital's operations and its ability to generate a dividend for its shareholders, including the Issuer.

As a matter of Maltese law, a company can only pay dividends to the extent that it has distributable reserves and sufficient cash available for this purpose. GlobalCapital's ability to pay dividends in the future is affected by a number of factors, principally its ability to generate and receive income for such purposes, directly or indirectly, from its operating subsidiaries and associates. The ability of these entities to pay dividends and GlobalCapital's ability to receive such distributions is subject to applicable local laws and other restrictions, including their respective regulatory, capital and leverage requirements, statutory reserves, financial and operating performance and applicable tax laws. These laws and restrictions could limit the payment of dividends and distributions to GlobalCapital by its subsidiaries and associates, which could in turn restrict GlobalCapital's ability to fund other operations or to pay a dividend to holders of GlobalCapital Shares.

The Company has not paid any dividends since financial year ended 2006. As at 31 December 2014 the Company had accumulated losses of €27,502,395 and therefore did not have any distributable reserves. The availability of profits available for distribution is contingent on the positive results of operations of the GlobalCapital Group, while any future losses of the GlobalCapital Group will continue to impact negatively GlobalCapital's accumulated losses. GlobalCapital will not be in a position to pay any dividends before reversing in full any accumulated losses through the generation of sufficient distributable profits and/or the reduction of GlobalCapital's issued share capital to offset (in whole or in part) such accumulated losses. Accordingly the GlobalCapital is not expected to pay any dividends in the short to medium term and may not, even in the longer term, be in a position pay to any dividends at all.

### **1.5.2 Uncertainty of Achievement of Investment Objective**

It is possible that the Issuer may not be able to acquire a sufficient amount of GlobalCapital Shares in the upcoming GlobalCapital rights issue (or by other means prior to the Long Stop Date) to achieve its investment objective. While the Issuer expects to acquire at least its pro rata share of the upcoming GlobalCapital rights issue it cannot be guaranteed that it will be able to acquire any GlobalCapital Shares in excess of that pro rata share. The Issuer's ability to acquire further GlobalCapital Shares in excess of its pro rata share will depend on a number of factors, including whether the other shareholders opt to take up their respective pro rata shares of the rights issue, whether the structure of the rights issue permits shareholders to acquire those rights/GlobalCapital Shares that are not taken up by other shareholders and the absence of higher bids in any auction process with third parties for those rights/GlobalCapital Shares that are not taken up.

### **1.5.3 No Guarantee of Return on Exchange**

The terms of the Notes differ from those of ordinary debt securities because the Notes are exchangeable for GlobalCapital Shares. The return that a Noteholder may receive upon the exchange of the Notes will not be directly comparable to that of an ordinary fixed income debt security but will instead be influenced by changes in the trading price of GlobalCapital Shares. The interest rate on the Notes will not be affected by fluctuations in the price of the shares of GlobalCapital Shares.

However, there is no set number of GlobalCapital Shares into which each Note is exchangeable. Upon the exercise of an Exchange Option a Noteholder is only entitled to its pro rata share to the Exchange Property based on the number of Notes held and in any event to no more than the Exchange Maximum. The number (and value) of potential GlobalCapital Shares into which each Note is exchangeable may, in fact, vary significantly, depending on several factors such the market price of GlobalCapital Shares (on the Exchange Notice Deadline) and whether the Issuer is able to achieve its investment objective of investing approximately 80% of the aggregate proceeds from the issue of the Notes in GlobalCapital Shares. Indeed, the value of GlobalCapital Shares may vary substantially between the date on which a Noteholder exercises its Exchange Option and the date on which GlobalCapital Shares are actually delivered. It is therefore possible that the value of GlobalCapital Shares that a Noteholder would receive on an exchange of Notes will be lower (and may be substantially lower) than the Noteholder's original investment in those Notes, and all Noteholders should take this (and all relevant determining factors) into consideration when deciding whether or not to purchase the Notes and whether or not and when to exercise their Exchange Option.

### **1.5.4 No Security Interest Prior to Entry into of Pledge Agreement / Limited Security**

The Issuer might not achieve its investment objective of investing approximately 80% of the aggregate proceeds from the issue of the Notes in GlobalCapital Shares. The market value of GlobalCapital Shares may decrease in value. The Pledge Agreement may be amended in order to release from the Pledge of Shares such part of the Exchange Property that is required to be delivered by the Issuer to those Noteholders who have validly exercised their Exchange Option. Fungible Notes may also be issued by the Issuer at a later date subject to the same terms and conditions as the Notes,



the holders of which will also benefit from the Pledge of Shares (even though it is expected that the proceeds of the Fungible Notes will be invested in further GlobalCapital Shares that will in turn also be pledged in favour of the Trustee for the benefit of both the Noteholders as well as for the benefit of the holders of the Fungible Notes). For all of these reasons, it is entirely possible that the Pledge of Shares may not be sufficient to cover all of the Issuer's obligations to Noteholders at any given point in time and the Notes should therefore not be considered to be fully secured.

Moreover, the Issuer is covenanting to enter into the Pledge Agreement only upon its first acquisition of GlobalCapital Shares following the Issue Date. This is solely an undertaking to provide security and does not in itself constitute a security interest. Accordingly, the Issuer's obligations to Noteholders will be unsecured during the interim period between the Issue Date and the effective date of the Pledge Agreement. Similarly, although the Issuer is covenanting to enter into an additional pledge in relation to certain further acquisitions of GlobalCapital Shares, this remains an undertaking to provide security and the further GlobalCapital Shares acquired will not automatically be subject to the initial Pledge Agreement. A security interest will be created over those further GlobalCapital Shares acquired only following the actual entry into of the additional pledge agreement/s by the Issuer and the Trustee. Other Eligible Securities acquired by the Issuer will not be part of the Pledge of Shares nor will any form of security be granted over them in favour of the Trustee and the Noteholders.

#### **1.5.5 Market for GlobalCapital Shares may be Illiquid**

The Notes are exchangeable for GlobalCapital Shares. The market for GlobalCapital Shares is currently illiquid and may be illiquid following the exercise of an Exchange Option by a Noteholder. It is impossible to guarantee that a liquid secondary market for GlobalCapital Shares will develop. Accordingly, a Noteholder holding GlobalCapital Shares following an exercise of its Exchange Option may be unable to sell those GlobalCapital Shares.

#### **1.5.6 Short Selling of GlobalCapital Shares by Noteholders**

The issuance of the Notes may result in downward pressure on the market price of GlobalCapital Shares. Many investors in convertible or exchangeable securities seek to hedge their exposure in the underlying equity securities at the time of acquisition of the convertible or exchangeable securities, often through short selling of the underlying equity securities or through similar transactions. Any short selling and similar hedging activity could place significant downward pressure on the market price of GlobalCapital Shares as well as the trading price of the Notes.

#### **1.5.7 No Voting or Direct Rights in GlobalCapital until Exchange**

Noteholders have no voting or direct rights as shareholders of GlobalCapital and may be negatively affected by changes made with respect to GlobalCapital Shares. Until Noteholders acquire GlobalCapital Shares upon an exchange, the Noteholders will not be holders of GlobalCapital Shares. Until such an exchange, no Noteholder will have any voting rights as holders of GlobalCapital Shares or direct rights to any dividends GlobalCapital might declare. The Issuer is not obliged to take account of the interests of the Noteholders when exercising any voting or other rights relating to the Exchange Property, and it is therefore possible that the Issuer may act in a manner which is contrary to the best interests of the Noteholders. For example, the Issuer is not obliged to take into account the interests of the Noteholders in connection with a potential merger of GlobalCapital or other significant corporate event where the Issuer is required to exercise the voting rights with respect to GlobalCapital Shares comprising the Exchange Property. Similarly, if an amendment is proposed to the memorandum and articles of association of GlobalCapital and this amendment requires shareholder approval, you will not be entitled to vote on the amendment. If you later exercise your Exchange Option to exchange your Notes for GlobalCapital Shares you will nevertheless be subject to any changes in the powers, preferences or special rights of GlobalCapital Shares provided for in such amendment, even if these are not in your interest.

### **1.5.8 Notes are Redeemable at the Option of the Issuer**

Any or all of the Notes may be redeemed by the Issuer at any time prior to the Maturity Date upon at least thirty (30) Business Days' prior written notice to the relevant Noteholders. Noteholders will be entitled to, in respect of the Notes being redeemed, repayment of all principal together with interest accrued until the date of redemption but once the Notes are redeemed the relevant Noteholders will no longer be entitled to any interest, exchange or other rights in relation to those Notes. If Notes are redeemed prior to the Maturity Date a Noteholder would not receive the same return on its investment that it would have received if those Notes were redeemed on the Maturity Date. If Notes are redeemed prior to the opening of the Exchange Period the relevant Noteholder/s will lose any right to exchange those Notes and will no longer be entitled to receive any part of the Exchange Property in respect of those Notes.

### **1.5.9 Failure to Exercise Exchange Option (on a Timely Basis or Otherwise)**

Failure by a Noteholder to exercise its Exchange Option on a timely basis prior to Exchange Notice Deadline for a particular Exchange Date will result in that Noteholder losing the ability to exchange its Notes on that Exchange Date. If a Noteholder does not exercise its Exchange Option prior to the Maturity Date, the Notes held by that Noteholder will be redeemed at their nominal value on the Maturity Date. The Notes are redeemable at any time at the option of the Issuer prior to the Maturity Date. If a notice of redemption is sent by the Issuer to a Noteholder prior to the opening of the Exchange Period or prior to the Agent having received a valid Exchange Notice in respect of a particular Exchange Date, that Noteholder will lose its right to exchange the Notes and it will no longer be entitled to receive any part of the Exchange Property in respect of those Notes being redeemed pursuant to that notice of redemption.

### **1.5.10 No Adjustment or Anti-Dilution Protection**

The Exchange Property into which the Notes may be exchanged on a pro rata basis will not be adjusted in the event that there is a subdivision, consolidation or reclassification, a rights issue, bonus issue, reorganization, extraordinary dividend or any other corporate, market or other event which affects the GlobalCapital Shares comprising the Exchange Property. These events may adversely affect the value of the Exchange Property and, therefore, adversely affect the value of the Notes.

### **1.5.11 No Assurance of Active Secondary Market for the Notes**

As of the date of this Prospectus, no securities of the Issuer have been listed on any stock or other recognised or regulated investment exchange or otherwise publically (or privately) traded. The existence of an orderly and liquid market for the Notes will depend on a number of factors, including the presence of willing buyers and sellers of the Notes at any given time and over whom the Issuer has no control. Accordingly, it is impossible to guarantee a liquid or any secondary market for the Notes after their admission to trading or that such a market, should it develop, will subsist. Illiquidity can have a severe adverse effect on the market value of the Notes and the price quoted by Noteholders for Notes already admitted to trading on the EWSM may be at a significant discount to the original purchase price of those Notes. There can be no assurance that Noteholders will be able to sell the Notes at or above the price at which the Issuer issued the Notes or at all.

### **1.5.12 No Restriction on the Issuer Incurring Additional Indebtedness**

The Notes do not restrict the Issuer's ability to incur additional debt or securing that indebtedness in the future, which actions may negatively affect the Issuer's financial position and its ability to make payments on the Notes when due. For example, Fungible Notes may be issued by the Issuer at a later date subject to the same terms and conditions as the Notes, the holders of which will also benefit from the Pledge of Shares (even though it is expected that the proceeds of the Fungible Notes will be

invested in further GlobalCapital Shares that will in turn also be pledged in favour of the Trustee for the benefit of both the Noteholders as well as for the benefit of the holders of the Fungible Notes).

#### **1.5.13 No Restriction on GlobalCapital Incurring Additional Indebtedness**

The Notes do not restrict GlobalCapital's ability to incur additional debt or take other actions that could negatively affect Noteholders. GlobalCapital is not restricted under the Terms and Conditions of the Notes from incurring additional indebtedness or securing indebtedness in the future. In addition, the Notes do not require GlobalCapital to achieve or maintain any minimum financial results relating to its financial position or results of operation. GlobalCapital's ability to recapitalise, incur additional debt and take a number of other actions that are not limited by the Terms and Conditions of the Notes could have the effect of diminishing the ability of the Issuer to make payments on the Notes when due or the value of the GlobalCapital Shares to which Noteholders may be entitled to upon an exchange.

#### **1.5.14 No Involvement by GlobalCapital in the Offering of Notes**

GlobalCapital is not involved in the offering of the Notes and does not have any obligation to take consideration of, or act in accordance with, the interests of the Noteholders. GlobalCapital did not decide to issue the Notes and will not receive any funds from any exchange of the Notes for GlobalCapital Shares. GlobalCapital will not determine when the Issuer will issue the Notes, the price at which Issuer will sell them or how many Notes will be issued. GlobalCapital is not involved in managing or trading the Notes or determining or calculating the amount of Exchange Property Noteholders will receive upon an exercise of their Exchange Option. Accordingly, a Noteholder can look only to the Issuer to the extent of its obligation under the Notes for repayment of the Notes and will have no recourse against GlobalCapital.

#### **1.5.15 No Obligation to Update Prospectus Disclosures upon Exchange**

The Issuer has no obligation to update the disclosures or information contained in this Prospectus prior to any Exchange Date or at the time of the exchange of any Notes. The disclosure with respect to the Issuer and GlobalCapital contained in this Prospectus is only accurate as of the date hereof and reflects the current expectations regarding these entities. No assurance can be given that, at the time of the exchange of the Notes for the Exchange Property, the business, financial condition and results of operation of the Issuer or of GlobalCapital will not differ in material ways from any description contained herein or from any information relating to GlobalCapital that is currently publicly available.

#### **1.5.16 No Assurance of Future Price Level of Notes**

The Issuer cannot provide any assurance as to the future price level of the Notes. If any of the Notes are traded following their issue, they may trade at a discount or premium from their initial issue price. In addition to the Issuer's creditworthiness, many other factors may affect the trading market for, and market value of, the Notes. These factors include: general economic conditions; the performance and prospects of GlobalCapital; the time remaining to maturity; redemption or repayment features; and the level, direction and volatility of market interest rates generally.

#### **1.5.17 No Rating**

The Issuer does not intend to request any rating of the Notes, whether by an internationally recognised rating agency or otherwise. The lack of a rating may adversely affect the transfer of the Notes by the Noteholders.

### **1.5.18 Risks Relating to Fixed Rate Debt Securities**

The Notes are fixed rate notes. Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Notes. Investors should be aware that because of the way yield is typically calculated by market participants, the price of fixed income securities tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for the Notes can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Notes will tend to rise. Moreover, fixed rate debt securities with a longer period to maturity will tend to reflect a greater degree of secondary market price volatility relative to movements in market interest rates when compared to fixed rate debt securities with a shorter remaining life.

### **1.5.19 Discontinuation of Listing**

Even after the Notes are admitted to trading on the EWSM, the Issuer is required to remain in compliance with certain requirements relating, *inter alia*, to the free transferability, clearance and settlement of the Notes in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Notes if, *inter alia*, it determines that such action is required for the protection of investors or of the integrity or reputation of the market. The Listing Authority may also discontinue the listing of the Notes on the EWSM. Any trading suspension or listing discontinuation described above could have a material adverse effect on the liquidity and value of the Notes.

### **1.5.20 Change of Law**

The Terms and Conditions of Notes offered pursuant to this Prospectus are based on Maltese law in effect as at the date hereof. 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.

### **1.5.21 Liability for the Notes and Limited Enforcement Rights**

The Notes are an obligation of the Issuer only and do not establish any liability or other obligation of any other person mentioned in this Prospectus including but not limited to the Trustee, the Agent, the Account Bank and/or any of the Issuer's other service providers. Moreover, the protection and exercise of the Noteholders' rights against the Issuer and the enforcement of the security or other claims under the Notes must be exercised through the Trustee as specified in the Trust Deed, which therefore limit the Noteholders from enforcing their rights against the Issuer through individual actions (or even collectively without the involvement of the Trustee).

**THE FOREGOING RISK FACTORS ARE NOT EXHAUSTIVE AND DO NOT PURPORT TO BE A COMPLETE LIST OF ALL OF THE RISKS AND CONSIDERATIONS INVOLVED IN INVESTING IN THE NOTES. IN PARTICULAR, THE ISSUER'S PERFORMANCE MAY BE AFFECTED BY CHANGES IN MARKET OR ECONOMIC CONDITIONS AS WELL AS LEGAL, REGULATORY AND TAX REQUIREMENTS APPLICABLE TO THE ISSUER, THE NOTES AND/OR GLOBAL CAPITAL.**

## 2. PERSONS RESPONSIBLE

All of the Directors whose names appear under Section 4.3.1 of this Prospectus are the persons responsible for all of the information contained in this Prospectus. To the best of the knowledge and belief of the Directors the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect its import, and the Directors have taken all reasonable care to ensure that this is the case. The Directors accept responsibility accordingly.

## 3. ADVISORS AND STATUTORY AUDITORS

### 3.1 Advisors

Legal Counsel

**GANADO Advocates**  
171, Old Bakery Street  
Valletta, VLT 1455  
Malta

Tax Advisors (Malta)

**Deloitte Services Limited**  
Mriehel Bypass  
Mriehel BKR 3000  
Malta

Listing Agent

**ISE Listing Services**  
28 Anglesea Street  
Dublin 2  
Ireland

The services of the Issuer's legal counsel in respect of this Prospectus are limited to those specific matters upon which it has been consulted. There may be other matters that would have a bearing on the Issuer or an investment in the Notes upon which the Issuer's legal counsel has not been consulted. The Issuer's legal counsel does not undertake to monitor the compliance by the Issuer with its obligations as described in this Prospectus, nor does it monitor the Issuer's activities for compliance with applicable laws. Additionally the Issuer's legal counsel has relied and continues to rely upon information furnished to it by the Issuer and the Directors, and has not investigated or verified nor will it investigate or verify the accuracy and completeness of information set out herein concerning the Issuer, GlobalCapital, the Agent, the Trustee or any other service providers to the Issuer or any other parties involved in the issue of the Notes (including all of their respective affiliates, directors, officers, employees and agents). Moreover, the Issuer's legal counsel accepts no responsibility for any description of matters in this Prospectus that relate to (and any issues arising from) any applicable law that is not Maltese law.

### 3.2 Statutory Auditors

Deloitte Audit Limited of Mriehel Bypass, Mriehel BKR 3000, Malta, has been appointed as the Issuer's statutory auditors until the end of the next annual general meeting of the Issuer. Deloitte Audit Limited is a registered audit firm with the Accountancy Board of Malta in terms of the Accountancy Profession Act (Chapter 281 of the laws of Malta) with registration number AB/26/84/81.

## 4. THE ISSUER

### 4.1 Information about the Issuer

**Legal & Commercial Name:** Investar p.l.c.

**Company Registration Number:** C 65310

**Legal Form:** public limited company established under the Companies Act

**Place of Registration & Domicile:** Malta

**Date of Registration:** May 26 2014

**Registered Office Address:** 171, Old Bakery Street, Valletta, VLT 1455, Malta

**Telephone Number:** +356 25688688

**Fax Number:** +356 25688256

**E-mail Address:** info@investar.com.mt

**Website:** www.investar.com.mt

### 4.2 Business Overview

The Issuer was established as a holding and investment company whose business is to pursue investment opportunities in the financial services and insurance sectors that demonstrate potential for increased shareholder value through turnaround strategies and management synergies and to finance such investment through the issuance of securities. The Issuer does not carry on any other business. As at the date of this Prospectus (i) the Issuer's only non-cash assets are the Excluded Shares, representing an approximately nine percent (9%) stake in GlobalCapital and (ii) the Issuer has no existing liabilities (including contingent liabilities) that are unrelated to the issue of the Notes.

### 4.3 Administrative, Management and Supervisory Bodies

#### 4.3.1 The Board

As at the date of this Prospectus, the Board is composed of the following persons, whose *curricula vitae* can be found in Section 4.3.2 below.

Prof. Paolo Catalfamo

Dr. John Kozup

Mr. Joseph Grioli

The Chairman of the Board is Prof. Paolo Catalfamo. The business address of the Directors is that of the Issuer.

#### 4.3.2 Curriculum Vitae of the Directors

**Prof. Paolo Catalfamo** is a founder and Chairman of the merchant banking group Investar, based in Italy, US, Malta and India and Professor at the Villanova School of Business in Philadelphia. He serves as Chairman of the Board of Directors of GlobalCapital plc, a holding and investment company whose shares are listed on the Official List of the MSE, Director of IKF Spa, a holding company whose shares are listed at the Italian Stock Exchange, as a Director of Milliora Finanzia Spa, a factoring company regulated by the Central Bank of Italy and as an Advisor to Equinox Partners, a private equity fund in Luxembourg. He is also a Board Member of the National Italian American Foundation in Washington D.C. (the association which represents the 26 million Italian-Americans) and Chairman of NIAF Italia. Prof. Catalfamo is also the Chairman of the Advisory Board of the American University of Rome, Board Member of the Advisory Board of the Villanova School of Business in Philadelphia and he was previously a Board Member of the Advisory Board of Bocconi

University in Milan. From 1991 to 2010 he taught Economics of International Financial Intermediaries at the University of Turin, the University of Miami and the Florida Atlantic University. From 1994 to 2000 he served as Founder, Deputy Chairman and CEO for Italy and Southern Europe of Franklin Templeton, the world third largest independent asset management group. In 2000, he founded Investar SGR and Investclub SGR, two asset management companies regulated by the Bank of Italy, which launch and manage mutual, private equity and hedge funds. In 1992 he was Founder and President of Cruise Finance in Miami, a leading arranger of financing to the cruise industry. Prof. Catalfamo holds a Master Degree in Economic and Social Sciences (DES) from Bocconi University in Milano, with a major in International Finance.

**Dr. John Kozup** is an Associate Professor of Marketing at Villanova University and Founding Director of the Villanova University Center for Marketing and Public Policy Research. Dr. Kozup's research interests lie in the areas of brand building through innovative practice, cyber security, the marketing of place, financial communication, private equity and venture capital, foreign direct investment, regulatory and political analysis as well as food and supplement marketing. Dr. Kozup also serves as visiting faculty at the Sapienza University of Rome, the LUISS Business School, the University of Klagenfurt, Dayananda Sagar Institutions (India), ISM (Lithuania) and the American University of Rome. Dr. Kozup is also the Founding Director of the Institute for Business, Government and Culture, headquartered at the American University of Rome. Dr. Kozup is President of Investar LLC, an international financial advisory firm with offices in Italy, Mauritius, India and the US. Dr. Kozup serves on the Boards of a variety of financial institutions including Equinox, a private equity fund headquartered in Luxembourg and Lugano, Switzerland and IKF Spa, a SME holding company based in Milan, Italy. Dr. Kozup is also Managing Partner of Trilateral Advisory Group U.S., an international policy and trade consultancy headquartered in London.

**Mr. Joseph Grioli** is Chairman of IIG Bank Malta plc and director on several boards governing investment funds and investment committees. He is also a non-executive director of other Maltese service and manufacturing companies and a trustee of the Inspire Foundation. Mr. Grioli previously held management posts in a variety of industries, including man-made fabrics, hotels, electronics, pharmaceuticals. He was also the managing director of Vodafone International and a member of the council for Vodafone companies in Portugal, Spain, Italy, Greece, Malta, Egypt, Uganda and Kenya (Semea region). Mr. Grioli also set up the Malta Maritime Authority, was chairman of the consortium which built the Malta Cruise Port and he also founded and headed the Mediterranean Cruise Port Association, of which he is still the honorary president. Mr. Grioli was Director of the Malta Development Corporation, the Malta Export Trade Corporation, the Malta Council for Economic Development, President of the Malta Federation of Industries and chaired the board of a number of troubled government-owned companies.

#### **4.3.3 No Audit Committee**

The primary purpose of an audit committee is to protect the interests of the company's shareholders and assist the Directors in conducting their role effectively. As the Issuer's shareholders are private stakeholders (and not investors in the Notes being offered pursuant to the Prospectus) and also given the size, nature and (lack of) complexity of the Issuer's business, the Directors have determined that it is not necessary, appropriate or feasible to establish an audit committee.

#### **4.4 Capital Structure and Major Shareholder**

As at the date of this Prospectus, the Issuer's authorised share capital is EUR 1,000,000, divided into 100,000 Class A Ordinary Shares and 900,000 Class B Ordinary Shares, all having a nominal value of EUR 1 each. The Issuer's issued share capital is EUR 750,000, divided into 75,000 Class A Ordinary Shares and 675,000 Class B Ordinary Shares, all fully paid up.

The holders of the Class A Ordinary Shares have the exclusive right to vote and to appoint directors and have the right to participate in the profits of the Issuer on a pro rata basis according to the number of shares they hold in the Issuer. The holders of the Class B Ordinary Shares do not have the right to vote or appoint directors but they have the right to participate in the profits of the Issuer on a pro rata basis according to the number of shares they hold in the Issuer.

The Issuer's majority shareholder is Prof. Paolo Catalfamo (a Director of the Issuer and Chairman of its Board), who holds all of the Class A Ordinary Shares in issue as well as 674,999 of the Class B Ordinary Shares in issue. Prof. Catalfamo's wife, Vasilisa Catalfamo, holds the only other Class B Ordinary Share in issue.

#### **4.5 Interests of Persons Involved in the Issue**

As at the date of this Prospectus, Prof. Catalfamo holds one hundred percent (100%) of the Issuer's voting share capital and almost all of its participating share capital, giving him indirect control over the Issuer in addition to his role as Chairman of the Board. None of the other Directors hold any shares or share options in the Issuer, directly or indirectly.

The interests of Prof. Catalfamo as (effectively) the only shareholder of the Issuer are aligned with his duties as a Director of the Issuer to act in the best interests of the Issuer and its shareholders, the only other shareholder of the Issuer being Prof. Catalfamo's wife, who holds a single non-voting participating share. Prof. Catalfamo is also a director and Chairman of the board of GlobalCapital, also sitting on the GlobalCapital board's investment, remuneration, nominations and risk committees.

Other than the economic interest that Prof. Catalfamo has in ensuring the success of the Issuer's activities and his position as Chairman of the GlobalCapital board, Prof. Catalfamo has no understanding or arrangement with the Issuer or GlobalCapital, whether related to the issue of the Notes or otherwise.

Other than as stated in this Section 4.5, there are no potential conflicts of interest between the duties to the Issuer of its directors and their private interests and/or other duties.

Potential conflicts of interest situations regarding Board members are specifically regulated by the Companies Act and by Article 100 of the Articles of Association, pursuant to which a Director is required to declare his interest in any contract or arrangement which is being discussed by the Board, even though he shall not be precluded from voting on that contract or arrangement at the meeting. Moreover, the minutes of Board meetings will invariably include a suitable record of such declaration and of the action taken by the individual Director concerned. Given the nature of the potential conflicts of interest described in the preceding paragraphs, there are no other measures in place to manage conflicts of interest (at board level or otherwise) or to ensure that the control of the Issuer's majority shareholder is not abused, as none have been deemed necessary by the Issuer.

#### **4.6 Financial Information**

Although the Issuer has commenced operations, the Issuer has not yet, as at the date of this Prospectus, made up financial statements (audited or unaudited) for its first accounting reference period.

#### **4.7 Legal and arbitration proceedings**

There have not been any governmental, legal or arbitration proceedings (including any such proceedings that are pending or threatened of which the Issuer is aware) during the period since the Issuer's incorporation which may have or have had significant effects on the Issuer's financial position or profitability.



## **5. THE ASSET POOL**

### **5.1 Investment Objective – GlobalCapital**

The Issuer presently holds 1,180,000 shares in GlobalCapital, amounting to an approximately nine percent (9%) stake in the company. The Issuer intends that the Asset Pool will be comprised primarily of GlobalCapital Shares with a view to eventually acquire a majority and controlling interest in GlobalCapital. GlobalCapital has not given any significant representations or collateral to the Issuer in relation to the GlobalCapital Shares.

The Notes are being offered and issued in order for the Issuer to acquire GlobalCapital Shares in an upcoming rights issue of GlobalCapital expected to take place in Q1 2016, from any further capital increases by GlobalCapital, from existing shareholders of GlobalCapital in the market or by any other means.

The Issuer's investment objective is to invest approximately eighty percent (80%) of the aggregate proceeds of the issue of Notes (irrespective of the aggregate amount of Notes actually issued) in GlobalCapital Shares and it expects to do so by the Long Stop Date.

If it is not possible for the Issuer to meet its investment objective by the Long Stop Date then any proceeds not invested in GlobalCapital Shares will be invested in Other Eligible Securities up to approximately eighty percent (80%) of the aggregate proceeds of the issue of Notes and the Issuer would expect do so by the Long Stop Date.

The Issuer expects to keep approximately twenty percent (20%) of the proceeds from the issue of the Notes in the Operating Account but it will retain the option to also invest a portion of the same in Other Eligible Securities for liquidity and cash management purposes irrespective of whether the Issuer meets its investment objective or not.

### **5.2 Other Eligible Securities**

Although the Issuer intends that the Asset Pool will be comprised primarily of GlobalCapital Shares, the Issuer may also invest a portion of the proceeds from the issue of the Notes in Other Eligible Securities (as set out in Section 5.1 above and Section 5.2 below), always with a view to ensuring effective cash management and that the Asset Pool has the ability to produce sufficient funds to service all payments due and payable on the Notes.

The Issuer generally expects the Other Eligible Securities acquired to consist of high yield Debt Securities and high dividend yield Equity Securities (or Equity Securities that at least demonstrate high dividend yield potential).

The Board is only permitted to invest in the following categories of Other Eligible Securities:

- (i) Debt Securities (of short or medium term maturity) issued or guaranteed by an Eligible State Issuer or by issuers whose registered office or main place of business is located in an Eligible State;
- (ii) Equity Securities that are listed on a Regulated Market;
- (iii) Equity Securities that are not listed provided that (when aggregated with all other Equity Securities previously acquired by the Issuer) they represent minority interests in, and do not confer legal or management control of, the issuer of those Equity Securities;
- (iv) Money Market Instruments issued or guaranteed by an Eligible State Issuer or by issuers whose registered office or main place of business is located in an Eligible State; and
- (v) Deposits with Credit Institutions.

At no time will the Debt Securities of a single Eligible Asset Obligor or the Equity Securities of a single Eligible Asset Obligor (other than GlobalCapital) account for more than twenty percent (20%) of the Asset Pool. At no time will more than ten percent (10%) of the Asset Pool be comprised of Equity Securities that are not traded on a regulated or equivalent market, whether in relation to one or more Eligible Asset Obligors.

The Issuer will not acquire futures, options or other derivatives to leverage its position nor shall it underwrite securities.

### **5.3 Management of the Asset Pool**

A portion of the Asset Pool backing the Notes will be actively managed i.e. that part of the Asset Pool that is made up of Other Eligible Securities acquired by the Issuer within the parameters set out in Section 5.1 above.

The Board is responsible for the selection of Other Eligible Securities that will comprise the actively managed portion of the Asset Pool. The Issuer has not appointed and will not be appointing a collateral manager or other outside service provider to manage the Asset Pool. The members of the Board and their collective experience in relation to their management of the Asset Pool are set out in Sections 4.3.1 and 4.3.2 above. Members of the Board are appointed and removed by ordinary resolution of the Issuer's shareholders in general meeting pursuant to Articles 81 and 84 of the Articles of Association, respectively. Any relationship of the Directors with the other parties involved in the issue of Notes is set out in Section 4.5 above.

The Issuer is permitted to acquire only Eligible Assets i.e. GlobalCapital Shares and Other Eligible Securities. The GlobalCapital Shares (and the business activities of GlobalCapital) have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Notes (see Section 6.1 – *GlobalCapital – General Description*). The Board will ensure that all Eligible Assets comprising the Asset Pool from time to time (including any Other Eligible Securities acquired) will have characteristics that demonstrate the capacity to produce funds to service any payments due and payable on the Notes.

The Issuer has the right to substitute Eligible Assets within the Asset Pool with other Eligible Assets, always with a view to ensuring that the Asset Pool has the ability to produce sufficient funds to service all payments due and payable on the Notes. The Issuer shall not substitute any Eligible Assets with assets that are not Eligible Assets.

### **5.4 Security**

The obligations of the Issuer to the Noteholders under the Notes will be secured in favour of the Trustee for the benefit of itself and the Noteholders by the Pledge of Shares over the Exchange Property pursuant to the Pledge Agreement. See Section 10.4 – *Security* – for further detail.

The Exchange Property will be made up solely of GlobalCapital Shares (other than the Excluded Shares, which Excluded Shares will not be subject to the Pledge of Shares). The Other Eligible Securities acquired will not form part of the Pledge of Shares nor will any form of security be granted over those Other Eligible Securities in favour of the Trustee and the Noteholders. Accordingly, the level of collateralisation in respect of the Notes will be solely dependent on the amount of GlobalCapital Shares that the Issuer is able to acquire by the Long Stop Date.

Provided that the Issuer meets its investment objective as set out in Section 5.1 above (i.e. of investing approximately eighty percent (80%) of the aggregate proceeds of the issue of Notes in GlobalCapital Shares), the level of collateralisation in respect of the Notes is expected to be approximately eighty

percent (80%). If the Issuer does not meet its investment objective then the level of collateralisation in respect of the Notes will be less than eighty percent (80%).

## **5.5 Issue of Fungible Notes / No Segregation of Eligible Assets**

Further Eligible Assets may be added to the Asset Pool from time to time. Applicants should carefully consider that all Eligible Assets, once acquired by the Issuer, will form part of the same Asset Pool and the payment of interest and repayment of principal on all Notes will be backed by all Eligible Assets comprising the Asset Pool from time to time. Moreover, the Issuer reserves the right to issue Fungible Notes from time to time (each issue by means of a separately approved prospectus), which Fungible Notes will also be backed by the same Eligible Assets comprising the Asset Pool from time to time. In other words, there will not be any segregation between the Eligible Assets acquired with the proceeds of the Notes and the Eligible Assets acquired with the proceeds of any Fungible Notes.

While the proceeds of the issue of the Notes will be used to acquire particular Eligible Assets, the payment of interest and repayment of principal on the Notes will not necessarily be funded only by the returns from those Eligible Assets but from the returns of all Eligible Assets within the Asset Pool from time to time, which Eligible Assets may also be acquired using the proceeds from an issue of Fungible Notes. Conversely, funds produced by those particular Eligible Assets acquired from the proceeds of the Notes will be available for the payment of interest and repayment of principal of the Fungible Notes.

Although the Issuer's obligations to Noteholders will be secured (see Section 10.4 below), all Noteholders and potentially, holders of Fungible Notes, will be secured by the same Pledge of Shares. If Fungible Notes are issued, the proceeds of the same will be invested in further GlobalCapital Shares that will in turn also be pledged in favour of the Trustee as part of the Pledge of Shares for the benefit of both the Noteholders as well as for the benefit of the holders of the Fungible Notes.

## 6. GLOBAL CAPITAL

### 6.1 General Description

The legal name of GlobalCapital is GlobalCapital p.l.c. and its commercial name is GlobalCapital. GlobalCapital was incorporated in Malta on 21 December 1995. GlobalCapital's registered office address is GlobalCapital PLC, Testaferrata Street, Ta' Xbiex XBX 1403, Malta and its telephone number is +356 21342342.

GlobalCapital's business is that of a holding and investment company operating exclusively in and from Malta. GlobalCapital does not undertake any trading activities itself and is economically dependent on the financial and operating performance of the business of its subsidiaries, which operate primarily in the following sectors: insurance and insurance intermediation activities, investment and advisory services and property holding and management.

In the Issuer's opinion, GlobalCapital has a history of under-performance that does not reflect its true potential and GlobalCapital has, in fact, experienced a recent return to profitability. After reporting financial losses between 2008 and 2013, GlobalCapital has had profitable performances in 2014 and the first six (6) months of 2015 following a change in management and strategy with a focus on its core business and a reduction in its cost base.

In 2013 GlobalCapital's board of directors approved an aggressive transformation strategy aimed at generating revenue growth, reducing operational costs and ensuring long-term financial stability. The GlobalCapital board's strategy was also to improve liquidity. GlobalCapital is also actively taking action to dispose of all the immovable property that is in excess to the GlobalCapital Group's requirements, thus helping to reduce inter-group balances and improving the asset to liability ratios.

The GlobalCapital Group registered a profit before taxation of €1,176,197 for the first six months of 2015 compared to a loss of €66,897 for the same period in 2014. The profitability of the life and health insurance subsidiaries and the cash flows flowing from these companies are funding GlobalCapital's operations, inter-group loans, bond coupons and its trade creditors.

GlobalCapital Life Insurance Limited registered a profit before tax of €1,000,961 compared to a profit of €651,624 for the same period in 2014. The improved results are reflective of the increase in premium between the two reporting periods, the cost cutting measures implemented in the latter part of 2014 which are fully manifested in the 2015 financials and fair value gains which in part were offset by the investment write down of the equity value of Bramer Bank, following the revocation of the banking licence by the Financial Services Commission in Mauritius.

GlobalCapital's investment division registered marginal growth in revenue compared to the first six months of 2014. This coupled with the significant reduction in the company's cost base saw the company back in profit territory with a profit before tax of €128,760 compared to the loss reported as at end June 2014 amounting to €460,969.

Revenues from the GlobalCapital's insurance agency business also registered marginal growth. The profit before tax for the first six months of 2015 remained in line with prior period's profit totalling €477,777 compared to €476,117.

In addition, GlobalCapital Group's rental property portfolio experienced an increase in revenue which is the net result of full occupancy and higher rental rates.

GlobalCapital's June 2015 condensed interim financial statements affirm the positive results reported for 2014 and are indicative of the GlobalCapital Group's turnaround from a loss-making to a profit-making operation.

By acquiring a controlling interest in GlobalCapital and using its resulting voting rights, the Issuer intends to create shareholder value by guiding GlobalCapital's management through its ongoing restructuring process. In particular, the Issuer sees potential for GlobalCapital to generate value in its various operations through the following strategies:

- (1) Re-focusing the GlobalCapital Group's investment management business by:
  - a) targeting other European markets;
  - b) providing individual account management services and other innovative collective investment products;
  - c) leveraging the ties and cross-selling opportunities between investment services and life insurance; and
  - d) capitalizing on GlobalCapital management's expertise and network to develop new investment products to penetrate new markets;
- (2) Consolidating the existing life insurance business and the growth achieved in recent years in the Maltese market and developing and offering unit-linked insurance products throughout Europe; and
- (3) Maintaining its leadership position in the provision of private health insurance in Malta.

All of the above information relating to GlobalCapital Group has been obtained and reproduced from the Interim Directors' Report of GlobalCapital as at 30 June 2015 and other information made publicly available by GlobalCapital including its company announcements.

## **6.2 Description of GlobalCapital Shares**

GlobalCapital Shares are ordinary shares in GlobalCapital with a nominal value of €0.291172 per share and are the sole class of shares in the Company, ranking *pari passu* among themselves in all respects.

The GlobalCapital Shares are listed on the Official List of the MSE and the ISIN of the GlobalCapital Shares is MT0000170101.

GlobalCapital Shares are represented in uncertificated form by the appropriate entry in the electronic register of the CSD, which register reflects the names and addresses of the holders of the GlobalCapital Shares and the number of GlobalCapital Shares held by each of them. Any shareholder in whose name GlobalCapital Shares are registered may (to the fullest extent permitted by the applicable laws) be deemed and treated at all times and for all purposes as the owner of those GlobalCapital Shares. GlobalCapital Shares are freely transferable in accordance with the rules and regulations of the MSE and the CSD applicable from time to time and in accordance with the articles of association of GlobalCapital.

GlobalCapital Shares carry the right to participate in any distribution of dividends declared by the Company and to participate in any distribution of capital made whether on a winding up or otherwise. Each GlobalCapital Share is entitled to one vote at meetings of shareholders of GlobalCapital. GlobalCapital Shares are not redeemable and are not convertible into any other form of financial instrument.

In accordance with article 88 of the Companies Act, new allotments of GlobalCapital Shares must first be offered on a pre-emptive basis to GlobalCapital's shareholders in proportion to the share capital held by each of them. This right of pre-emption must be exercised in accordance with article 6.2 of GlobalCapital's articles of association, which provides that on a fresh issue of ordinary shares, such shares shall be offered in the first instance to the existing members of the GlobalCapital pro-rata to the number of shares held by each of them. Such offer shall be made by notice in writing specifying the number of shares offered, as well as their price and limiting a time, being not less than 14 days, within which the offer if not accepted shall be deemed to have been declined. Any remaining shares may then be offered to non-members.

### **6.3 Description of the Market**

As indicated above, the GlobalCapital Shares are listed on the Official List of the MSE. The MSE was established following enactment of the Malta Stock Exchange Act in 1990 and commenced its trading operations on 8 January 1992. The MSE is Malta's principal market for listing of both equity and debt securities by Maltese companies and is a 'regulated market' for the purposes of MiFID that is authorised and supervised by the MFSA.

The MSE provides a structure for admission of financial instruments to its recognised lists for subsequent trading on a regulated, transparent and orderly market place. The main participants in the market are the issuers, stockbrokers and the investing public. The MSE also offers a comprehensive range of back-office services including maintenance of share and bond registers, clearing and settlement and custody services through its in house CSD. The MSE has a link with Clearstream Banking AG (of 60485 Frankfurt am Main, Germany), facilitating international access by Maltese companies to foreign investors and Maltese investors to foreign companies.

Price information, daily trading volumes and other market information on the GlobalCapital Shares (and other securities listed on the MSE) is published on the official website of the MSE at [www.borzamalta.com.mt](http://www.borzamalta.com.mt) on a (near) real-time basis.

## **7. PARTIES TO THE TRANSACTION**

The main parties to the transaction are the Issuer, the Agent, the Trustee and the Account Bank. Substantial detail on the Issuer is set out throughout in this Prospectus.

### **7.1 The Agent**

The Agent is an MFSA authorised investment services firm in terms of the Investment Services Act (Chapter 330 of the laws of Malta). The Agent's primary business is investment brokerage. The Agent has been appointed as the Issuer's subscription agent, exchange agent, redemption agent and paying agent pursuant to the Agency Agreement. The main responsibilities of the Agent are (as the Issuer's agent) the collection and processing of Application Forms and subscription monies from Applicants, ensuring that the Notes are constituted and registered by the CSD Approved Investors' names, and payment of all amounts due and payable to Noteholders in accordance with the Terms and Conditions of the Notes.

The Agency Agreement (and the Agent's appointment pursuant to the Agency Agreement) shall terminate automatically on the date following the Maturity Date on which the Agent has fully performed its duties under this agreement in respect of the final and full redemption of the Notes. The Agency Agreement may also be terminated at any time by notice in writing by either the Issuer or the Agent upon the occurrence of certain specified events (as set out in further detail in the Agency Agreement) including a material breach of the other party's obligations under the Agency Agreement. If the Agent's appointment is terminated prior to the Maturity Date, the Issuer will, as soon as reasonably practicable appoint a replacement agent to perform the functions of the Agent on substantially the same terms of the Agency Agreement other than those relating to remuneration.

### **7.2 The Trustee**

The Trustee is an MFSA authorised Trustee in terms of the Trusts and Trustees Act (Chapter 331 of the laws of Malta). The Trustee shall represent the interests of the holders of the Notes in accordance with the terms of the Trust Deed and shall have right of access to appropriate and relevant information relating to the Eligible Assets comprising the Asset Pool from time to time. Specifically, the Trustee will (always pursuant to and subject to the terms of the Trust Deed), act as representative of the Noteholders, hold certain covenants of the Issuer for the benefit of the Noteholders and hold the Pledge of Shares for the benefit of the Noteholders.

The Issuer is not entitled to remove the Trustee. The Trustee may be removed by means of a resolution passed by a resolution in writing of Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes, provided a replacement trustee has also been identified and approved by the Noteholders, also by means of resolution in writing of Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes. The replacement trustee selected by the Noteholders will be appointed by the Issuer as soon as reasonably practicable following the removal of the Trustee at the aforementioned meeting.

### **7.3 The Account Bank**

The Account Bank provides the Issuer with the Operating Account. Sparkasse Bank Malta plc is a public limited liability company registered under the laws of Malta, with registration number C 27152 and with registered office at 101 Town Square, Ix-Xatt Ta' Qui-Si-Sana, Sliema SLM 3112, Malta. Sparkasse Bank Malta plc forms part of a larger Austrian Banking network; its parent bank, Sparkasse Schwaz AG, is a member of the Austrian Savings Bank Group. The Account Bank is licensed to carry on the business of banking as a credit institution in terms of the Banking Act (Chapter 371 of the laws of Malta), and is licensed to provide certain investment services and to act as custodian for

collective investment schemes under the Investment Services Act (Chapter 370 of the laws of Malta). The Account Bank assumes no responsibility for the contents of this Prospectus. The Account Bank has no duty to monitor or oversee the operations of the Issuer or any of the service providers to, or counterparties of, the Issuer.



## **8. TRANSACTION STRUCTURE AND CASH FLOW**

### **8.1 Subscription**

Subscription monies from Applicants shall be paid to into the Subscription Account and shall be held in the Subscription Account under the control of the Agent for the Applicants' benefit until the Notes are constituted and registered by the CSD the Applicants' names, at which point the subscription monies will be transferred to the Operating Account for subsequent investment in Eligible Assets.

### **8.2 Payments to Noteholders**

Payments to the Issuer in respect of the Eligible Assets (i.e. GlobalCapital Shares and Other Eligible Securities) will be used to fund the Issuer's obligations to the Noteholders. There are no other arrangements upon which payment of interest and the repayment of principal to the Noteholders will be dependent.

The Issuer shall not procure any insurance in connection with the Eligible Assets. There is and will be no credit enhancement, liquidity support, or subordinate debt finance (in relation to the issue of Notes or otherwise) nor will the Issuer make any provision to cover principal shortfall risks.

The Issuer expects that there will sufficient funds to service all payments due and payable on the Notes (on which the interest rate is six percent (6%) per annum) and meet all of the Issuer's ongoing costs and expenses.

All amounts due and payable to the Issuer by the Eligible Asset Obligor in respect of the Eligible Assets are paid to and received by the Issuer in its Operating Account. In the event that any payments to the Issuer in respect of the Eligible Assets are made into the Issuer's Securities Account, the Agent shall promptly arrange for the transfer of such amounts into the Issuer's Operating Account. All payments of interest and the repayment of principal on the Notes will be effected by the Agent on behalf of the Issuer (as the Issuer's paying agent) from the Operating Account. The Agent will, on behalf of the Issuer, discharge these payment obligations under the Notes by making payments to the CSD for onward distribution to the accounts of the respective Noteholders indicated in the CSD's electronic register of Noteholders.

Both in the event that the Issuer is unable to make payments to all of its creditors and on an ongoing basis prior to any Event of Default, the Agent shall cause the Account Bank to make payments (of any amounts that are due and payable) from the Operating Account in accordance with the following order of priority of:

1. All taxes owed by the Issuer, whether to the Maltese tax authorities or otherwise;
2. Fees and expenses of the Trustee;
3. Fees and expenses of the Agent;
4. Fees and expenses of the Account Bank;
5. Fees and expenses of the Issuer's other service providers;
6. Payment of accrued and unpaid interest on the Notes; and
7. Repayment of principal of the Notes.

### **8.3 No Post-Issuance Reporting**

The Issuer does not nor does it intend to provide post-issuance transaction reporting regarding the Notes and/or the performance of the Asset Pool.

## 9. TERMS AND CONDITIONS OF THE ISSUE

### 9.1 General Description

The issue of this Prospectus and of the Notes was authorised by a resolution of the Board taken at a meeting of the Board on 28 December 2015. The maximum aggregate principal amount of the Notes that may be issued will not exceed EUR 6,000,000 (or its equivalent in any other currency). All Notes will have a minimum denomination of EUR 100,000 and accordingly, the offer of Notes in this Prospectus does not constitute an ‘offer of securities to the public’ within the meaning of the Companies Act. Application will be made for the Notes to be admitted to listing and trading on the EWSM, with the admission date of the Notes expected to be the Issue Date.

### 9.2 Overview of the Issue

The following is a brief overview of certain terms and conditions of the issue and of the Notes. For a full description of the issue and the Notes this Section 9.2 should be read in conjunction with the rest of this Prospectus, particularly the remainder of this Section 9 (*Terms and Conditions of the Issue*) and Section 10 (*Terms and Conditions of the Notes*). Any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole.

<b>Issuer:</b>	Investar p.l.c.
<b>Securities:</b>	Exchangeable Medium-Term Notes
<b>Amount:</b>	Up to €6,000,000
<b>Nominal Value:</b>	€100,000 per Note
<b>Denomination:</b>	Euro
<b>ISIN:</b>	MT0001011205
<b>Issue Price:</b>	€100,000 per Note
<b>Minimum Subscription Amount:</b>	€100,000
<b>Minimum Aggregate Subscription:</b>	None
<b>Issue Period:</b>	January 11 2016 to March 1 2016
<b>Issue Date:</b>	Any date during the Issue Period (expected March 1 2016)
<b>Maturity Date:</b>	March 1 2021
<b>Interest:</b>	6% per annum
<b>Interest Payment Dates:</b>	October 1 of each year and the Maturity Date
<b>First Interest Payment Date:</b>	October 1 2016

<b>Exchange of the Notes:</b>	Each Note is exchangeable on any Exchange Date during the Exchange Period into its pro rata portion of the Exchange Property up to the Exchange Maximum (€100,000 in value of GlobalCapital Shares calculated with the value of each GlobalCapital Share calculated at 80% of its market price)
<b>Exchange Property:</b>	GlobalCapital Shares (other than the Excluded Shares) acquired by the Issuer prior to the Long Stop Date
<b>Exchange Period:</b>	30 Business Days prior to the third Interest Payment Date up to Exchange Notice Deadline immediately preceding the final Interest Payment Date (both days included)
<b>Exchange Notice Deadline:</b>	15 Business Days prior to the relevant Exchange Date
<b>Exchange Dates:</b>	Each of the third, fourth, fifth and final Interest Payment Dates
<b>Redemption at Option of the Issuer:</b>	At any time during prior to the Maturity Date
<b>Redemption Value:</b>	At nominal value
<b>Listing and Trading:</b>	The Listing Authority has authorised the admissibility of the Notes to listing on the EWSM and application has been made to the EWSM for the Notes to be admitted to listing and trading on the EWSM, with the admission date expected to be the Issue Date
<b>Form:</b>	The Notes will be issued in fully registered and dematerialised form without coupons and are represented in uncertificated form by the appropriate entry in the electronic register maintained by the CSD on behalf of the Issuer
<b>Status:</b>	See Section 10.3
<b>Transferability:</b>	Freely transferable in accordance with applicable laws and the rules and regulations of the EWSM
<b>Application Forms Available from Agent:</b>	12 January 2016
<b>Deadline for Submission of Application Forms:</b>	2 Business Days prior to Issue Date
<b>Central Securities Depository:</b>	Malta Stock Exchange CSD
<b>Selling Restrictions:</b>	Offer is available only to persons who are ‘qualified investors’ (as defined in Article 2 of the Prospectus Directive) and that are not ‘U.S. persons’ (as defined in Regulation S of the U.S. Securities Act of 1933, as amended)

<b>Agent:</b>	Calamatta Cuschieri Investment Services Ltd
<b>Listing Agent:</b>	ISE Listing Services
<b>Governing Law of Notes:</b>	Maltese Law
<b>Jurisdiction:</b>	Maltese Courts

### **9.3 Application for Notes / Issue of the Notes**

The allotment of the Notes will be conditional upon their admission to trading on the EWSM. In the event that such condition is not met, the issue of the Notes will be revoked unilaterally by the Issuer and, within five (5) Business Days of the revocation taking effect, all application monies will be returned by the Issuer, without interest, by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form.

The Issuer has not established an aggregate minimum subscription level as a condition for the issue of the Notes and subject to the admission to trading of the Notes on the EWSM (and the aggregate maximum amount of Notes that may be issued) the Issuer shall issue Notes to each Applicant in the respective amount subscribed to by each of them.

The Issue Date is expected to be March 1 2016 but may be earlier at the option of the Issuer (on any date during the Issue Period) and the Issuer will issue the Notes subscribed for up to the selected Issue Date.

Application Forms for the Notes shall be available from the Issuer or the Agent from 12 January 2016. Unless an exception is made by the Issuer, all Application Forms must be received by the Agent by no later than two (2) Business Days prior to the Issue Date.

The Agent shall verify on behalf of the Issuer that all Applicants qualify as Eligible Investors. In addition to any information or documentation required pursuant to the Application Form, the Agent and the Issuer reserve the right to request any further documentation from an Applicant that may be required in order to verify that such investor qualifies as an Eligible Investor or generally to complete or approve an Application Form.

The Agent shall direct Approved Investors to deposit in cleared funds subscription monies in the Subscription Account. The Issuer agrees that it will, through the Agent, issue Notes to Approved Investors who have provided proof of payment in respect of all of the Notes that are the subject of the relevant Application Form by no later than 10:00 am on the Issue Date.

The Issuer reserves the right to withdraw any offer of Notes prior to the Issue Date for reasons beyond its control, such as extraordinary events, substantial change of the political, financial, economic, legal, monetary or market conditions at national or international level and/or adverse events regarding the financial or commercial position of the Issuer or GlobalCapital and/or other relevant events that in the reasonable discretion of the Issuer may be prejudicial to the offer. In such case, Approved Investors who have already paid or delivered subscription monies for Notes will be entitled to reimbursement (without any interest) of such amounts.

### **9.4 Expenses of Issue and Admission to Trading**

An estimate of the total expenses relating to the issue of the Notes and their admission to trading on the EWSM is €50,000. All of the Issuer's fees and expenses (including any introducer fees) will be payable out of the proceeds of the issue of the Notes. No fees or expenses will be charged directly to Investors.

## **9.5    Introducer Fees**

The Issuer also expects to pay introducer fees (to introducers of Eligible Investors to the Issuer) of up to five percent (5%) of the subscription amount of each Approved Investor upon subscription.

## **10.TERMS AND CONDITIONS OF THE NOTES**

### **10.1 General**

The provisions of this Section 10 are merely a description of the Terms and Conditions of the Notes and should be read together with the Trust Deed constituting the Notes, as it is the Trust Deed that will define the rights of the Noteholders and the obligations of the Issuer with respect to the Notes. The Trust Deed is available for inspection in the manner described under Section 12.

### **10.2 Constitution, Currency and Denomination, Form and Title**

#### **10.2.1 Constitution of Notes**

The Notes shall be constituted by the Trust Deed, which shall contain all of the Terms and Conditions of the Notes. Upon a confirmation in writing to the Agent that the Trust Deed has been executed by the Trustee and the Issuer, the Agent will instruct the CSD (on the Issuer's behalf) to make the appropriate book-entries in the electronic register held at the CSD.

#### **10.2.2 Currency and Denomination**

The Notes will be issued in Euro. The Nominal Value of each Note (denomination per unit) will be EUR 100,000. The aggregate principal amount of Notes that the Issuer may issue is EUR 6,000,000, divided into 60 Notes of EUR 100,000 each.

#### **10.2.3 Form and Title**

The Notes are issued in fully registered and dematerialised form without coupons and are represented in uncertificated form by the appropriate entry in the electronic register maintained by the CSD on behalf of the Issuer. There will be entered in such electronic register, the names, addresses, identity card numbers (or details of some other official document in the case of natural persons), registration numbers (or details of some other official document in the case of companies) and account details of the Noteholders and the particulars of the Notes held by them respectively. Noteholders will also have, at all reasonable times during business hours, access to the register of Noteholders held at the CSD for purposes of inspecting information held on their respective accounts.

Title to the Notes shall be evidenced by an entry in the electronic register of Notes held by the CSD. The CSD will issue, upon a request by a Noteholder, a statement of holdings to a Noteholder evidencing that Noteholder's entitlement to Notes held in the register kept by the CSD. Except as ordered by a court of competent jurisdiction or as required by law, the Issuer shall be entitled to treat the person in whose name a Note shall be registered at the CSD as the absolute owner thereof for the purpose of making payment and for all other purposes, regardless of any notice of any nominee relationship or trust.

### **10.3 Status**

Repayment of the Notes and the payment of interest thereon shall at all times constitute the direct, general, unsubordinated and unconditional obligations of the Issuer to the Noteholders. These obligations will be secured by the Pledge of Shares as described in Section 10.4 below and in accordance with the terms of the Pledge Agreement, pursuant to which the Noteholders shall enjoy privileged ranking status (and shall therefore rank above other creditors of the Issuer) in relation to the Exchange Property. The Notes shall rank *pari passu* and rateably without any preference among themselves. The Noteholders shall rank *pari passu* (without any priority or preference) with other unsecured creditors of the Issuer in relation to all assets of the Issuer other than the Exchange Property.

## **10.4 Security**

### **10.4.1 Pledge**

The obligations of the Issuer to the Noteholders under the Notes will be secured in favour of the Trustee for the benefit of itself and the Noteholders by the Pledge of Shares over the Exchange Property pursuant to the Pledge Agreement. The Excluded Shares will not be subject to the Pledge of Shares. The Pledge Agreement will be entered into as soon as possible following the Issue Date and immediately upon the Issuer's first acquisition of GlobalCapital Shares following the Issue Date. During the interim period between the Issue Date and the date of the Pledge Agreement the Issuer's obligations to Noteholders under the Notes will be unsecured.

### **10.4.2 Further Security**

If the Issuer acquires GlobalCapital Shares following the effective date of the Pledge Agreement (but provided that the acquisition takes place by the Long Stop Date), the Issuer shall (as soon as possible following the acquisition) enter into an additional pledge agreement with the Trustee in respect of those GlobalCapital Shares, which additional pledge will be subject to the same terms and conditions of the Pledge Agreement.

### **10.4.3 Release of Security**

The Pledge Agreement will be amended following each Exchange Notice Deadline and prior to the immediately following Exchange Date in order to release from the Pledge of Shares such part of the Exchange Property that is required to be delivered by the Issuer to those Noteholders (who have validly exercised their Exchange Option) on that Exchange Date. The Noteholders agree in advance that the Trustee shall, and the terms of the Pledge Agreement will also provide that the Trustee must, consent to any such amendment of the Pledge Agreement that is (and execution and filing of all such documents that are) required in order for the Issuer to be able to deliver Exchange Property to one or more Noteholders pursuant to a valid exercise of their Exchange Option. The Pledge Agreement will also be terminated (and the Pledge of Shares released) in accordance with the terms of the Pledge Agreement, including but not limited to, upon a redemption of all of the Notes and the Issuer having satisfied all of its obligations to the Noteholders.

### **10.4.4 Enforcement of Security**

The Pledge Agreement may be enforced by the Trustee upon the Notes becoming immediately due and payable as described in Section 10.14 below.

### **10.4.5 Fungible Notes**

If Fungible Notes are issued, the Issuer's obligations to the holders of the Fungible Notes will also be secured by the Pledge of Shares, although it is expected that the proceeds of the issue of Fungible Notes will also be invested in further GlobalCapital Shares that will in turn also be pledged in favour of the Trustee as part of the Pledge of Shares for the benefit of both the Noteholders as well as for the benefit of the holders of the Fungible Notes.

## **10.5 Interest**

### **10.5.1 Interest Rate and Interest Payment Dates**

Each Note bears interest on its outstanding principal amount at the Interest Rate from (and including) the Interest Commencement Date up to (but excluding) the Maturity Date. Interest shall be payable in

arrears in Euro on each Interest Payment Date and on the Maturity Date. The first payment of interest shall be made on the first Interest Payment Date. In the event that any Interest Payment Date falls on a day other than a Business Day, the relevant Interest Payment Date will be the first following day which is a Business Day.

### **10.5.2 Accrual of Interest**

Interest on the Notes will accrue on a daily basis from the date of issue on the basis of a three hundred and sixty (360) day year divided into twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed. Interest shall cease to accrue on each Note on the day preceding the Maturity Date unless payment of principal is improperly withheld or refused or unless the Issuer defaults in respect of payment, in which event, interest shall continue to accrue at the Interest Rate until the date of payment thereof.

## **10.6 Payments**

**10.6.1** Noteholders must rely on the procedures of the CSD to receive payments under the Notes. The Issuer will discharge all of its payment obligations under the Notes by making payments to the CSD for onward distribution to the accounts of the respective Noteholders indicated in the CSD's electronic register of Noteholders. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, holdings of Notes through the CSD.

**10.6.2** Repayment of the principal amount of the Notes will be made in Euro on the Maturity Date by the Issuer to the person in whose name such Notes are registered as at the close of business on the Maturity Date, together with interest accrued up to (but excluding) the Maturity Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon repayment of the principal the Notes shall be redeemed and the appropriate entry made in the electronic register of the Notes at the CSD.

**10.6.3** In the case of Notes held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Notes.

**10.6.4** Payment of any instalment of interest on a Note will be made to the person in whose name such Note is registered at the close of business fifteen (15) days prior to the relevant Interest Payment Date.

**10.6.5** All payments with respect to the Notes are subject in all cases to any pledge (duly constituted) of the Notes and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments by the Issuer in respect of the Notes may 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 any other authority thereof or therein having power to tax.

**10.6.6** No commissions or expenses shall be charged by the Issuer to Noteholders in respect of such payments. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer.

**10.6.7** Any claim against the Issuer by Noteholders in connection with all payments due to them in respect of the Notes shall be prescribed (time-barred) upon the lapse of five (5) years from the day on which an action in relation to the same can be exercised.



## **10.7 Redemption**

**10.7.1** Unless previously redeemed in accordance with the terms of this Section (or purchased and cancelled), the Notes shall be redeemed at their Nominal Value on the Maturity Date.

**10.7.2** The Issuer reserves the right to redeem any or all of the Notes at any time prior to the Maturity Date on giving not less than thirty (30) Business Days' prior written notice to the relevant Noteholders specifying the date on which such redemption shall be effected. Each Note may be redeemed only in whole and not in part and any partial redemption of the Notes held by a Noteholder shall be made only in multiples of EUR 100,000. Any redemption of the Notes prior to the Maturity Date shall take place by payment of all principal together with interest accrued on the Notes being redeemed until the date of redemption. The notice of redemption shall be effective only on actual receipt by the relevant Noteholder, shall be irrevocable and shall oblige the Issuer to make, and the Noteholder to accept, such redemption on the date specified in the notice.

**10.7.3** Any partial redemption of Notes by the Issuer shall be effected by means of a redemption of Notes held by each Noteholder on a pro rata basis.

## **10.8 Exchange**

**10.8.1** Each Note is exchangeable on any Exchange Date during the Exchange Period for the pro rata share of the Exchange Property attributable to that Note as of the Exchange Notice Deadline, provided that a Noteholder shall not be entitled to receive more than the Exchange Maximum in respect of each Note being exchanged.

**10.8.2** The Exchange Property and the amount of Exchange Property into which the Notes may be exchanged on a pro rata basis will not be adjusted in the event that there is a subdivision, consolidation or reclassification, a rights issue, bonus issue, reorganization, extraordinary dividend or any other corporate, market or other event which affects the GlobalCapital Shares comprising the Exchange Property.

**10.8.3** Until a Noteholder acquires Exchange Property following an exchange, the Noteholders will not be holders of the Exchange Property and until such an exchange no Noteholder will have any voting, dividend or other rights in connection with the Exchange Property or GlobalCapital. The Issuer is not obliged to take account of the interests of the Noteholders when exercising any voting or other rights relating to the Exchange Property.

**10.8.4** Each GlobalCapital Share comprised in the Exchange Property is not divisible and the Issuer cannot deliver a fraction of a GlobalCapital Share to a Noteholder in order to ensure that a Noteholder receives its exact pro rata entitlement of the Exchange Property in relation to an exercise of its Exchange Option. The Issuer shall round down each exchanging Noteholder's pro rata entitlement to the nearest whole multiple of GlobalCapital Shares to eliminate any fraction and shall be under no obligation to the exchanging Noteholder to make any payment in respect of that fraction in order to make up the exact pro rata entitlement.

**10.8.5** If more than one Note is to be exchanged by a Noteholder pursuant to any one Exchange Notice, the Exchange Property delivered shall be calculated on the aggregate nominal amount of such Notes.

**10.8.6** Exchange rights attaching to the Notes are not transferrable by a Noteholder to a third party.

**10.8.7** In order to exercise its Exchange Option a Noteholder must deliver (a) a duly completed and executed Exchange Notice in respect of the Notes that the Noteholder wishes to exchange to

the registered address of (or such other address specified by) the Agent and (b) the Notes that the Noteholder wishes to exchange into an account designated for such purpose by the Agent.

- 10.8.8** All Exchange Notices relating to a particular Exchange Date must be received by the Agent no later than the Exchange Notice Deadline. All Notes to be exchanged must be received in the account designated by the Agent no later than the last Business Day immediately preceding the relevant Exchange Date.
- 10.8.9** If a notice of redemption is sent by the Issuer to a Noteholder prior to the opening of the Exchange Period or prior to the Agent having received a valid Exchange Notice by the relevant Exchange Notice Deadline in respect of a particular Exchange Date, that Noteholder will lose its ability to exchange and will no longer be entitled to receive any part of the Exchange Property in respect of those Notes being redeemed pursuant to that notice of redemption. If a valid Exchange Notice from a Noteholder is received by the Agent (within the Exchange Period and prior to the relevant Exchange Notice Deadline) prior to a redemption notice being sent to that Noteholder by the Agent, that Exchange Notice will, subject to all other Terms and Conditions relating to the exchange of Notes, be accepted and the Issuer and Agent will respect the exercise of that Exchange Option.
- 10.8.10** An Exchange Notice, once received by the Agent, shall be irrevocable.
- 10.8.11** Any determination as to whether an Exchange Notice has been duly completed or properly delivered shall be made by the Agent in its sole discretion (following consultation with the Issuer) and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee and the relevant Noteholder.
- 10.8.12** The precise amount of the pro rata share of the Exchange Property that a Noteholder will receive following an exercise of its Exchange Option will be determined by the Agent in its sole discretion (following consultation with the Issuer) and the Agent's determination shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Trustee and the relevant Noteholder.
- 10.8.13** The Agent shall, on the relevant Exchange Date, deliver to an exchanging Noteholder (whose Exchange Notice and Notes have been validly delivered to and accepted by the Agent) its pro rata share of the Exchange Property (which shall not exceed the Exchange Maximum in respect of each Note being exchanged) into an account designated for such purpose by the exchanging Noteholder in the relevant Exchange Notice.
- 10.8.14** A Noteholder exercising its Exchange Option will receive the GlobalCapital Shares to which it is entitled on the Exchange Date free of charge and funding, provided that the Noteholder has delivered to the Agent for cancellation all Notes being exchanged no later than the last Business Day immediately preceding the relevant Exchange Date.
- 10.8.15** Upon delivery to an exchanging Noteholder of its pro rata share of the Exchange Property as specified in section 10.8.14 above, the Issuer shall have no further obligation towards the exchanging Noteholder in respect of the Notes exchanged (or otherwise), provided that the exchanging Noteholder has been paid all interest due to it up to the relevant Exchange Date in respect of those Notes being exchanged. For the avoidance of doubt, interest will continue to accrue on the Notes being exchanged between the date they are delivered to the account specified by the Agent for the exchange and the relevant Exchange Date.
- 10.8.16** The Issuer and the Agent shall not be responsible or liable to any person for any delay in the delivery of any Exchange Property pursuant to the exercise of an Exchange Option by a Noteholder arising as a result of a failure by that Noteholder to supply all and accurate information and details required by the relevant Exchange Notice.

**10.8.17** Notes received by the Agent in respect of an exchange for Exchange Property will subsequently be cancelled by the Issuer.

**10.8.18** Any pro rata portion of the Exchange Property delivered to a Noteholder upon exercise of an Exchange Option shall cease to be part of the Exchange Property and the Exchange Property shall be reduced accordingly.

## **10.9 Purchase and Cancellation**

To the extent allowed by law, the Issuer may at any time purchase Notes in the open market or otherwise and at any price. All Notes purchased by or on behalf of the Issuer may, at the option of the Issuer, be surrendered for cancellation. Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

## **10.10 Transferability of the Notes**

**10.10.1** The Notes are freely transferable in accordance with applicable laws and the rules and regulations of the EWSM.

**10.10.2** Any person becoming entitled to a Note in consequence of the death or bankruptcy of a Noteholder may, upon such evidence being produced as may from time to time properly be required by the CSD, elect either to be registered himself as holder of the Note or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the Note.

**10.10.3** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Notes and to any applicable laws and regulations.

**10.10.4** The cost and expenses of effecting any trading or transfer in the Notes on the EWSM shall be at the charge of the Noteholder or at the charge of such person as the rules and regulations of the EWSM may from time to time determine.

**10.10.5** Because the Notes will be held at the CSD, investors will have to rely on its procedures for transfers. The CSD will not register the transfer or transmission of Notes for a period of fifteen (15) days preceding the due date for any payment of principal or interest on the Notes.

## **10.11 Further Issues**

The Issuer may from time to time, without the consent of any existing Noteholders, issue Fungible Notes. Any Fungible Notes issued will be fungible and consolidated with the Notes. Although the amount of Notes that may be issued under this Prospectus is limited to EUR 6,000,000, there is no other restriction on the amount of debt which the Issuer may issue. Accordingly, the Issuer may incur additional indebtedness (i.e. in addition to the indebtedness incurred in relation to the issue of the Notes) without the consent of the Noteholders, including through one or more issues of Fungible Notes.

## **10.12 Meetings of the Noteholders**

For all intents and purposes any meeting of Noteholders, including but not limited to meetings held for the purposes set out in Section 10.13 below, shall be held in accordance with the provisions of the Trust Deed and the procedure set out therein.

## **10.13 Amendments to Terms and Conditions**

**10.13.1** The provisions of the Terms and Conditions of the Notes (by means of an amendment to the Trust Deed) may be amended with the approval of the Noteholders at a meeting called for that purpose by the Trustee in accordance with the terms of the Trust Deed or by written instructions of Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes.

**10.13.2** In the event that the Issuer wishes to amend any of the provisions set out in the Terms and Conditions, it must send a request to 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 Noteholders, by giving such Noteholders 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 Terms and Conditions that is proposed to be voted upon at the meeting and seeking the approval of the Noteholders as aforesaid. Following a meeting of Noteholders held in accordance with the provisions contained in the Trust Deed, 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 Noteholders in accordance with the terms set out in the Trust Deed at a meeting called for that purpose as aforesaid, any such proposed amendment or amendments to the provisions set out in the Terms and Conditions shall subsequently be given effect to by the Issuer in and the Trustee.

## **10.14 Events of Default and Enforcement**

**10.14.1** The Trustee may, at its discretion, and shall, upon the request in writing by Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes, give notice to the Issuer that the Notes are, and shall accordingly immediately become, due and payable at their Nominal Value together with interest accrued on the occurrence of any of the following events (each an 'Event of Default') and without the need of any authorisation and/or confirmation from a competent court:

- a) the Issuer fails to pay any interest on any 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 Trustee; or
- b) the Issuer fails to repay any principal on any 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 Trustee; or
- c) the Issuer fails to perform or observe any material covenant, material condition or material provision contained in these Terms and Conditions, the Trust Deed, the Prospectus or the Pledge Agreement (other than any obligation for the payment of principal or interest in respect of the Notes) and such failure is incapable of remedy or is not remedied within forty-five (45) days after notice of such default shall have been given to the Issuer by the Trustee; or

- d) the Issuer is deemed unable or admits its inability to pay its debts as they fall due within the meaning of Article 214(5) of the Companies Act; or
- e) the Issuer stops or suspends payments (whether of principal or interest) with respect to the Notes or announces an intention to do so or ceases or threatens to cease to carry on its business or a substantial part of its business; or
- f) the Issuer is adjudicated or found bankrupt or insolvent, or an order is made by any competent court, or a resolution is passed by the Issuer or any other action is taken for the dissolution, liquidation, or winding-up of the Issuer.

**10.14.2** Any notice, including any notice declaring Notes due shall be made by means of a written declaration delivered by hand or registered mail to the registered office of the Issuer.

**10.14.3** At any time after notice has been given to the Issuer by the Trustee that the Notes shall have become immediately due and payable in accordance with Section 10.14.1 above, the Trustee may, in its sole discretion, institute such proceedings as it may think fit against the Issuer to enforce repayment of the principal together with accrued but unpaid interest, including the enforcement of the Pledge of Shares; PROVIDED THAT the Trustee shall not be bound to do so unless:

- a) it shall have been so requested in writing by Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes; and
- b) it shall have been indemnified by the Noteholders to its satisfaction.

**10.14.4** Only the Trustee may enforce the provisions of the Trust Deed (constituting the Notes and their Terms and Conditions as described in the Prospectus) as well as the obligations of the Issuer to pay principal and interest due in respect of the Notes, and no Noteholder shall be entitled to enforce performance of any such provisions unless the Trustee, having become bound to proceed as described in Section 10.14.3 above, fails to do so within a period of sixty (60) days after becoming so bound.

## **10.15 Covenants of the Issuer**

**10.15.1** The Issuer covenants in favour of the Trustee, for the benefit of the Noteholders, that at all times during which any of the Notes shall remain outstanding, it shall:

- a) pay interest to the Noteholders at the rate of six percent (6%) per annum on each Interest Payment Date and the principal amount of the Notes on the Maturity Date;
- b) enter into the Pledge Agreement as soon as possible following the Issuer's first acquisition of GlobalCapital Shares following the Issue Date;
- c) enter into an additional pledge agreement subject to the same terms and conditions of the Pledge Agreement as soon as possible following each further acquisition of GlobalCapital Shares following the effective date of the Pledge Agreement (but provided that the acquisition takes place by the Long Stop Date) in respect of those GlobalCapital Shares acquired;
- d) maintain its corporate existence as a public limited liability company duly organised, existing and in good standing under Maltese law;
- e) promptly notify the Trustee upon the occurrence of an Event of Default;

- f) 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 it;
- g) 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 Notes shall remain outstanding, to inspect and examine all of the Issuer's books and records, including all information on the Eligible Assets comprising the Asset Pool from time to time; PROVIDED THAT the aforementioned inspection may only be made by the Trustee after having notified the Issuer in writing of its intention, that the aforementioned inspection is made during reasonable business hours, and that the Trustee shall only be bound to undertake any such inspection if instructed to do so by a resolution in writing of Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes instructing it to do so and such inspection shall be solely for the purpose of the Trustee to pass on any information to the Noteholder that is specifically requested by them;
- h) keep proper books of account (including copies of its balance sheet and profit and loss account certified by its auditors and copies of its auditors' and directors' reports thereon, together with copies of any other documents required by law to be attached thereto) 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 its business or affairs as the Trustee shall require; PROVIDED THAT the aforementioned inspection may only be made by the Trustee after having notified the Issuer in writing of its intention, that the aforementioned inspection is made during reasonable business hours, and that the Trustee shall only be bound to undertake any such inspection if instructed to do so by a resolution in writing of Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes instructing it to do so and such inspection shall be solely for the purpose of the Trustee to pass on any information to the Noteholder that is specifically requested by them;
- i) carry on and conduct its business in a proper and efficient manner; and
- j) comply with the requirements of all applicable laws in force in Malta from time to time.

**10.15.2** The Trustee may, but shall not be bound to, unless requested to do so in writing by a resolution in writing of Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes, enforce or take any step to enforce the covenants in Section 10.15.1 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.

## **10.16 Trustee Functions and Liability**

**10.16.1** In its role as representative of the Noteholders, the Trustee shall be permitted to take any and all action that it deems necessary or appropriate, in its sole discretion, to protect the interest of the Noteholders; PROVIDED THAT the Trustee shall not be required or bound to take any action, unless it is instructed to do so by a resolution in writing of Noteholders holding not less than seventy-five percent (75%) of the outstanding Notes.

**10.16.2** The Trustee may, but shall not be bound to, monitor or review any financial information or other information relating to Issuer and its activities, whether any such information was

delivered to the Trustee by the Issuer for the Noteholders, collected by the Trustee upon a request by the Noteholders in writing (in accordance with the provisions of these Terms and Conditions) or otherwise.

### **10.17 Notes held Jointly**

In respect of a Note held jointly by several persons, the joint 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 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 Note shall, for all intents and purposes, be deemed to be the registered holder of the Note so held.

### **10.18 Notes held subject to Usufruct**

In respect of a Note held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register held by the CSD on behalf of the Issuer. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Note so held and shall have the right to receive interest on the Note and to vote at meetings of the Noteholder, but shall not, during the continuance of the Note, have the right to dispose of the Note so held without the consent of the bare owner.

### **10.19 Notices to Noteholder**

Notices to the Noteholder shall be mailed to them at their respective addresses contained in the register of Noteholders maintained by the CSD on behalf of the Issuer and shall be deemed to have been served at the expiration of three (3) calendar days after the date of mailing. In proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Noteholder at the address contained in the register of Noteholder maintained by the CSD on behalf of the Issuer. All notices concerning the Notes shall also be available on the website of the EWSM ([www.ewsm.eu](http://www.ewsm.eu)).

### **10.20 Governing Law and Jurisdiction**

#### **10.20.1 Governing Law**

The Notes, all the rights and obligations of the Noteholder and the Issuer, and any non-contractual obligations arising out of or in connection with the Notes, shall be governed by and construed in accordance with Maltese law.

#### **10.20.2 Jurisdiction**

The Courts of Malta shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Notes, all the rights and obligations of the Noteholder and/or the Issuer, and any non-contractual obligations arising out of or in connection with the Notes. Each of the Issuer, the Trustee and the Noteholders hereby irrevocably submits to the exclusive jurisdiction of the Courts of Malta to hear and determine any proceedings and to settle any dispute which may arise out of, or in connection with the Notes.

Each of the Issuer and the Noteholder waives any objection to the Maltese Courts on grounds of inconvenient forum or otherwise as regards proceedings in connection herewith and agrees that a judgement or order of such a Court shall be conclusive and binding on it and may be enforced against it in the Courts of any other jurisdiction.

## **11.TAXATION**

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation in respect of the Notes, 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 the holders of the Notes, in so far as taxation in Malta is concerned. This information, which does not constitute legal or tax advice, and which does not purport to be exhaustive refers only to the holders who do not deal in securities in the course of a trading activity.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation in Malta, as known to the Issuer at the date of the Prospectus. 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 and may vary depending on the jurisdiction of the investor.

The information is being given solely for the general information of investors. The precise implications for investors will depend on their particular circumstances and professional advice in this respect should be sought accordingly.

### **11.1 Taxation of Interest Paid to Noteholders**

As a general rule, Noteholders who are resident in Malta are subject to tax on interest at the income tax rates applicable to that person at that time. Interest shall be paid gross and such person will be obliged to declare the interest so received in the relative income tax return. Noteholders who are not resident in Malta, satisfying the applicable conditions set out in Article 12(1)(c) of the Income Tax Act, should generally be exempt from Malta tax on the interest income.

Article 33 of the Income Tax Act provides to interest to be paid net of a final withholding tax, currently at the rate of fifteen percent (15%), of the gross amount of the interest. The withholding tax under the Investment Income Provisions of the Income Tax Act would only apply where the interest is payable in respect of a “public issue by a company”, in terms of Article 41(a)(iv)(1) of the Income Tax Act. Accordingly, should the Notes issue be deemed, for Maltese income tax purposes, to fall within the ambit of a “public issue”, Noteholders should qualify for the fifteen percent (15%) withholding tax, unless, the Issuer is otherwise instructed by a Noteholder, or if the Noteholder does not fall within the definition of “recipient” in terms of Article 41(c) of the Income Tax Act. The withholding tax is considered as a final tax and a Maltese resident individual Noteholder need not declare the interest so received in his income tax return. No person shall be charged to further Maltese tax in respect of such income.

In the case of a valid election made by an eligible Noteholder resident in Malta to receive the interest due without the deduction of a final tax, interest shall 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 income tax rates applicable to that person at that time. Additionally in this latter case the Issuer will advise the Inland Revenue Department 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 Noteholder at the time of subscription may be subsequently revoked by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.



The withholding tax system under the Investment Income Provisions of the Income Tax Act would also apply, at the rate of ten percent (10%), where the interest is payable in respect of a “private issue by a company, entity or other legal person howsoever constituted and resident in Malta paid to a collective investment scheme” where such income falls to be accounted for by that collective investment scheme as profits of a prescribed fund (collective investment scheme being defined in the Income Tax Act as an arrangement which is licensed under the Investment Services Act). A collective investment scheme that falls within the scope of these provisions shall not have the right to elect to be paid investment income without deduction of tax being made.

## **11.2 Capital Gains on the Transfer of the Notes**

On the assumption that the Notes would not fall within the definition of “securities” in terms of Article 5(1)(b) of the Income Tax Act, which defines “securities” as “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return”, no income tax should be due on any capital gains derived by a Noteholder from the transfer of Notes (which would include an exchange of Notes pursuant to an exercise of the Exchange Option).

In the event that the Notes are classified as falling within the definition of “securities” in terms of Article 5(1)(b) of the Income Tax Act (possibly in view of their intrinsic link to the GlobalCapital Shares), then the transfer (including the exchange) of the Notes could fall within the scope of Malta chargeable gains in terms of Article 5(1)(a)(ii) of the Income Tax Act.

## **11.3 Duty on Documents and Transfers on Transfer of the Notes**

On the assumption that the Notes would not fall within the definition of “marketable securities” in terms of the Duty on Documents and Transfers Act, which defines “marketable securities” as “share capital in any company and any document representing the same” no stamp duty should be due on any transfer of the Notes. In any event, in terms of Article 50 of the Financial Markets Act, any transfer of the Notes (being securities listed on a regulated market) should be exempt from stamp duty in Malta.

Furthermore, the acquisition by the Noteholders of GlobalCapital Shares pursuant to an exercise of the Exchange Option should also be exempt from stamp duty in Malta in terms of Article 50 of the Financial Markets Act, insofar as the GlobalCapital Shares are listed on the Malta Stock Exchange.

## **11.4 Foreign Account Tax Compliance Act**

The United States has enacted rules, commonly referred to as “**FATCA**”, that generally impose a new reporting regime and withholding requirements with respect to certain US source payments (including dividends and interest), gross proceeds from the disposition of property that can produce US source interest and dividends and certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The United States has entered into an intergovernmental agreement with Malta dated 6 December 2013 regarding the implementation of FATCA with Malta. Payments effected by the Issuer on or with respect to the Notes are not expected to be subject to withholding under FATCA except to the extent that any Noteholder fails to comply with its obligations under FATCA. However, FATCA may affect payments made to custodians or intermediaries, if any, in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payments to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding.

Noteholders should choose any custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. The Issuer's obligations under the Notes are discharged once it has effected payment as stipulated in this Prospectus and therefore the Issuer has no responsibility for any amount thereafter transmitted through the payment chain.

FATCA requires participating financial institutions to satisfy applicable due diligence and reporting requirements in terms of the intergovernmental agreement entered into by Malta together with the relevant regulations and guidelines issued by the Commissioner for Revenue. Consequently certain confidential information in relation to the Noteholders and/or other relevant persons may be reported to the Commissioner for Revenue and automatically exchanged pursuant to these requirements.

**FATCA is particularly complex. Each Noteholder should consult his own tax advisor to obtain a more detailed explanation of FATCA and to learn how it might affect such holder in his specific circumstance.**

## **11.5 European Union Savings Directive and the Directive on Administrative Cooperation**

Under the Savings Directive 2003/48/EC, EU member states are required to provide the tax authorities of another Member State with information on payments of interest or other similar income (within the meaning of the Savings Directive) paid by a paying agent (within the meaning of the Savings Directive) to an individual beneficial owner who is a resident, or to certain residual entities (within the meaning of the Savings Directive) established, in that other Member State. Accordingly, 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 for Revenue who will in turn exchange the information with the competent tax authority of the Member State where the recipient of the interest is resident.

The Council of the European Union has adopted Directive 2014/107/EU amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The revised Directive on Administrative Cooperation is generally broader in scope than the Savings Directive, though it does not impose withholding taxes and provides that to the extent that there is overlap of scope, the revised Directive on Administrative Cooperation is to prevail. EU Member States are to adopt national legislation to comply with the amendments to the EU Directive on Administrative Cooperation by 31 December 2015, which legislation must apply from 1 January 2016. Malta has transposed directive 2014/107/EU into national law by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations. In terms of this legal notice, the automatic exchange of information obligations shall extend to jurisdictions that are not EU Member States with which there is a relevant arrangement in place.

As a consequence of the introduction of the amendments to the EU Directive on Administrative Cooperation, the Council of the European Union has repealed the Savings Directive with effect from 1 January 2016 although the information gathered by paying agents, economic operators and by EU Member States before the date of repeal should be processed and transferred as originally envisaged and obligations arising before that date should be met. Information reporting and exchange will however still be required under Directive 2011/16/EU (as amended).

Certain confidential information in relation to the Noteholders and/or other reportable persons may be reported to the Commissioner for Revenue and automatically exchanged pursuant to these arrangements.

**THE ABOVE INFORMATION IS BASED ON TAX LAW AND PRACTICE APPLICABLE AS AT THE DATE OF THIS PROSPECTUS. PROSPECTIVE INVESTORS ARE CAUTIONED THAT TAX LAW AND PRACTICE AND THE LEVELS OF TAX RELATING TO THE NOTEHOLDERS MAY CHANGE FROM TIME TO TIME. PROSPECTIVE INVESTORS ARE THEREFORE URGED TO SEEK PEROFESIONAL ADVICE AS REGARDS BOTH MALTESE AND FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF THE NOTES. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO INVESTORS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF A TRADING ACTIVITY.**

## **12. DOCUMENTS AVAILABLE FOR INSPECTION**

The following documents are available for physical inspection at the Issuer's registered office for the duration of the validity of the Prospectus:

- a. The Memorandum and Articles of Association of the Issuer;
- b. The Memorandum and Articles of Association of GlobalCapital;
- c. The Trust Deed;
- d. The Pledge Agreement; and
- e. The Agency Agreement.

## **13. SELLING RESTRICTIONS**

### **13.1 Qualified Investors**

The Notes may only be offered, sold or delivered to, and accepted by, 'qualified investors' (as such term is defined in the Prospectus Directive).

### **13.2 United States of America**

The Notes have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a 'U.S. person' (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended).

## **DIRECTORY**

### **ISSUER**

**Investar p.l.c.**  
171, Old Bakery Street  
Valletta VLT 1455  
Malta

### **TRUSTEE**

**Equity Wealth Solutions Limited**  
176, Old Bakery Street  
Valletta VLT 1455  
Malta

### **LISTING AGENT**

**ISE Listing Services**  
28 Anglesea Street  
Dublin 2  
Ireland

### **LEGAL COUNSEL**

**GANADO Advocates**  
171, Old Bakery Street  
Valletta VLT 1455  
Malta

### **AUDITORS**

**Deloitte Audit Limited**  
Mriehel Bypass  
Mriehel BKR 3000  
Malta

### **TAX ADVISORS (MALTA)**

**Deloitte Services Limited**  
Mriehel Bypass  
Mriehel BKR 3000  
Malta

### **AGENT**

**Calamatta Cuschieri Investment Services Ltd**  
5th Floor, Valletta Buildings  
South Street  
Valletta  
Malta

### **ACCOUNT BANK**

**Sparkasse Bank Malta plc**  
101 Townsquare  
Ix-Xatt ta' Qui-si-Sana  
Sliema SLM 3112  
Malta