

SECURITIES NOTE

in respect of an issue of up to €71,500,000 in nominal value of Convertible Callable
Zero Coupon Bonds (i.e. up to 286 Bonds) named
AC CONVERTIBLE CALLABLE Zero Coupon Bonds due 2021
and having a denomination per unit of € 250,000

ISIN: MT0001221101

By

QUASAR SYSTEM S.A.

**A LIMITED COMPANY (SOCIÉTÉ ANONYME) INCORPORATED UNDER THE
LAWS OF LUXEMBOURG
WITH COMPANY REGISTRATION NUMBER B 140672
AND WITH REGISTERED OFFICE AT 10, RUE ANTOINE JANS, L-1820,
LUXEMBOURG**

Dated
31/01/2017

**THE BONDS CONSTITUTE THE GENERAL, DIRECT, UNCONDITIONAL,
UNSUBORDINATED AND UNSECURED OBLIGATIONS OF THE ISSUER AND
SHALL AT ALL TIMES RANK *PARI PASSU*, WITHOUT ANY PRIORITY OR
PREFERENCE AMONG THEMSELVES AND WITH OTHER UNSECURED DEBT
OF THE ISSUER.**

LISTING AGENT:



AGENT:

alterDomus*

IMPORTANT INFORMATION

This document constitutes a Securities Note within the terms of Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (as amended from time to time by various instruments, including by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010).

This Securities Note contains information relating to an issue by QUASAR SYSTEM S.A. (the “**Issuer**”) of up to two hundred and eighty six (286) Bonds named AC CONVERTIBLE CALLABLE Zero Coupon Bonds due 2021 and having a denomination per unit of two hundred and fifty thousand euro (€250,000) each (the “**Bonds**”).

This Securities Note has been prepared in accordance with the requirements of the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (as amended from time to time by various instruments, including by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June, 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015).

This Securities Note contains all information which is necessary to enable Investors to make an informed assessment of the rights attaching to the Bonds and all information with respect to the Bonds that is material in the context of the issue and offering of the Bonds.

Some of this information is incorporated by reference from other documents, as set out under the heading “Documents available and incorporated by reference” in section 11 of this Securities Note (the “**Reference Documents**”). Reference Documents will be made available as provided in the said section 11.

This Securities Note may be supplemented from time to time to reflect any significant new factor, material mistake or inaccuracy relating to the information included in it or otherwise as required or permitted by the Prospectus Directive and the Listing Rules, as defined hereinafter.

This Securities Note should always be read and construed in conjunction with the Reference Documents and any Supplement hereto.

This Securities Note should also be read and construed in conjunction with the approved Registration Document dated 31/01/2017, containing information about the Issuer and any supplement thereto and documents incorporated by reference therein. Together, this Securities Note and the Registration Document form a Prospectus.

The directors of the Issuer (the “**Directors**”) confirm that where information included in this Securities Note has been sourced from a third party, such information has been

accurately reproduced and as far as the Directors of the Issuer are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Issuer accepts responsibility for the information contained in this Securities Note. The Issuer confirms that, to the best of its knowledge (having taken all reasonable care to ensure that such is the case), the information contained in this Securities Note is in accordance with the facts and contains no omission likely to affect the import of such information.

None of the advisors or any person mentioned in this Securities Note, other than the Issuer and its Directors, shall be responsible for the information contained in this Securities Note, in any Supplement, and in any Reference Documents, 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 and any advisors to the Issuer have acted and are acting exclusively for the Issuer in relation to this Securities Note and such advisors have no contractual, fiduciary or other obligation or responsibility towards any other person generally 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 this Securities Note, its completeness or accuracy or any other statement made in connection therewith. Each person receiving this Securities Note acknowledges that such person has not relied on any of the above-mentioned 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 Bonds and the merits and risks involved in the investing in the Bonds.

This Securities Note is not and does not purport to represent investment advice.

No broker, dealer, salesman or other person has been authorised by the Issuer to publish or issue any advertisement or to give any information or to make any representations in connection with the Issuer and the Bonds, other than as contained in the Prospectus, and if issued, given or made, such advertisement, information or representation must not be relied upon as having been authorised by the Issuer.

The Issuer has obtained all necessary consents, approvals and authorisations (if any) which are necessary in Luxembourg and Malta at the date of this Registration Securities Note in connection with the issue of the Bonds, and the terms hereof were authorised by a resolution of the general meeting held on 5th January 2017. The issue of this Securities Note was authorised by a resolution of the Directors approved on 5th January 2017, and the general meeting has approved the issuance hereof and of the Bonds and authorized the Board of Directors to organize such issuance.

A copy of this Securities Note has been submitted to the Listing Authority and to the EWSM in satisfaction of the Listing Rules.

The Listing Authority (meaning the MFSA acting in its capacity as Listing Authority in terms of the Financial Markets Act, Chapter 345 of the laws of Malta), as competent authority under and for the purposes of the Prospectus Directive, has authorised the admissibility of the Bonds to listing and trading on the European Wholesale Securities Market, which means that this Securities Note has been approved by the Listing Authority

as a Securities Note in terms of the Prospectus Directive and that the Bonds are in compliance with the Listing Rules for the European Wholesale Securities Market.

The Securities Note has been approved by the Listing Authority, as competent authority under and for the purposes of the Prospectus Directive, as a securities note issued in compliance with the Prospectus Directive for the purpose of giving information relating to the issue of the Bonds. The Listing Authority only approves this Securities Note as meeting the disclosure requirements imposed under Maltese and European Union law pursuant to the Prospectus Directive.

The Listing Authority accepts no responsibility for the contents of this Securities Note, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss however arising from, or in reliance upon, the whole or any part of the contents hereof.

Application has also been made to the European Wholesale Securities Market for the Bonds to be admitted to listing and 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 contents of this Securities Note have not been reviewed or approved by any regulatory authority, other than the Listing Authority.

This Securities Note and the Registration Document (the 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 the 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 Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended. Subject to certain exceptions, the Bonds 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 Bonds have not been and will not be approved by the US Securities and Exchange Commission, any State securities commission in the United States or any other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of Bonds or the accuracy or adequacy hereof. Any representation to the contrary is a criminal offence in the United States.

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

It is the responsibility of any person in possession of this Securities Note or the Prospectus or any document issued in connection therewith to inform themselves of, and to observe and comply with all applicable laws and regulations of any relevant jurisdiction. Prospective investors should inform themselves as to the legal, tax and investment requirements of applying for any the Bonds, including any applicable exchange control

restrictions or requirements and taxes in their country of residence, domicile and/or nationality. Investors must rely on their own legal advisors, accountants and other financial advisors as to legal, tax, investment or any other related matters concerning the Bonds.

The amount / value payable or deliverable on redemption or conversion of the Bonds may be less than the original invested amount, in which case Bondholders may lose some or all of their original investment. If the Issuer becomes insolvent or bankrupt or otherwise defaults in making any payment on the Bonds, Bondholders will lose some or all of their original investment. Investing in the Bonds involves certain risks and investors should fully understand these before they invest. See the section entitled “Risk Factors” herein and also the section entitled “Risk Factors” in the Registration Document for a discussion of certain risk factors to be considered in connection with an investment in the Bonds and risks associated with the Issuer.

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 Bonds or the European Wholesale Securities Market, you should consult an authorized investment advisor.

Statements made in this Securities Note are, except where otherwise stated, based on the law and practice currently in force in Luxembourg (in respect of statements relating to the Bonds, which will be issued in terms of and will be governed by Luxembourg law) and in Malta (in respect of statements relating to the approval of this Securities Note by the Listing Authority or the listing of the Bonds on the EWSM in Malta or in so far as relates to the compliance of such statements with the requirements of the Prospectus Directive as transposed into Maltese law) and are subject to changes therein.

Without prejudice to the Issuer's obligations under applicable rules and regulations, neither the delivery of this Securities Note or the Prospectus, nor any sale of Bonds, shall create any impression that information therein relating to the Bonds or the Issuer or otherwise is correct, accurate or complete at any time subsequent to the date hereof, or that there has not been any change (including adverse change) thereto at any time subsequent to such date.

All capitalised terms used will be defined in this Securities Note or as otherwise provided in the section titled “Definitions” below.

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

This Securities Note 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.

TABLE OF CONTENTS

Securities Note

IMPORTANT INFORMATION	2
TABLE OF CONTENTS	6
1. DEFINITIONS	8
2. RISK FACTORS	14
2.1 General	14
2.2 Forward-looking statements	15
2.3 Risks Relating to the Bonds	15
3. PERSONS RESPONSIBLE	28
4. OVERVIEW OF THE ISSUE	29
5. ESSENTIAL INFORMATION	31
5.1 General Description and Information	31
5.2 Indication of Yield	32
5.3 Reasons for the Issue and Use of Proceeds	32
5.4 Interest of Natural and Legal Persons involved in the Issue	34
5.5 Expenses of Issue and Admission to Trading	34
6. THE PROFIT PARTICIPATING LOAN NOTES	34
6.1 Description of the PPLNs	34
7. AC Underlying Shares	39
7.1 Description of the AC Underlying Shares	39
8. TERMS AND CONDITIONS OF THE BONDS	45
8.1 General	45
8.2 Constitution of the Bonds	45
8.3 Currency and Denomination	45
8.4 Form and Title	46
8.5 Status	46
8.6 Negative Pledge and Undertakings	46
8.7 Rights Attaching to the Bonds	48
8.8 Interest / Yield	48
8.9 Redemption	49
8.10 Payments	49
8.11 Conversion	50
8.12 Purchase and Cancellation	52
8.13 Transferability of the Bonds	52
8.14 Further Issues	52
8.15 Meetings of Bondholders and Amendments to Terms and Conditions	53
8.16 Events of Default	54
8.17 Notes held Jointly	55
8.18 Notes held subject to Usufruct	55
8.19 Notices to Bondholders	55
8.20 Governing Law and Jurisdiction	56

9. TERMS AND CONDITIONS OF THE ISSUE	56
9.1 Issue Period, Expected Dates of Issue and of Listing	56
9.2 Terms and Conditions of Application.....	57
9.3 Contract constituted by Acceptance of Application and Covenants, Warranties and Representations by Approved Investors.....	58
9.4 General Terms and Conditions.....	61
9.5 Distribution and Allotment	63
9.6 Allocation Policy	64
9.7 Pricing	64
9.8 Admission to Listing and Trading	64
10. SELLING RESTRICTIONS	64
10.1 Qualified Investors	64
10.2 United States of America	64
11. DOCUMENTS AVAILABLE AND INCORPORATED BY REFERENCE	65

1. DEFINITIONS

In this Securities Note, unless the context otherwise requires, the following terms shall have the respective meanings set out below:

AC Europe	Advanced Capital Europe SA, a holding company established in Luxembourg with registration number B90587 and having registered address at 12, Rue Guillaume Schneider, 2522, Luxembourg, the main asset of which is the 100% participation in AC SGR;
AC SGR	Advanced Capital SGR SpA, a company established in Italy having registered address at Via della Spiga, 30, Milan 20121, Italy (R.E.A. 1751411) which operates as a private equity fund manager;
AC Underlying Shares	33,685 ordinary shares in AC Europe, underlying the PPLNs;
Account Bank	Sparkasse Bank Malta plc, an MFSA licensed credit institution in terms of the Banking Act (Chapter 371 of the Laws of Malta);
Agent	Alter Domus (Services) Malta Limited in its capacity as the Issuer's subscription agent, conversion agent, redemption agent and paying agent pursuant to the terms of the Agency Agreement, or any person or entity succeeding to it in such capacity;
Agency Agreement	the agreement dated on or around the date of this Securities Note between the Issuer and the Agent pursuant to which, inter alia, the Agent is appointed as the Issuer's subscription agent, conversion agent, redemption agent and paying agent in respect of the Bonds, as the same may be amended or replaced (e.g. in case of replacement of the Agent) from time to time;
Applicant	a person whose name, or persons whose names in the case of joint applicants, appear in the registration details of an Application;
Application	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form and delivering same to the Agent (acting on behalf of the Issuer);
Application Form	the applicable application form for subscription of the Bonds as set out in section 9 ("Terms and Conditions of the Issue"), copies of which are available from the Issuer or the Agent upon request;
Approved Investor	Applicants whose Applications have been accepted and approved by the Issuer or the Agent on behalf of the Issuer;
Articles	the updated articles of association of the Issuer in force at the time of approval of this Securities Note;
Board or Directors or Board of Directors	the directors of the Issuer;

Bonds	the convertible callable bonds issued by the Issuer in terms of the Prospectus, up to two hundred eighty six (286) such bonds having a denomination per unit of € 250,000 (i.e. up to a total aggregate nominal value of €71,500,000) which are redeemable on the Redemption Date at their nominal value, unless previously converted by the Issuer into PPLNs as provided herein;
Bondholders	any holder/s of the Bonds from time to time, as evidenced by an electronic entry in the register of Bonds held by the CSD;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
CSD or Central Securities Depository	the Central Securities Depository of and operated by the Malta Stock Exchange set up and authorised in terms of the Financial Markets Act, 1990 (Chapter 345 of the Laws of Malta), or any other central securities depository appointed by the Issuer from time to time;
Conversion Date	any Business Day falling during the Conversion Period, as the Issuer may determine, on giving not less than fifteen (15) days' notice to Bondholders, when the Issuer may, at its option, convert all or any of the Bonds then outstanding into PPLNs held by the Issuer in accordance with the Terms and Conditions;
Conversion Option	the option of the Issuer to convert the Bonds or any of them into PPLNs held by the Issuer in accordance with the Terms and Conditions;
Conversion Period	the period commencing 1 st January 2021 to (and including) 20 December 2021;
Early Redemption Date	any Business Day falling during the Early Redemption Period, as the Issuer may determine, on giving not less than fifteen (15) days' notice to Bondholders, when the Issuer may, at its option, redeem all or any of the Bonds then outstanding at their nominal value;
Early Redemption Option	the option of the Issuer to redeem the Bonds or any of them at their nominal value on a date earlier than the Maturity Date, namely on an early Redemption Date, in accordance with the Terms and Conditions;
Early Redemption Period	the period commencing on the first anniversary of the Issue Date up to the Maturity Date;
Eligible Investors	persons who are "qualified investors" (within the meaning given in Article 2 of the Prospectus Directive), and that are not "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) and who are not subscribing, acquiring or accepting the Bonds from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the “ United States ”) or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
Euro or €	the lawful currency of the Eurozone, being the region comprised of Member States of the European Union (including Malta) 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;
Event of Default	each event specified as an event of default in section 8.16;
EWSM or European Wholesale Securities Market	the European Wholesale Securities Market Limited of Garrison Chapel, Castille Place, Valletta VLT 1603, Malta;
Issue Date	expected to be 30 June, 2017, but may be earlier at the option of the Issuer (on any date during the Issue Period);
Issue Period	the period from the date of this Securities Note to the Issue Date, both days included;
Issue Price	€125,000 per Bond, representing fifty per cent (50%) of the nominal value of the Bond;
Issuer	QUASAR SYSTEM S.A. whose registered office is situated at 10, Rue Antoine Jans, L-1820, Luxembourg;
Listing Agent	Integra Private Wealth Limited, a company incorporated in Malta with registered office at 228, Tower Road, Sliema SLM 1601, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the EWSM for the purposes of the Financial Markets Act (Chapter 345 of the Laws of Malta);
Listing Rules	the Listing Rules issued by the Listing Authority for the European Wholesale Securities Market;
MFSA or Malta Financial Services Authority	the Malta Financial Services Authority, incorporated in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Maturity Date	31 st December, 2021;

MiFID	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;
Nominal Value	(in respect of each Bond) €250,000;
Original Bondholders	the registered holders of the Original Bonds;
Original Bondholders Agreement	shall have the meaning assigned to it in section 5.3 ("Reasons for the Issue and Use of Proceeds");
Original Bonds	the one hundred and fifty two (152) Convertible Callable Zero Coupon Bonds named "AC CONVERTIBLE CALLABLE Zero Coupon Bond" due 2021, each having a nominal value of €250,000, with a total nominal value of €38,000,000.00, which were issued by the Issuer on the basis of the offer and the terms and conditions contained in the prospectus composed of a registration document and a securities note both dated 27 th May 2015, as subsequently supplemented by a supplement dated 17 th November 2015;
Profit Participating Loan Notes or PPLNs	the twenty four million three hundred and twenty nine thousand nine hundred and eighty five euro (€24,329,985) in nominal value of Profit Participating Loan Notes issued by Rainbow, and currently held by the Issuer, within the Relevant Rainbow Compartment and having the AC Underlying Shares as underlying;
PPLN Term Sheet	the term sheet containing the terms and conditions of the PPLNs, issued by Rainbow, dated 1 April 2016;
Prospectus	collectively, the Registration Document and this Securities Note;
Prospectus Directive	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC (as amended from time to time by various instruments, including by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010);
Prospectus Regulation	the Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements (as amended from time to time by various instruments, including by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012,

	Commission Delegated Regulation (EU) No. 862/2012 of 4 June, 2012, Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 and Commission Delegated Regulation (EU) No. 2016/301 of 30 November 2015);
Rainbow	Rainbow Finance S.A., a securitization company established in Luxembourg, with registration number B150784 and having registered address at 10, Rue Antoine Jans, L-1820, Luxembourg;
Redemption Date	if and to the extent and in respect of those Bonds in respect of which the Issuer has exercised the Early Redemption Option, the relevant Early Redemption Date; otherwise it means the Maturity Date;
Redemption Value	(in respect of each Bond) €250,000 (i.e. at the Nominal Value of each Bond);
Reference Documents	the documents listed in section 11 under the heading “Documents available and incorporated by reference”;
Register	the electronic register of Bondholders maintained on behalf of the Issuer by the CSD;
Registration Document	the registration document dated 31/01/2017 issued by the Issuer (including any documents incorporated by reference therein and any supplements thereto issued and published from time to time), forming part of the Prospectus;
Relevant Rainbow Compartment	the specific securitization compartment named “AC” within Rainbow created by Rainbow, in respect of which the PPLNs have been issued and to which the AC Underling Shares are allocated as the underlying;
Securities Note	this securities note issued by the Issuer (including the Reference Documents and any Supplements thereto issued and published from time to time), forming part of the Prospectus;
Subscription Account	the clients’ account with the Account Bank (bearing account number 10000027238000);
Supplement	any supplement to this Securities Note dated 31/01/2017 which may be issued from time to time by the Issuer;
Taliti	Taliti Funds SICAV p.l.c., a multi-fund public investment company with variable share capital established in Malta, with registration number SV 185 and having registered office at Level 1, Blue Harbour Business Centre, Ta’ Xbiex Yacht

	Marina, Ta' Xbiex, Malta, which has established a number of distinct sub-funds in terms of Maltese law, including the sub-fund by the name of Crystal Fund;
Taliti Private Placement Bond	the private placement interest-free bond of a principal amount of sixteen million, six hundred and forty five thousand nine hundred and seventy nine euro (€16,645,979), issued by the Issuer to Taliti for the account of the Crystal Fund on 16 th October 2015;
Terms and Conditions	the terms and conditions of the Bonds as set out in section 8;
Underlying	directly, the PPLNs and, indirectly, the AC Underlying Shares.

A reference to a 'person' in this Securities Note includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) of two or more of the foregoing.

A reference in this Securities Note to a provision of law is a reference to that provision as amended or re-enacted.

References in this Securities Note to a company or entity shall be deemed to include a reference to any successor or replacement thereto.

2. RISK FACTORS

2.1 General

AN INVESTMENT IN THE BONDS ISSUED BY THE ISSUER INVOLVES CERTAIN RISKS INCLUDING BUT NOT LIMITED TO THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND THOSE RISKS RELATING TO THE ISSUER DISCLOSED IN THE REGISTRATION DOCUMENT AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH 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.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE VALUE, YIELD, MARKETABILITY, REPAYABILITY AND OTHER CHARACTERISTICS OF THE BONDS AND/OR ON THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE BONDS.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR ANY OF ITS ADVISORS OR THE LISTING AGENT THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY BONDS.

THE RISKS AND UNCERTAINTIES DESCRIBED BELOW ARE THOSE THAT THE DIRECTORS BELIEVE TO BE MATERIAL AS AT THE DATE HEREOF, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES AFFECTING THE BONDS. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF OR DO NOT DEEM MATERIAL, MAY WELL RESULT IN A MATERIAL IMPACT ON THE BONDS, THE BONDHOLDERS' RIGHTS THEREUNDER AND/OR THE PERFORMANCE OF THE ISSUER.

ACCORDINGLY PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT AND IN THE PROSPECTUS BEFORE INVESTING IN THE BONDS. IN ADDITION, PROSPECTIVE INVESTORS OUGHT TO BE AWARE THAT RISKS MAY BE AMPLIFIED DUE TO A COMBINATION OF RISK FACTORS.

THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

2.2 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 herein 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 value, yield, marketability, repayability and other matters affecting the Bonds and 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 these matters affecting the Bonds and/or the results of operations and financial condition of the Issuer are consistent with the forward-looking statements contained in this document, those matters, results or developments may not be indicative of matters, 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.

2.3 Risks Relating to the Bonds

General

The value of investments can go up or down and past performance is not necessarily indicative of future performance.

Liquidity Risk

There is currently no market for the Bonds and, notwithstanding that the Bonds shall be admitted to listing and trading on the EWSM, there can be no assurance that any secondary market for the Bonds will develop or, if a secondary market does develop, that it will provide Bondholders with sufficient liquidity of investment or that it will continue for the life of the Bonds.

Even if a secondary market for the Bonds does develop, it is not possible to predict the prices at which the Bonds will trade in such secondary market.

The Issuer is under no obligation to make a market in the Bonds. Therefore, Bondholders may not be able to sell their Bonds easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

No assurance is given that the Bonds shall remain listed indefinitely.

A lack of liquidity in the secondary market for the Bonds may have a severely adverse

effect on the market value of Bonds and may result in Bondholders: (i) being unable to sell their Bonds on the secondary market, or (ii) receiving less than the initial price paid for the Bonds.

The liquidity of such Bonds may also be affected by other risk factors, including those affecting the Underlying (some of which have been set out below) and also by restrictions on offers and sales of such Bonds in some jurisdictions.

No Assurance of Future Price Level of Bonds

The Issuer cannot provide any assurance as to the future price level of the Bonds. If any of the Bonds 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 Bonds. These factors include: general economic conditions; the existence or materialization of risks affecting the Underlying or the performance and prospects of the issuers of the Underlying; the time remaining to maturity; redemption or repayment features; and the level, direction and volatility of market interest rates generally.

Zero Coupon Bonds: No Interest Rate Payments and Interest Rate Risks

The Bonds are zero-coupon bonds, which means that no interest will be paid to and received therefrom by Bondholders until the Redemption Date, where Bondholders will realise the yield thereon, this being the difference between the Issue Price paid by Bondholders and the Redemption Value of the Bonds received by them. This means that no regular cashflows will be generated for Bondholders during the lifetime of the Bonds, in the expectation of this yield realizable only on Redemption Date, which may in the meantime be affected by various market, insolvency and other risks, such as those disclosed herein.

Like fixed income debt securities, zero-coupon bonds are interest rate sensitive instruments and are influenced predominantly by interest rate developments in the capital markets, which in turn are influenced by macro-economic factors. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. Investors should be aware that because of the way yield is typically calculated by market participants, the price of zero-coupon bonds 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 Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Bonds will tend to rise (saving other factors which may affect price). Moreover, the price changes also depend on the term or residual time to maturity of the bonds. In general, bonds with shorter terms have less price risks than bonds with longer terms.

In some jurisdictions, the yield / annual accumulated return on zero-coupon bonds may be considered to be income for tax purposes, and Bondholders may accordingly be subject to payment of tax thereon, even though they do not actually receive the full amount (the full nominal value) until maturity. In such jurisdictions, the gains on a zero-coupon bond are not treated as capital gains, instead they are considered to be interest.

Market risk

The Bonds and the value thereof will depend on various factors and risks affecting the Issuer and the Underlying and the issuers of the Underlying (see other risk factors outlined herein and those set out in the section titled "Risk Factors" in the Registration

Document). The value of the Bonds will also depend on general fluctuations in the bond market and the value of the Underlying will similarly depend on normal market fluctuations and the risks inherent in investment in the relevant securities markets. There can be no assurance that the Bonds or the Underlying will appreciate in value or will not depreciate in value or that such Underlying will produce the expected returns necessary for the Issuer to meet its obligations to the Bondholders.

Bonds not Secured or Guaranteed

Obligations of the Issuer under the Bonds (including payment of the Nominal Value upon Redemption Date) will not be guaranteed or secured, and Bondholders will not have a lawful right of preference to get payment out of assets of the Issuer over other creditors. This risk is further aggravated if there are other creditors of the Issuer, whose debts must be satisfied out of the same assets, especially if their claims against the Issuer are secured over such payments or otherwise rank in priority to those of Bondholders. Whilst the Issuer is undertaking, under the negative pledge given under the Terms and Conditions, not to create any security interests in favour of third parties over the PPLNs (these being its main assets as at the time hereof and for the foreseeable future) until the Bonds have been redeemed or converted, such security interests may be created by operation of law and/or without active participation and beyond the control of the Issuer. Furthermore, whilst the Issuer is undertaking, always under the negative pledge given under the Terms and Conditions, not to transfer the PPLNs to third parties until the Bonds have been redeemed or converted, an exception will apply in case and to the extent such transfer is necessary for the Issuer to pay its debts due to other creditors which it may have in the normal course of business and which cannot be paid out of funds otherwise available to the Issuer (and thus avoid insolvency). Furthermore, it should be noted that such negative pledges are only undertakings by the Issuer, and do not themselves constitute a security interest, and should the negative pledges be breached by the Issuer, a transfer or security interest made or granted in favour of a *bona fide* third party in breach of such negative pledge of the Issuer may still be valid in terms of law.

Limited Source of Assets and Funds for Payments to Bondholders (Concentration Risk) and Issuer Dependence on Underlying

The Issuer is a relatively low capitalised company and is not expected to have assets available for payments due under the Bonds other than the PPLNs (into which the Bonds are convertible at the option of the Issuer or which the Issuer may otherwise seek to dispose to finance its payment obligations under the Bonds on the Redemption Date) and any payments which may be received from time to time by the Issuer in respect of such PPLNs. The on-going payments and disposal proceeds of such PPLNs will also need to be used to satisfy payment obligations of the Issuer due to other creditors of the Issuer (including those arising in the normal course of business), and the claims of these other creditors may rank in priority to those of the Bondholders.

The Issuer's current investments comprise the PPLNs which in turn are backed by and have as underlying the AC Underlying Shares, details of which are to be found further below in this Securities Note. The PPLNs are expected to constitute the Issuer's sole investment or substantial portion of its investment portfolio, at least for the foreseeable future. The PPLNs are in turn expected to be backed solely by the AC Underlying Shares for such foreseeable future. This means that the Issuer's financial position and its ability to meet its obligations to Bondholders will be heavily dependent on AC Europe's operations and its ability to generate a dividend or return or appreciation in value of its equity for its shareholders, including Rainbow (as issuer of the PPLNs) and

indirectly to the Issuer, as holder of the PPLNs.

Whilst by their nature the PPLNs are structured in such a way as to make periodical payments (at least yearly) to the Issuer received from the AC Underlying Shares, there is no assurance that the AC Underlying Shares will generate or distribute any dividends or other payments in any given period, which payments will depend on a number of factors outside the control of the Issuer and Rainbow. Furthermore, any payments received by Rainbow therefrom will first be used to satisfy creditors of the expenses attributable to the Relevant Rainbow Compartment within which the PPLNs have been issued, in priority to any payments to the Issuer as holder of the PPLNs.

Bondholders should note that the PPLNs mature on the earlier of 15 years from the date of the PPLN Term Sheet (i.e. on 1 April 2031) or the date as the Issuer decides to liquidate the Relevant Rainbow Compartment, and in both cases this will or may be a date well beyond (after) the Redemption Date of the Bonds. This means that, unless the Issuer exercises the Conversion Option in terms hereof, it will need to sell the PPLNs in order to finance the payment of the Redemption Value of the Bonds on the Redemption Date. The PPLNs, however, may not be sufficiently liquid at the relevant time, and the Issuer may encounter difficulty in realizing the same at such time and price as may be necessary to raise funds to make payments on the Bonds. The liquidity, marketability and value of these PPLNs will depend on the value of the AC Underlying Shares at the relevant time, which will in turn depend on various factors and potential risks affecting the operations and financial results of AC Europe at such time and on market risks in general, all of which cannot be predicted in advance and will be outside the control of the Issuer and of Rainbow.

The Issuer may also use its reasonable endeavours to request and procure Rainbow to dispose of the AC Underlying Shares before the maturity date of the PPLNs with a view to be able to finance its payment obligations under the Bonds on the Redemption Date from payments made to it by Rainbow (from the sale proceeds generated from the AC Underlying Shares) instead of seeking to dispose the PPLNs itself, but there is no assurance that it will be successful in this quest. Furthermore, even if Rainbow were to accede to the Issuer's request as aforesaid, Rainbow may find it difficult to find at the relevant time a willing buyer for such AC Underlying Shares at the right price, or such sale prospects may be negatively affected by sale restrictions relating to the AC Underlying Shares. The liquidity, marketability, transferability, and value of the AC Underlying Shares may be affected by various market factors and also by factors specific to AC Europe (including its financial success, market reputation and regulatory restrictions).

Reference is here made to other risk factors outlined herein relating to the PPLNs and the AC Underlying Shares.

Conversion at Option of Issuer; No Guarantee of Return on Conversion

The Conversion Option may only be exercised by the Issuer and not by the Bondholders. If the Issuer decides, in its sole discretion, to exercise such Conversion Option during the Conversion Period, Bondholders will receive a proportionate number of PPLNs then held by the Issuer, corresponding to the portion that the Bonds

respectively held by them and being converted bear to the total number of Bonds then outstanding, irrespective of the value of the PPLNs (or of the AC Underlying Shares) at the relevant time, and the Bonds so converted will thereafter be cancelled by the Issuer. Thus, the Issuer may at its discretion choose to redeem the Bonds at a time (during the Conversion Period) when the value of the corresponding number of PPLNs received by Bondholders is less than the Nominal Value of their respective Bonds (i.e. less than the Redemption Value of their Bonds which would have been payable on the Redemption Date had the Issuer not exercised such Conversion Option) and possibly even less than the Issue Price paid for such Bonds. Bondholders may therefore receive a return on the Bonds which is less (even substantially less) than the expected return on their Bonds upon redemption and even less (possibly substantially less) than what they have originally paid for their investment. Bondholders will therefore bear the risk of fluctuations in the value of the PPLNs and indirectly of the AC Underlying Shares.

No Obligation to Update Prospectus Disclosures upon Conversion

Save where otherwise required by the Listing Rules or applicable law, the Issuer has no obligation to update the disclosures or information contained in the Prospectus prior to the Conversion Period or prior to any Conversion Date or at the time of the conversion of any Bonds. The disclosures with respect to the Issuer and the Underlying and the issuers of the Underlying contained in the Prospectus is only accurate as of the date hereof. No assurance can be given that, at the time of the conversion of the Bonds, the business, financial condition and results of operation of the Issuer or of Rainbow or of AC Europe or of AC SGR will not differ in material ways from any description contained herein or from any information relating to Rainbow or AC Europe or AC SGR that is currently publicly available.

Credit Risk and Issuer Default

This is the risk for the Bondholders that the Issuer may default on its obligation or be unable to pay the Redemption Value upon the Redemption Date. Any amount received by Bondholders in such circumstances may be less (even substantially less) than the Redemption Value and less (even substantially less) than their initial investment.

This default may be occasioned by various factors, most notably by the illiquidity or fluctuations in value of the PPLNs and/or of the AC Underlying Shares and also by the default or inability of Rainbow to make payments under the PPLNs, which again could be occasioned by various factors, including the illiquidity or negative fluctuations in value of the AC Underlying Shares. The payment obligations of Rainbow towards the Issuer under the PPLNs are not secured and are limited recourse obligations of Rainbow, and payments received by Rainbow therefrom will first be used to satisfy creditors of the expenses attributable to the Relevant Rainbow Compartment.

Changes in the perceived ability of the Issuer or of the issuers of the Underlying to make payments under the Bonds or (as the case may be) under the PPLNs or the AC Underlying Shares, or in the perceived solvency or financial condition of the Issuer or the issuers of the Underlying may also affect the respective security's market value.

Credit risk includes but is not limited to default risk, counterparty risk, cross border (or transfer) risk and credit concentration risk.

Specific Risks Relating to the PPLNs and to Rainbow

Below is a brief exposition of what in the Issuer's opinion are the most relevant risks relating to an investment in Rainbow and in particular in the PPLNs issued by it (which are not, in terms of content or context, already appropriately covered elsewhere in this section 2.3), directly affecting the Issuer and indirectly the Bondholders:

Rainbow – Unregulated Securitization Entity

Rainbow is a securitization company governed by the law of 22 March 2004 on securitization. It is however not regulated or supervised by the Commission de Surveillance du Secteur Financier (the "CSSF").

As Rainbow is a securitization vehicle, as regards the investors, each compartment shall be treated as a separate entity, except where otherwise provided for in the articles of association of Rainbow.

The rights of the investors and the creditors are limited to the assets of the securitization undertaking. Where such rights relate to a compartment or have arisen in connection with the creation, the operation or the liquidation of a compartment, they are limited to the assets of that compartment.

The assets of a compartment are exclusively available to satisfy the rights of investors in relation to that compartment and the rights of creditors whose claims have arisen in connection with the creation, the operation or the liquidation of that compartment.

Long Term Notes

The PPLNs mature on the earlier of 15 years from the date of the PPLN Term Sheet (i.e. on 1 April 2031) or the date as the Issuer decides to liquidate the Relevant Rainbow Compartment, and in both cases this will or may be a date well beyond (after) the Redemption Date of the Bonds.

Issue Size of PPLNs

Profit participating loan notes in respect of the Relevant Rainbow Compartment will be issued exclusively by the said Relevant Rainbow Compartment. Rainbow has approved the issue of €40,000,000 profit participating loan notes within the Relevant Rainbow Compartment, or such greater amount as may be agreed between the Issuer and the holders of such notes. As of the date hereof, Rainbow has issued the equivalent of twenty four million three hundred and twenty nine thousand nine hundred and eighty five euro (€24,329,985) in nominal value of Profit Participating Loan Notes within the Relevant Rainbow Compartment, all of which have been issued to and are held by the Issuer, and of which the AC Underling Shares constitute the sole underlying assets. It is possible that further profit participating loan notes are in future issued by Rainbow within the same Relevant Rainbow Compartment, even to other investors. It is expected that in such case the AC Underlying Shares will be supplemented by other underlying assets allocated to such compartment, the acquisition of which would be financed by the issue proceeds of these additional notes, which supplementary underlying assets may not

however necessarily be shares in AC Europe. There may therefore in future be other investors along with the Issuer holding notes issued in the same securitization compartment created by Rainbow and participating proportionately in the same underlying assets.

Payments under PPLNs Referenced to Performance of Underlying Assets

The PPLNs are referenced to the performance of the AC Underlying Shares, which are in turn dependent on the performance of AC Europe and its subsidiary AC SGR. Payment and repayment under the PPLNs is subject to payments and repayments under the Relevant Rainbow Compartment. Such performance may be negatively affected by various factors specific to the respective entity or to the economy or markets in general, all of which could seriously negatively affect the value and liquidity of the AC Underlying Shares and of the PPLNs, and the payments made by AC Europe and by Rainbow respectively thereon.

Subordination to Compartment Expenses

Whilst the AC Underlying Shares (and such other underlying assets as may be allocated to the Relevant Rainbow Compartment) will be underlying assets exclusively allocated to the Relevant Rainbow Compartment, any payments to holders of profit participating loan notes issued by Rainbow within the Relevant Rainbow Compartment and any claim of any such holder against Rainbow for payment shall be subordinated to any payment of expenses attributable to the Relevant Rainbow Compartment, which shall be paid in priority to payments due to holders of the profit participating loan notes. The obligations of Rainbow to pay such expenses may also be secured and be given priority rights by contract or by operation of law. These compartment expenses are defined widely in the PPLN Term Sheet to include all accrued fees, to the extent not already paid, of the Relevant Rainbow Compartment in the course of such Compartment's activities payable at regular intervals, including legal, administrative and/or auditor's fees and expenses of the said Compartment, any statutory, taxes (which includes any tax, levy, impost, duty or other charge or deduction or withholding of a similar nature, including without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) or regulatory fees or charges or expenses payable by or on behalf of the Relevant Rainbow Compartment and which shall be exclusively borne by the said Compartment. These expenses may be substantial and may therefore erode available funds of the Compartment out of which payments to the holders of the profit participating loan notes are to be made.

Payments only out of Available Funds and Limited Recourse

The PPLN Term Sheet provides for (i) regular payments of the participating amount being made by Rainbow to the holders of profit participating loan notes on payment dates determined by Rainbow at its discretion, but at least once per year, and (ii) for repayment of the profit participating loan notes at their principal amount (i.e. €1 per note) then outstanding on their final maturity date (i.e. the earlier of 15 years from the date of the PPLN Term Sheet, namely 1 April 2031, or the date as the Issuer decides to liquidate the Relevant Rainbow Compartment), to the extent such notes have not been previously redeemed or purchased. Such payments and repayments are however subject to the maximum available funds received by Rainbow from the Relevant Rainbow Compartment or upon redemption of the Relevant Rainbow

Compartment (i.e. payments or proceeds received from the Compartment's underlying assets).

In the event that Rainbow does not have sufficient available funds as aforesaid to make the payments of the participating amount under the profit participating loan notes as and when due, the holders of such notes will be precluded from demanding payment subject and in accordance with the PPLN Term Sheet.

The PPLN Term Sheet provides that the holder of a note shall not, while any amount remains outstanding under its note, have any right to claim for payment under the note except to the extent that Rainbow has received funds under the Relevant Rainbow Compartment and has available funds to make the payments due under the note, after the payment of expenses of the Compartment and any participating amount due on or before such date (e.g. a participating amount becoming due but remaining unpaid on a previous payment date). If the net proceeds available for distribution to the holder of the note on any date on which Rainbow is required to make a payment to the said holder in accordance with the PPLN Term Sheet are not sufficient to make all payments which would otherwise be due in respect of the note, the obligations of Rainbow in respect of it will be limited to the net proceeds of the Relevant Rainbow Compartment and the other assets of Rainbow will not be available for payment of any resulting shortfall (i.e. at any date, the difference between the amount payable by the Compartment under the profit participating loan notes and the available funds of Rainbow arising therefrom). Any such shortfall shall be borne pro rata by the holders of the profit participating loan notes.

Rainbow will not be obliged to make any further payment in excess of the net proceeds and accordingly no debt shall be owed by Rainbow in respect of any shortfall after the application of the proceeds in accordance with the priority of payments prescribed by the PPLN Term Sheet (i.e. first in payment of the expenses of the Compartment and then in satisfaction of payments due to holders of profit participating loan notes). The PPLN Term Sheet provides that failure to make any payment in respect of any shortfall shall in no circumstances constitute an event of default under the profit participating loan notes and the PPLN Term Sheet.

The PPLN Term Sheet also provides that while any amount remains outstanding under a profit participating loan note, save where permitted under the PPLN Term Sheet (i.e. save to the extent that Rainbow has received funds under the Relevant Rainbow Compartment and has available funds to make the payments due under the note, after the payment of expenses of the Compartment and any participating amount due on or before such date) the holder of such note shall not take steps or pursue any action for the purpose of recovering any debt due or owing to it by Rainbow, or to petition or procure the petitioning for the bankruptcy or request the opening of any other collective or reorganisation proceedings against Rainbow. **In the event of the failure by Rainbow to meet its payment obligations under the notes, the holders of notes shall not be entitled to demand payment for the full amount outstanding under the notes. In the event of non payment the holder's recourse will be limited exclusively to the specific assets of the Relevant Rainbow Compartment.**

Early repayment of the PPLNs

Rainbow has reserved the right to repay the profit participating loan notes in

whole or in part at any time (prior to their maturity) at its discretion and without prior notice.

Liquidity Risk

The PPLNs are not listed or traded on any regulated market or exchange. The market for PPLNs is currently illiquid and may be illiquid following the exercise of the Conversion Option by the Issuer. It is impossible to guarantee that a liquid secondary market for the PPLNs will develop. Accordingly, the Issuer or (following the exercise of the Conversion Option by the Issuer) the Bondholders may be unable to sell those PPLNs held by them.

Market Risk

The PPLNs and their underlying assets are or may be subject to normal market fluctuations and the risks inherent in investments generally, including macro-economic factors. There can be no assurance that the PPLNs and their underlying assets will appreciate in value or will not depreciate in value or produce the expected or anticipated returns.

PPLNs Not Secured

Obligations of Rainbow under the PPLNs are not guaranteed or secured, and are subordinated to the obligations of Rainbow towards creditors of the expenses attributable to the Relevant Rainbow Compartment. The PPLNs do not offer principal protection.

Specific Risks Relating to the AC Underlying Shares and to AC Europe and/or AC SGR

Below is a brief exposition of some relevant risks relating to an investment in AC Europe and in the AC Underlying Shares as known to the Issuer (which are not, in terms of content or context, already appropriately covered elsewhere in this section 2.3), which may indirectly affect the Bondholders in view of the effect they may have on the value, marketability and liquidity of the PPLNs and/or the Bonds:

AC Europe – Holding Company

AC Europe is a holding company established in Luxembourg, whose main asset is the 100% participation in AC SGR. AC SGR is in turn a company established in Italy which operates as an investment firm specializing in fund of funds investments, and typically invests in private equity, debt strategy, real estate funds, and energy funds. AC SGR is regulated as a 'società di gestione del risparmio' (SGR) by the Bank of Italy.

The performance of AC Europe and the value, marketability and liquidity of the AC Underlying Shares are heavily dependent on, and may be seriously affected by any changes in, the performance of AC SGR, and also by external factors (including general economic conditions) which may affect both AC Europe and AC SGR.

Risks Relating to AC SGR and its operations

The following is a brief list of some relevant risks which may from time to time or on an on-going

basis be faced by AC SGR and which may potentially negatively affect its performance and value and the return to its shareholders, including AC Europe, and therefore potentially affecting AC Europe and the AC Underlying Shares:

- Market risk, which may arise from conditions in the financial markets and economic conditions generally (including, without limitation, those arising from adverse changes in interest rates, credit spreads, foreign exchange rates, equity prices and other relevant parameters, such as market volatility) and which may in turn affect its business and the fees it generates from its services;
- Investment management business risk, which can include (but are not limited to) risks related to poor performance which are not necessarily attributable to the actions of AC SGR, liability risks towards clients and investors, the difficulty of finding adequate investment opportunities, increased competition and reductions of fees, the failure to source new fund management and investment mandates after existing ones are closed, and variation in income and profits or losses from the investment management business as a result of market cycles, volatility of financial markets, prices of securities, property prices, interest rates and exchange rates and other asset, industry and regional specific risks affecting the private equity investments carried out by AC SGR, which may reduce investment and demand for investment services and products offered or promoted or distributed by AC SGR;
- Liquidity risk, namely the risk of decrease in profits or capital, arising from an inability of AC SGR to meet its immediate obligations, without incurring additional costs, which can arise from mismatches in the timing of cash flows relating to assets, liabilities and off-balance sheet instruments;
- Regulatory risk arising from the highly regulated environment (both locally, in Italy, and also at a European and international level) in which AC SGR operates, with a broad regulatory framework which is increasing in scope at a fast pace, resulting in new or enhanced capital adequacy, liquidity, insurance, organizational, procedural, staffing, resources, business conduct, operational, reporting, monitoring, risk management, compliance, remuneration practices (including deferred remuneration rules) and other requirements and standards and liability parameters and consequent substantial increase in costs for AC SGR and other entities operating in its field;
- Legal and compliance risk arising from the extent and complexity of its operations and the wide range of its regulatory obligations, including the increased risk of breaches of the ever-increasing range of applicable rules and regulations, the additional administrative cost incurred in the implementation and compliance with such new rules, expansion of the powers of competent authorities and new or additional forms of redress for consumers of financial services resulting in an increased incidence of investigations and imposition of regulatory sanctions or fines related to conduct of business and financial crime by such authorities and a consequent increase also in civil litigation arising from or relating to matters which are subject to regulatory investigation, sanction or fine, as well as the risk of increasing damages and fines being claimed and imposed or awarded in recent years in legal and other adversarial proceedings against financial services firms as a result of legislative and regulatory developments and changes in regulatory policy, increased media attention and higher expectations from the government, regulators and the investors;
- Operational risks, including those relating to key succession planning and the risk of

dependence and potential loss of key officers and employees, external fraud risk and IT risks (including breakdown of or damage to systems or unauthorized access and use of data and loss of data);

- Reputational risk usually associated with conflicts of interest, regulatory compliance, remuneration systems, professional behaviour of staff, reputation and financial soundness of major shareholders, corporate culture, leadership and corporate strategy, which could materially and adversely affect AC SGR's competitive position in the market and its ability to retain its current market share and to retain or attract customers, and this could adversely affect its operations, financial condition and prospects, and could also result in increased compliance costs and higher insurance and financing costs, reflecting the perceived increased risks;
- External factors beyond AC SGR's control which could adversely affect its overall performance and results, including changes in economic conditions, business cycles, volatility in financial markets and increased competitive pressure in the financial services sector.

Restrictions on Transfers and Forced Transfers of AC Underlying Shares

Pursuant to the updated articles of association of AC Europe, the transfer of ordinary shares therein is subject to various restrictions, including (i) pre-emption rights given in favour of the controlling shareholder/s of AC Europe (as defined in such updated articles of association); (ii) the prohibition to transfer ordinary shares to any person or entity not complying with Bank of Italy's regulation of 8 May, 2012 on the approval of the management companies as such regulation may be amended, supplemented or replaced from time to time and/or to a competitor of AC Europe, without the prior consent of the board of directors of AC Europe; and (iii) in all cases, the requirement to obtain the prior consent of the board of directors of AC Europe, which cannot be unreasonably withheld, for a transfer of ordinary shares. The updated articles of association of AC Europe also provide that where the board of directors refuses its consent to a proposed transfer, it may propose the shares for sale to any person it thinks appropriate, in which case the shares will be acquired at the price or value indicated in the transfer notice sent by the selling shareholder, which price may however be reviewed where the directors consider the transfer notice price to be significantly higher than the estimated fair market value of the relevant shares, and the directors may in such case appoint an auditing firm, listed in the updated articles of association, to establish the price for the sale.

Further, the sale of the AC Underlying Shares will in all cases, both pursuant to the updated articles of association of AC Europe and, with respect to AC SGR, pursuant to Italian law, need to comply with Bank of Italy's regulation of 8 May 2012 on the approval of management companies (as the same may be amended, supplemented or replaced from time to time), including any prior approval required by the Bank of Italy under such regulation in respect of the proposed sale, due to the fact that AC Europe is a qualified shareholder (actually the parent) of AC SGR, which has been authorized by the Bank of Italy.

These restrictions on transfer may make it difficult or impossible or cause delays for Rainbow to dispose of the AC Underlying Shares at the right time and at the right price to enable it to make payments under the PPLNs to the holder/s thereof

(i.e. to the Issuer or, when the Issuer has exercised the Conversion Option, to the Bondholders or their successors in title), or for the said Bondholders to become the holders of such AC Underlying Shares should Rainbow default in its payment obligations under the PPLNs.

It should also be noted that the updated articles of association of AC Europe also provides for a Tag-Along obligation on the controlling shareholder(s) as defined therein and for a Drag-Along right to the controlling shareholder/s of AC Europe in a proposed sale of its/their controlling interest in AC Europe to a third party, and at the same price agreed to by the controlling shareholder/s with the proposed transferee, although such updated articles of association contain provisions designed to ensure that such price is not lower than the fair market value of the shares. If such drag-along right is exercised, each shareholder is also required to become a party to any indemnities being given by the controlling shareholder/s to the proposed transferee. Thus, Rainbow or any holders of the AC Underlying Shares may be forced to transfer their said AC Underlying Shares in the circumstances mentioned above, even at a time when they have no intention sell such shares.

No Voting or Direct Rights in AC Europe

The Issuer and Bondholders (if and when they become the holders of the PPLNs pursuant to the exercise of the Conversion Option by the Issuer or through a liquidation of assets of the Issuer or otherwise) have no voting or direct rights as shareholders of AC Europe, which rights will belong to and be exercised by Rainbow, and they may be negatively affected by changes made with respect to the AC Underlying Shares. Save where otherwise mandatorily required by law, Rainbow is not obliged to take account of the interests of the Issuer or the Bondholders when exercising any voting or other rights (e.g. corporate actions or events) relating to the AC Underlying Shares.

Future Shareholding Changes in or Exceptional Events relating to AC Europe

Future issues or sales of shares by or in AC Europe or AC SGR may significantly affect the trading price of the AC Underlying Shares, the PPLNs and the Bonds. The future issuance of shares by AC Europe or AC SGR or the disposal of shares by any of the major shareholders thereof or the perception that such issues or sales may occur may significantly affect the trading price of the AC Underlying Shares, the PPLNs and the Bonds.

No prediction can be made about the effect which any future offerings of securities by AC Europe or AC SGR, or any takeover or merger activity involving any of them, will have on the market price of the Bonds prevailing from time to time.

Liquidity Risk

The AC Underlying Shares are not listed or traded on any regulated market or exchange. It is impossible to guarantee that a liquid secondary market for the AC Underlying Shares will develop. Accordingly, Rainbow may be unable to sell such shares at the relevant time.

Market Risk

The AC Underlying Shares and the underlying assets of AC Europe are or may be subject to normal market fluctuations and the risks inherent in investments generally, including macro-economic factors. There can be no assurance that the AC Underlying Shares and such underlying assets will appreciate in value or will not depreciate in value or produce the expected or anticipated returns.

No rating

The Issuer does not intend to request any rating of the Bonds, whether by an internationally recognized rating agency or otherwise.

The PPLNs and the AC Underlying Shares are similarly unrated.

The lack of a rating may adversely affect the transfer of the Bonds or (as the case may be) the transfer of the PPLNs and the AC Underlying Shares.

Discontinuation of Listing

Even after the Bonds are admitted to trading on the EWSM, the Issuer is required to remain in compliance with certain on-going requirements in order to remain a listed company in good standing. Moreover, the Listing Authority has the authority to suspend trading or listing of the Bonds 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 Bonds on the EWSM. Any trading suspension or listing discontinuation described above could have a material adverse effect on the liquidity and value of the Bonds.

Custody and Institutional Risk

Default or insolvency of any entity responsible for the safekeeping of the assets of the Issuer or of the issuers of the Underlying may result in the risk of not being able to receive all the assets held by such entity on behalf of its clients, should the former fail in its obligation to properly segregate clients' assets or should such proper segregation not be supported by the laws of the relevant jurisdiction.

General Tax and Legal Risks

No assurance may be given that the manner in which the Bonds and the Underlying and the holding of such Underlying have been structured or are held will be tax efficient for any particular Bondholder.

Bondholders should be aware that they may be required to pay income tax, withholding tax, capital gains tax, wealth tax, stamp duties or any other kind of tax on payments, proceeds or gains (whether or not realized) which are received or made or deemed to be received or made by them from the Bonds or (if and when they become holders of the PPLNs) from the PPLNs, according to the laws and practices of the country where the Bonds or the PPLNs are issued, purchased, sold, held or redeemed and/or in the country of residence or nationality of the Bondholder.

The tax consequences to the Issuer, Rainbow, AC Europe, AC SGR and/or any

Bondholder are subject to adverse change through legislative, judicial, administrative or regulatory action in the various applicable jurisdictions. There can be no guarantee that income tax and other fiscal legislation and laws or regulations governing the Issuer's, Rainbow's, AC Europe's, AC SGR's and/or any Bondholder's operations and investments will not be changed in a manner that may adversely affect the same. The effect of such changes, while impossible to predict, could be substantial and adverse.

The terms and conditions of the Bonds offered pursuant to the Prospectus are based on the law and practice currently in force in Luxembourg (in respect of statements relating to the Bonds, which will be issued and governed by Luxembourg law) and in Malta (in respect of statements relating to the approval of the Prospectus by the Listing Authority or the listing of the Bonds on the EWSM in Malta or in so far as relates to the compliance of such statements with the requirements of the Prospectus Directive as transposed into Maltese law) and are subject to changes therein. No assurance can be given as to the impact of any possible judicial decision or change in Luxembourg or Maltese law or administrative practice after the date of the Prospectus.

Liability for the Bonds

The Bonds are an obligation of the Issuer only and do not establish any liability or other obligation of any other person mentioned in the Prospectus including but not limited to the Listing Agent, the Agent, the Account Bank and/or any of the Issuer's other service providers.

Information Regarding the Underlying and the Respective Issuers

Certain information regarding the PPLNs and the AC Underlying Shares, as well as Rainbow, AC Europe and AC SGR is contained in this Securities Note.

Such information has been extracted from information published or made available by the said respective entities or is otherwise publicly available. The Issuer confirms that such information has been accurately reproduced. No further or other responsibility in respect of such information is accepted by the Issuer. The Issuer has not separately verified such information. Accordingly, other than as stated above, no representation, warranty or undertaking, express or implied, is made, and no responsibility or liability is accepted, by the Issuer as to the accuracy or completeness of the information concerning the PPLNs, the AC Underlying Shares, Rainbow, AC Europe and/or AC SGR contained in this Securities Note.

Potential investors should conduct their own investigations and, in deciding whether or not to purchase Bonds, should form their own views on the creditworthiness of and other relevant matters relating to Rainbow, AC Europe, AC SGR and the PPLNs and the AC Underlying Shares based on such investigations and not in reliance on any information given in this Securities Note.

3. PERSONS RESPONSIBLE

All of the Directors, whose names appear under the heading "Board of Directors" in section 9.1 of the Registration Document, are the persons responsible for the information contained in this Securities Note and accept responsibility therefor.

To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

4. OVERVIEW OF THE ISSUE

The following is a brief overview only of certain terms and conditions of the issue and of the Bonds. For a full description of the issue and the Bonds this section 4 should be read in conjunction with the rest of this Securities Note and the Prospectus, particularly (but without limitation) section 5 (“Essential Information”), section 8 (“Terms and Conditions of the Bonds”) and section 9 (“Terms and Conditions of the Issue”). Any decision to invest in the Bonds should be based on a consideration of the Prospectus as a whole.

Issuer:	Quasar System S.A.
Securities:	Convertible Callable Zero-Coupon Bonds
Amount:	Up to €71,500,000 in nominal value; in other words up to 286 Bonds
Nominal Value / Denomination per unit:	€250,000
Currency Denomination:	euro
ISIN:	MT0001221101
Issue Price:	€125,000
Minimum Subscription Amount per investor:	€125,000 (in terms of Issue Price) (and €250,000 in terms of nominal value)
Minimum Aggregate Subscription:	152 Bonds (namely €38,000,000 in terms of nominal value of Bonds), to be subscribed by the Original Bondholders in exchange for their Original Bonds, as explained in more detail in section 5 (“Essential Information”) and section 9 (“Terms and Conditions of the Issue”);
Issue Period:	31/01/2017 (i.e. the date of this Securities Note) to the Issue Date
Issue Date:	Any date during the Issue Period (expected 30 June 2017)
Preferences in allocation of Bonds applied for:	First preference will be given to the Original Bondholders who apply to subscribe for Bonds in exchange for their Original Bonds; second preference will be given to any Application made by Taliti for subscription of Bonds in exchange / set-off (or partial exchange / set-off) for the Taliti Private Placement Bond; thereafter allocation will be made at the discretion of the Issuer - see relevant rules set out

	in section 5 (“Essential Information”) and section 9 (“Terms and Conditions of the Issue”)
Maturity Date:	31 December 2021
Interest:	Not applicable, as the Bonds are zero-coupon bonds
Conversion of the Bonds:	Each Bond is convertible on any Conversion Date during the Conversion Period, at the option of the Issuer, into its pro rata portion (number) of PPLNs then held by the Issuer, as described in section 8 (“Terms and Conditions of the Bonds”)
Conversion Period:	1 st January 2021 to (and including) 20 December 2021
Conversion Date:	Any Business Day falling during the Conversion Period, as the Issuer may determine
Conversion Ratio:	For each Bond converted, such number of PPLNs then held by the Issuer, corresponding to the portion that the Bond being converted bears to the total number of Bonds then outstanding
Redemption at Option of the Issuer:	Any time on any Early Redemption Date during the Early Redemption Period
Early Redemption Period:	The period commencing on the first anniversary of the Issue Date up to the Maturity Date
Early Redemption Date:	Any Business Day falling during the Early Redemption Period, as the Issuer may determine
Redemption Value:	(whether on an Early Redemption Date or on Maturity Date) at Nominal Value
Listing and Trading:	The Listing Authority has authorised the admissibility of the Bonds to listing on the EWSM and application has been made to the EWSM for the Bonds to be admitted to listing and trading on the EWSM, with the admission date expected to be the Issue Date
Form:	The Bonds will be issued in fully registered and dematerialised form and are represented in uncertificated form (except where the relevant Bondholder requires the issuance of such certificate) by the appropriate entry in the electronic register maintained by the CSD on behalf of the Issuer
Status:	See section 8.5
Transferability:	Freely transferable in accordance with applicable laws and the rules and regulations of the EWSM
Application Forms	From the date of this Securities Note, namely 31/01/2017

Available from Agent:	
Deadline for Submission of Application Forms:	2 Business Days prior to Issue Date
Central Securities Depository:	The Central Securities Depository of and operated by the Malta Stock Exchange
Selling Restrictions:	The Offer of Bonds 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) and who are not subscribing, acquiring or accepting the Bonds from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction or on behalf or for the account of anyone within the United States or anyone who is a U.S. person
Agent:	Alter Domus (Services) Malta Limited
Listing Agent:	Integra Private Wealth Limited
Governing Law of the Bonds:	Luxembourg Law
Jurisdiction:	Luxembourg Courts

5. ESSENTIAL INFORMATION

5.1 General Description and Information

The issue of the Prospectus and of the Bonds pursuant to such Prospectus was approved and authorised by a resolution of the general meeting held on 5th January 2017, which also authorized the Board to issue the Prospectus and to organize such issuance. Such issuance was also approved by a resolution of the Board dated 5th January 2017.

The maximum aggregate principal amount of the Bonds that may be issued will not exceed €71,500,000.

The Bonds will be convertible callable zero-coupon bonds of the Issuer maturing on 31 December 2021, and will be governed by the terms and conditions contained in the Prospectus and by the laws of Luxembourg under which they are being created.

All Bonds will have a denomination per unit of €250,000 (in nominal value) and can only be subscribed by 'qualified investors' (as defined in Article 2 of the Prospectus Directive) and accordingly, the offer of Bonds in the Prospectus does not constitute an 'offer of securities to the public' within the meaning of the Prospectus Directive.

Application has also been made for the Bonds to be admitted to listing and trading on the EWSM, and are expected to have ISIN number MT0001221101. The admission date of the

Bonds is expected to be the Issue Date.

The Issue Date is expected to be 30 June 2017 or, at the option of the Issuer, any earlier date during the Issue Period.

5.2 Indication of Yield

The (simple arithmetic) gross yield calculated on the basis of the Issue Price and the Redemption Value of the Bonds at Maturity Date (assuming the Bonds are not previously converted or redeemed), is approximately ten point three per cent (10.3%) per annum. This has been produced by taking the 50% yield over the whole maturity period and dividing it by the number of years (including fractions) from the Issue Date up till the Maturity Date.

5.3 Reasons for the Issue and Use of Proceeds

The main reason for the issue of the Bonds is for the Issuer to reorganize and restructure its current debt financing, namely:

- (i) its debt obligations towards the Original Bondholders arising under the Original Bonds; and
- (ii) its debt obligations towards Taliti arising under the Taliti Private Placement Bonds,

into one single issue of zero-coupon convertible bonds due 2021.

As mentioned in section 5.2 of the Registration Document (“Recent events particular to the Issuer”), the proceeds of the Original Bonds and of the Taliti Private Placement Bond, were used by the Issuer to finance the acquisition by the Issuer of the beneficial / economic interest of the totality of the AC Underlying Shares.

More specifically, the net proceeds of the issue of the Original Bonds, were used by the Issuer to partly finance the acquisition of twenty four million three hundred and twenty nine thousand nine hundred and eighty five euro (€24,329,985) in nominal value of profit participating loan notes issued by Rainbow, which notes were backed by underlying assets comprising ordinary shares in AC Europe. These profit participating loan notes were so acquired by the Issuer from Taliti, acting for the account of its distinct sub-fund Crystal Fund, for a price of thirty three million seven hundred and forty five thousand nine hundred and seventy nine euro (€33,745,979), which price was based on an independent valuation of the said profit participating loan notes and their underlying procured a few months earlier by Rainbow. Such price was paid partly through a subscription ‘in specie’ of the Original Bonds by the said Taliti for the account of Crystal Fund, and the balance, namely an amount of sixteen million, six hundred and forty five thousand nine hundred and seventy nine euro (€16,645,979), was financed through the issue of an interest-free private placement bond of the same principal amount (the “Taliti Private Placement Bond”) issued by the Issuer to the transferor of such notes, namely Taliti for the account of the Crystal Fund.

As at the date hereof, the Issuer holds twenty four million three hundred and twenty nine thousand nine hundred and eighty five euro (€24,329,985) in nominal value of profit participating loan notes (“PPLNs”) issued by Rainbow, which have as underlying the thirty three thousand six hundred and eighty five (33,685) ordinary shares in AC Europe (the “AC Underlying Shares”), and Rainbow is on the date hereof the registered holder of the said AC Underlying Shares on AC Europe’s register of members. The said AC Underlying Shares are on the date hereof allocated to a segregated investment compartment established by Rainbow

for the benefit of the Issuer (as holder of the PPLNs issued within such compartment) in terms of the securitization laws of Luxembourg. Through these PPLNs the Issuer therefore currently has the beneficial / economic interest of the said AC Underlying Shares.

As a result, the Issuer's main assets as of the date hereof are the PPLNs (which have the AC Underlying Shares as underlying), and its main liabilities are those arising from the Original Bonds and those arising from the Taliti Private Placement Bond.

The Issuer now intends to reorganize its debt financing referred to in (i) and (ii) above as explained below, and the proceeds of issue of the Bonds will be used mainly as follows (apart from the expenses relating to the issue):

- (a) The Issuer will finance the redemption of the Original Bonds, which have the same nominal value and maturity as the Bonds, at a redemption price equivalent to the Issue Price of the Bonds (i.e. a price of 50% of their nominal value), which redemption price will be used for the subscription (through an exchange as provided below) by the holders of the Original Bonds of an equivalent number of Bonds as the number of Original Bonds held by them, and thereafter the Original Bonds will be cancelled and the Original Bondholders will not have any claims whatsoever against the Issuer thereunder or in respect thereof. Through this procedure, it is intended that the holders of Original Bonds will make a yield of 5% of the nominal value of the Original Bonds, which were subscribed by them at a price of €112,500 per Original Bond (i.e. a price of 45% of their nominal value), for the period during which they held the said Original Bonds. This redemption of Original Bonds and subscription of Bonds will be done through an exchange of the respective bonds (one for one) without any funds passing to or from the Original Bondholders. For this purpose, a specific Application Form (obtainable from the Agent) will be used for such exchange of Original Bonds into Bonds hereunder, for use only by or on behalf of the Original Bondholders in connection with the exchange of their Original Bonds as aforesaid. The Original Bondholders will be given first preference in the allocation of the Bonds to be issued hereunder, such that the first one hundred and fifty two (152) Bonds to be issued hereunder will be reserved for the said Original Bondholders to be allocated to them in exchange for the one hundred and fifty two (152) Original Bonds currently held by them, as aforesaid. For the purposes of the above-mentioned exchange, the Issuer has obtained the agreement in writing of the registered holder/s of the Original Bonds (the "Original Bondholders Agreement") where it/they has/have agreed to the reorganisation of the Issuer's debt financing in the manner set out above, including the exchange of the Original Bonds registered in its/their name for an equivalent number of Bonds issued hereunder as provided above, and it/they has/have given an undertaking to sign, execute, deliver and do any and all application forms, declarations, documents and other acts whatsoever which may be requested by the Issuer to give effect to the exchange of such Original Bonds for Bonds issued hereunder as aforesaid, and whereby such Original Bondholder/s have also authorized the Issuer, to sign, execute, deliver and do any and all application forms, declarations, documents and other acts whatsoever as aforesaid on its/their behalf.
- (b) The Issuer will also finance the redemption of the Taliti Private Placement Bond at its nominal value. Such redemption may also be made in whole or in part through a redemption 'in specie', if and to the extent Taliti accepts to subscribe Bonds hereunder in exchange / set off for the whole or part of the principal amount of the Taliti Private Placement Bond. In such latter case, there shall be redeemed such portion of the principal amount of the Taliti Private Placement Bond as is equivalent to the Issue Price of Bonds subscribed by Taliti (if any), with any excess of principal amount not repaid as aforesaid or (as the case may be) any excess of the Issue Price for the total number of Bonds subscribed by Taliti, being payable to or (as the case may be) by Taliti in cash. To the extent that it has been redeemed as aforesaid, the Taliti Private Placement Bond will be cancelled and Taliti will not have any claims whatsoever against the Issuer

thereunder or in respect thereof (but only to the extent so repaid). Taliti will be given preference in the allocation of the Bonds to be issued hereunder over other Applicants for Bonds, except the Original Bondholders (who will have first preference as explained in paragraph (a) above), for the purpose of effecting the full or partial redemption / set-off of the Taliti Private Placement Bond as aforesaid.

5.4 Interest of Natural and Legal Persons involved in the Issue

The Original Bondholders are interested in the issue of Bonds, in so far as they will be subscribing, and will have first preference in the allocation of, Bonds to be issued hereunder in exchange for, and in an equivalent number to, the Original Bonds held by them, as set out in section 5.3 above (“Reasons for the Issue and Use of Proceeds”). As explained in such section, however, through such exchange the Original Bondholders will end up holding the same number of Bonds, with the same nominal value and maturity as the Original Bonds held by them, and the Issuer is of the opinion that no real advantage to the detriment of other Bondholders will be obtained by such Original Bondholders through this procedure.

Furthermore, Taliti is interested in the issue of Bonds, in so far as the proceeds of such issue will be used to redeem (in whole or in part) the Taliti Private Placement Bond, and Taliti will also have the right to have such redemption effected ‘in specie’ through a set-off of the Issue Price payable on any Bonds applied for and subscribed by it against an equivalent amount of the principal of such Taliti Private Placement Bond and will for this purpose be given preference in the allocation of the Bonds to be issued hereunder over other Applicants for Bonds (except the Original Bondholders), as set out in section 5.3 above (“Reasons for the Issue and Use of Proceeds”). As explained in such section, however, such partial or total redemption of the Taliti Private Placement Bond will effectively reduce or extinguish the obligations of the Issuer towards Taliti which constitute one of the reasons for the issue of the Bonds, and to the extent that Taliti decides to apply for and subscribe for Bonds which would give effect to the redemption ‘in specie’ / set-off mentioned above, such set-off will be made against the same Issue Price at which the Bonds will be offered to all Applicants. The Issuer is therefore of the opinion that no real advantage to the detriment of other Bondholders will be obtained by Taliti through this procedure.

Other than as stated above in this section 5.4, no natural and legal persons involved in the issue of the Bonds has any further material interest to the issue.

5.5 Expenses of Issue and Admission to Trading

The total expenses relating to the issue of the Bonds and their admission to trading on the EWSM is expected not to exceed €135,000. All of the Issuer’s fees and expenses will be payable out of the proceeds of the issue of the Bonds. No fees or expenses will be charged directly to Investors.

6. THE PROFIT PARTICIPATING LOAN NOTES

6.1 Description of the PPLNs

As at the date hereof, the Issuer holds twenty four million three hundred and twenty nine thousand nine hundred and eighty five euro (€24,329,985) in nominal value of Profit Participating Loan Notes issued by Rainbow within the Relevant Rainbow Compartment and having the AC Underlying Shares as underlying.

Rainbow is a securitization company governed by the Luxembourg Securitisation Act of 22 March 2004. The Securitisation Act allows the assets and liabilities of the securitisation vehicle to be segregated into different compartments. Each compartment constitutes a separate pool of assets and liabilities. This means that the rights of investors and creditors are restricted to the assets of a specific compartment, and that they only have recourse to the asset pool of the compartment in which they have invested. Each compartment may be liquidated separately without any adverse effects on the securitisation vehicle's remaining compartments. The liquidation of a compartment does not trigger the liquidation of the securitisation vehicle as a whole or of its other compartments.

On 1st April 2016 the board of directors of Rainbow approved the issue by Rainbow of € 40,000,000 profit participating loan notes or such greater amount as may be agreed between Rainbow and the holders of the notes. Rainbow has also created a specific compartment within itself, named "AC", to which the underlying assets would be allocated. Profit participating loan notes in respect of the Relevant Rainbow Compartment will be issued exclusively by the said Relevant Rainbow Compartment.

As at the date hereof, the underlying assets of such Compartment consist of the AC Underlying Shares, and twenty four million three hundred and twenty nine thousand nine hundred and eighty five euro (€24,329,985) in nominal value of Profit Participating Loan Notes have been issued by Rainbow, all of which have been subscribed and are beneficially held by the Issuer.

The PPLNs, and the terms and conditions thereof are governed by the PPLN Term Sheet issued by Rainbow, which is a document incorporated by reference herein and is available as provided in section 11. The following is a brief description of the PPLNs and their characteristics, as these result from the PPLN Term Sheet. Investors should read such PPLN Term Sheet in full and the brief description below should not be considered an appropriate alternative or substitute to a full reading of such PPLN Term Sheet.

Type and class

The PPLNs are asset-backed securities / notes issued by Rainbow, which reference the performance of the underlying assets of the Relevant Rainbow Compartment.

Governing law of the PPLNs

The PPLNs are issued under and in accordance with and are governed by Luxembourg law, and the courts of Luxembourg have jurisdiction to settle any disputes which may arise out of or in connection therewith.

Form and denomination, including currency denomination

The PPLNs are issued in registered form, in denomination per unit of one euro (€1), and shall be represented by an inscription in the register of noteholders held by Rainbow. Note certificates are issued only if requested by the holder.

Status

The PPLNs constitute direct, general, unconditional, unsecured obligations of Rainbow and shall at all times rank '*pari passu*' and without preference among themselves, recourse in respect of which is limited in the manner described in the PPLN Term Sheet and as briefly described hereunder.

Maturity

The PPLNs mature on the earlier of 15 years from the date of the PPLN Term Sheet (i.e. on 1 April 2031) or the date as the Issuer decides to liquidate the Relevant Rainbow Compartment.

Rainbow has reserved the right to repay the profit participating loan notes in whole or in part at any time at its discretion and without prior notice.

Payments under PPLNs and priority of payments

The profit participating loan notes issued within the Relevant Rainbow Compartment are referenced to the performance of the underlying assets of the Relevant Rainbow Compartment (currently the AC Underlying Shares). Payment and repayment under the notes is subject to payments and repayments under the Relevant Rainbow Compartment. Obligations of Rainbow under the notes are not guaranteed or secured.

Rainbow applies all amounts received under the Relevant Rainbow Compartment, in the following order:

- first, to pay any Compartment Expenses as defined in the PPLN Term Sheet, which term is defined as including all accrued fees, to the extent not already paid, of the Relevant Rainbow Compartment in the course of such Compartment's activities payable at regular intervals, including legal, administrative and/or auditor's fees and expenses of the said Compartment, any statutory, taxes (which includes any tax, levy, impost, duty or other charge or deduction or withholding of a similar nature, including without limitation, any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) or regulatory fees or charges or expenses payable by or on behalf of the Relevant Rainbow Compartment and which shall be exclusively borne by the said Compartment;
- then, to the credit of the Compartment Account (namely the bank account held by the Issuer to which are credited the subscription monies for the notes, the underlying assets and all payment received in respect thereof, and out of which payment of the Compartment Expenses and payments to the holders of notes are to be made) in view of distributions of Participating Amount (defined in the PPLN Term Sheet as all proceeds received by Rainbow pursuant to or in connection with the Relevant Rainbow Compartment less all amounts allocated from time to time to payment of the Compartment Expenses) and redemption of the notes.

The PPLN Term Sheet provides for:

- (i) regular payments of the Participating Amount being made by Rainbow to the holders of profit participating loan notes on payment dates determined by Rainbow

at its discretion, but at least once per year – such Participating Amount shall be paid in arrears on each such payment date; and

- (ii) repayment of the profit participating loan notes at their principal amount then outstanding on their final maturity date, to the extent such notes have not been previously redeemed or purchased, and subject always to what is provided in the PPLN Term Sheet regarding availability of funds and limited recourse.

Payments in respect of the notes shall be made by Rainbow in euro.

Payments only out of Available Funds and Limited Recourse

Such payments and repayments as aforesaid are however subject to Rainbow receiving, and restricted to the amount of Available Funds (defined in the PPLN Term Sheet as, of any payment date, the aggregate of all amounts standing to the credit of Rainbow under the Compartment Account less the Compartment Expenses) from payments received under or upon redemption of the Relevant Rainbow Compartment, and always net of Compartment Expenses.

In the event that Rainbow does not have sufficient Available Funds as aforesaid to make the payments of the Participating Amount under the profit participating loan notes as and when due, the holders of such notes will be precluded from demanding payment subject and in accordance with the PPLN Term Sheet.

The PPLN Term Sheet provides that the holder of a note shall not, while any amount remains outstanding under its note, have any right to claim for payment under the note except to the extent that Rainbow has received funds under the Relevant Rainbow Compartment and has Available Funds to make the payments due under the note, after the payment of Compartment Expenses and any Participating Amount due on or before such date. If the net proceeds available for distribution to the holder of the note on any date on which Rainbow is required to make a payment to the said holder in accordance with the PPLN Term Sheet are not sufficient to make all payments which, but for the provision of the PPLN Term Sheet under discussion, would otherwise be due in respect of the note, the obligations of Rainbow in respect of it will be limited to the net proceeds of the Relevant Rainbow Compartment and the other assets of Rainbow will not be available for payment of any Shortfall (namely, at any date, the difference between the amount payable by the Compartment under the profit participating loan notes and the Available Funds). Any such shortfall shall be borne pro rata by the holders of the profit participating loan notes.

Rainbow will not be obliged to make any further payment in excess of the net proceeds and accordingly no debt shall be owed by Rainbow in respect of any Shortfall after the application of the proceeds in accordance with the priority of payments prescribed by the PPLN Term Sheet (i.e. first in payment of the Compartment Expenses and then in satisfaction of payments due to holders of profit participating loan notes). The failure to make any payment in respect of any Shortfall shall in no circumstances constitute an event of default under the profit participating loan notes and the PPLN Term Sheet.

The PPLN Term Sheet also provides that while any amount remains outstanding under a profit participating loan note, save where permitted under the PPLN Term Sheet (i.e. save to the extent that Rainbow has received funds under the Relevant Rainbow

Compartment and has Available Funds to make the payments due under the note, after the payment of Compartment Expenses and any Participating Amount due on or before such date) the holder of such note shall not take steps or pursue any action for the purpose of recovering any debt due or owing to it by Rainbow, or to petition or procure the petitioning for the bankruptcy or request the opening of any other collective or reorganisation proceedings against Rainbow. In the event of the failure by Rainbow to meet its payment obligations under the notes, the holders of notes shall not be entitled to demand payment for the full amount outstanding under the notes. In the event of non-payment the holder's recourse will be limited exclusively to the specific assets of the Relevant Rainbow Compartment.

Events of default and acceleration of payment

The PPLN Term Sheet provides for various events of default. These essentially consist of (subject to the terms and qualifications included therein): (i) non-payment of any amount due in respect of the Participating Amount on the due date; (ii) breach by Rainbow of its obligations under the notes, which is not remedied; (iii) insolvency and insolvency events of Rainbow; and (iv) winding-up resolution, petition or proceedings or insolvency or administration proceedings or the appointment of a liquidator or administrator or some similar or analogous event takes place in respect of Rainbow.

In case of occurrence of any such event of default and whilst such event is continuing, the holder of notes shall have the right to irrevocably request, by means of a notice lodged at the registered office of Rainbow, the redemption of such notes as of a date nominated by such holder in the said notice.

Listing of PPLNs

The profit participating loan notes issued within the Relevant Rainbow Compartment are not listed or traded on any regulated market or exchange.

Transferability of PPLNs and restrictions on transfer

The profit participating loan notes issued within the Relevant Rainbow Compartment may not be transferred in whole or in part, by instrument in writing signed by the transferor, without the prior consent of Rainbow. The transferor shall remain the owner of the notes to be transferred until the name of the transferee is entered in the register of notes held by Rainbow in respect of the said notes.

The PPLN Term Sheet prohibits the offering or sale of the notes in the Grand Duchy of Luxembourg, except for notes which are offered in circumstances that do not require the approval of a prospectus by the Luxembourg financial regulatory authority and the publication of such prospectus in accordance with the Law of July 12, 2005 on prospectuses for securities. The notes are offered to a limited number of investors or to institutional investors, in all cases under circumstances designed to preclude a distribution that would be other than a private placement.

Voting rights and meetings, and other rights

The PPLN Term Sheet does not refer to any right of holders of profit participating loan

notes to receive notice of and to attend and vote at any meeting of Rainbow (including class meetings of such holders) or to them holding any voting rights whatsoever.

The said PPLN Term Sheet however provides that the terms and conditions of the notes can only be modified, abrogated or compromised with the prior consent of the board of directors of Rainbow and all holders of notes.

The holders of the notes are also given the right to (i) be notified of an event of default promptly after Rainbow becomes aware thereof; and (ii) inspect (even through their representatives) at the registered office of Rainbow copies of the financial statements of Rainbow as soon as practicable after the preparation thereof.

7. AC Underlying Shares

7.1 Description of the AC Underlying Shares

As at the date hereof, the Issuer holds the beneficial / economic interest of thirty three thousand six hundred and eighty five (33,685) ordinary shares in AC Europe, which at the date hereof constitute the underlying assets of the Rainbow Relevant Compartment, and this through the holding by the Issuer of the PPLNs which at the date hereof constitute the totality of the profit participating loan notes issued by Rainbow within such Rainbow Relevant Compartment.

Advanced Capital Europe SA (“AC Europe”) is a holding company (*société de participation financière*), incorporated under the form of *société anonyme*, established in and under the laws of Luxembourg, the main asset of which is the 100% participation in AC SGR.

As at the date hereof, AC Europe has a share capital of one million one hundred and ninety four thousand seven hundred and forty euro (€1,194,740) represented by one hundred and nineteen thousand four hundred and seventy four (119,474) ordinary shares of a nominal value of ten euro (€10 each).

The said share capital is currently held as to approximately 64.22% by Advanced Holdings S.a.r.l. which is in turn fully beneficially owned by one individual, Mr. Robert J. Tomei, and the remaining approximately 35.78% is held by others, including the Rainbow Relevant Compartment which holds 33,685 ordinary shares in AC Europe (the “AC Underlying Shares”), which currently constitute approximately 28.19% of the issued share capital of AC Europe, and including also Mr. Robert J. Tomei who directly holds approximately 2.59% of the issued share capital of AC Europe.

The following is a brief description of the AC Underlying Shares and their characteristics, as these result in the main from the updated articles of association of AC Europe as most recently revised by notarial deed of Notary Public Maître Henri Hellinckx on 20 November 2012. Such updated articles is a document incorporated by reference herein and is available as provided in section 11. Investors should read such updated articles of association in full and the brief description below should not be considered an appropriate alternative or substitute to a full reading of such updated articles of association.

Type and class

The AC Underlying Shares are ordinary shares, held by AC Europe.

Governing law of the AC Underlying Shares

The AC Underlying Shares have been created under and in accordance with and are governed by Luxembourg law.

Form and denomination, including currency denomination

The AC Underlying Shares are issued in registered and certificated form, with a nominal value of ten euro (€10) per share.

Dividend rights and rights to share in AC Europe's profits on liquidation

In accordance with the updated articles of association of AC Europe, after deduction of any and all of the expenses of AC Europe and the amortizations, the credit balance represents the net profits of the corporation. Five percent (5%) of such net profits shall be appropriated for the legal reserve, which deduction ceases to be compulsory when the reserve amounts to ten percent (10%) of the capital of AC Europe, but it must be resumed until the reserve is entirely reconstituted if, at any time, for whatsoever reason, it has been reduced.

The balance is at the disposal of the general meeting of shareholders, subject to the following rules:

In any year in which AC Europe has sufficient funds available for distribution, drawn from net profits and from available reserves, excluding however the share premium account, the shareholders shall be entitled to resolve upon the dividend distribution in proportion to their existing shareholdings.

Subject to the conditions defined by Luxembourg law and in compliance with the foregoing provisions, the board of directors of AC Europe may pay out an advance payment on dividends (interim dividends) to the shareholders. The board of directors fixes the amount and the date of payment of any such advance payment.

However, the final resolution concerning the distribution of dividends shall be approved by the general meeting of shareholders, by a majority consisting of at least fifty percent (50%) of the votes cast by the shareholders present or represented at the meeting and by the affirmative vote of one of the "Tomei Shareholders" (as such term is defined in the updated articles of association of AC Europe and as explained under "Voting rights and meetings" below). The quorum required to hold a meeting resolving upon the dividend resolution is fifty one percent (51%) of the ordinary shares issued and outstanding, as well the presence of one of the Tomei Shareholders. Should such quorum not be reached, and should one of the Tomei Shareholders not be present or represented, a second meeting should be convened at which there shall be no quorum requirement.

The above rules on distribution shall apply 'mutatis mutandis' to the distribution of any liquidation proceeds by a liquidator of AC Europe.

Voting rights and meetings

All shareholders of AC Europe are entitled to receive convening notice to attend to any general meeting at least eight (8) days before the meeting. They are moreover entitled to attend and speak at any general meeting of shareholders, whether annual or other general meetings, and to appoint a proxy to act in their behalf. The board of directors or the statutory auditor may at any time convene general meetings (in addition to the annual general meeting) and such meetings must be convened if shareholders representing at least one tenth (1/10) of the Company's capital so require.

Each ordinary share is indivisible as far as AC Europe is concerned. The co-proprietors, and the creditors and debtors of pledged ordinary shares must appoint one sole person to represent them at any general meeting of shareholders. With respect to the usufructuaries and bare owners of ordinary shares, they shall notify the Issuer pursuant to article 1690 of the Luxembourg civil code, of the existence of the usufructuary and the name of the bare owner and usufructuray, the latter being the one attending the general meeting.

In accordance with the updated articles of association of AC Europe, each ordinary share entitles to one vote, subject to the limitations imposed by Luxembourg law.

At any general meeting of the shareholders other than an extraordinary general meeting convened for voting on resolutions whose adoption is subject to special quorum and super majority requirements (as explained below), resolution shall be adopted, irrespective of the number of ordinary shares represented, by a simple majority of votes cast.

Resolutions requiring supermajority votes:

A. The following resolutions require a majority consisting of at least fifty percent (50%) of the votes cast by the shareholders present or represented at the meeting and the affirmative vote of one of the "Tomei Shareholders":

- (i) appointment and replacement of the members of the board of directors and of the statutory auditors, as well as the external auditors and the accounting firms of AC Europe and of its Controlled Entities (as such term is defined in the updated articles of association);
- (ii) determination of the remuneration of the members of the board of directors of AC Europe and of its Controlled Entities;
- (iii) approval of the dividend distribution of AC Europe and of its Controlled Entities;
- (iv) approval of the annual accounts of AC Europe and of its Controlled Entities; and
- (v) approval of the stock option plans of AC Europe and of its Controlled Entities.

B. The following resolutions require a two thirds (2/3) majority of the votes cast by the shareholders present or represented at the meeting and the affirmative vote of one of the "Tomei Shareholders:

- (i) approval of the liquidation or similar reorganization of AC Europe and of the

- Controlled Entities;
- (ii) approval of the issued and/or authorised capital increase of AC Europe, including for the avoidance of doubt the approval of any, actual or possible, limitation or cancellation of the preferential subscription right of the existing shareholders;
 - (iii) approval of the issued and/or authorised capital increase of the Controlled Entities of AC Europe including for the avoidance of doubt the approval of any, actual or possible, limitation or cancellation of the preferential subscription right of the existing shareholders; and
 - (iv) approval of any amendment of the articles of association (updated articles of association) or any other matters requiring the same majority and quorum requirements under Luxembourg law.

In case of both the matters listed under A and those listed under B above, the quorum required shall be at fifty one percent (51%) of the ordinary shares issued and outstanding, as well one of the “Tomei Shareholders”, provided that if such quorum is not reached, including if one of the “Tomei Shareholders” is not present or represented, a second meeting may be convened at which there shall be no quorum requirement.

For the purposes of the above provisions, the term “Tomei Shareholders” is defined by the updated articles of association of AC Europe as Mr. Robert J. Tomei (if he is a shareholder in AC Europe) and such other shareholders in AC Europe who are Controlled (as such term is defined in the updated articles of association – see below under the heading “Restrictions on free transferability of shares in AC Europe”) by him and designated in writing by him for the purposes of the said provisions.

Pre-emption rights in offers for subscription of ordinary shares of the same class

Pursuant to Luxembourg law on commercial companies dated 10 August 1915, as amended, the holders of ordinary shares in AC Europe have a preferred subscription right in the case of a capital increase by contribution in cash incurring the issuance of new ordinary shares of the same class by the company, pro rata to their respective holdings in the company.

Redemption provisions

Pursuant to the updated articles of association of AC Europe, AC Europe is entitled to buy its own shares provided that the conditions set forth by Luxembourg law are met.

Conversion provisions

There are no specific conversion provisions in the updated articles of association of AC Europe.

Listing of shares of AC Europe

The ordinary shares of AC Europe are not listed or traded on any regulated market or exchange.

Restrictions on free transferability of shares in AC Europe

Pursuant to the updated articles of association of AC Europe, the transfer of ordinary shares therein is subject to restrictions, including:

- (i) pre-emption rights given in favour of the Controlling Shareholder/s of AC Europe in case of a proposed sale of ordinary shares by any shareholder (excluding the Controlling Shareholder), except where the sale is proposed to be made to an Affiliate of the transferor shareholder;
- (ii) the prohibition to sell, transfer or otherwise dispose of ordinary shares to a competitor of AC Europe, without the prior consent of the board of directors of AC Europe; and
- (iii) in all cases, the requirement to obtain the prior consent of the board of directors of AC Europe, which cannot be unreasonably withheld, for a sale, transfer, other disposal, pledge, mortgage, charge or other encumbrance of ordinary shares. The updated articles of association also provide that where the board of directors refuses its consent to a proposed transfer, it may propose the shares for sale to any person it thinks appropriate, in which case the shares will be acquired at the price or value indicated in the transfer notice sent by the selling shareholder, which price may however be reviewed where the directors deem the transfer notice price to be significantly higher than the estimated fair market value of the relevant shares, and the directors may in such case appoint an auditing firm, listed therein to establish the price for the sale.

For the purpose of (i) above (and other provisions of the updated articles of association where the term is used), the term “Controlling Shareholder” means any shareholder in AC Europe possessing the requisites of “Control” as set out in such updated articles of association, alone or together with an Affiliate (always as defined in the updated articles of association) thereof. The term “Control” is then defined as the direct or indirect: (i) ownership of shares (or similar instruments) representing at least the majority of the voting rights in any entity; or (ii) right, including the right originating from any agreement, to appoint the majority of members of the board of directors (or similar body) of any entity; or (iii) power to direct or cause the direction of the management policies of any entity, and the above shall apply to rights and/or holdings that are vested and/or held by an entity maintaining a relationship of fiduciary, trust or any other relationship of analogous nature with a beneficiary. The terms “Controlled” and “Controlling” shall be interpreted accordingly. The term “Affiliate” is then defined as any person or entity which from time to time is directly or indirectly Controlled by, Controlling, or under common Control with, a shareholder.

Further, the sale, transfer or other disposal of ordinary shares in AC Europe will in all cases, both in terms of the updated articles of association of AC Europe and in terms of Italian law, need to comply with Bank of Italy’s regulation of 8 May 2012 on the approval of management companies (as the same may be amended, supplemented or replaced from time to time).

The updated articles of association of AC Europe provide that any transfer of ordinary shares made in breach of the above-mentioned restrictions shall be void ‘ab initio’ and shall not bind AC Europe and the shareholders making such purported transfer shall indemnify AC Europe.

Tag-along rights and forced transfers (drag-along) of shares

The updated articles of association of AC Europe provides that where the Controlling Shareholder wishes to transfer all of its ordinary shares or any stake in AC Europe to a third party which is not an Affiliate thereof, such that the transferee would result in (i) holding a majority of the share capital in the company or (ii) having the right to appoint or remove at least a majority of the members of the board of directors of the company or (iii) controlling alone or pursuant to an agreement with other shareholders a majority of the voting rights in the company (defined in the updated articles of association as the “Controlling Stake”), then the Controlling Shareholder shall be required to offer to each of the other shareholders the opportunity and right to participate in such proposed sale, by each such other shareholder having the right to accept to sell the same proportion of its ordinary shares in the company, for the same consideration per share and under the same terms and conditions as applicable to the sale of the Controlling Shareholder’s shares. The Controlling Shareholder is thus required to procure that the proposed transferee purchases the relevant shares of the other shareholders who have accepted and exercised such right as aforesaid, failing which the Controlling Shareholder shall not sell its ordinary shares to the third party.

The updated articles of association of AC Europe also provides for the right of the Controlling Shareholder of AC Europe or a group of shareholders acting in concert and owning together at least fifty one percent (51%) of the issued and outstanding ordinary shares in the company (the “Dragging Shareholder”), wishing to sell a Controlling Stake to a third party which is not an Affiliate thereof, to drag along the other shareholders in the proposed sale by requiring them to sell all of the ordinary shares then held by them to the proposed transferee, for the same consideration per share agreed to with the transferee, which may however not be lower than the estimated fair market value of such shares. The updated articles of association contains provisions designed to ensure that such price is not lower than the fair market value, mainly by giving any such other shareholder the right to contest the proposed price on the basis of an appraisal issued by an independent expert, in which case the Dragging Shareholder may then submit a counter-appraisal by another independent expert and if the contesting shareholder and the Dragging Shareholder fail to agree on the fair market value of the shares, the final purchase price shall be the average of the fair market value resulting from the appraisal and the counter-appraisal. If such drag-along right is exercised, each shareholder is also required to become a party to any indemnities being given by the Dragging Shareholder controlling shareholder/s to the proposed transferee.

The updated articles of association of AC Europe provide that any transfer of ordinary shares made in breach of the above-mentioned tag-along or drag-along provisions shall be void ‘ab initio’ and shall not bind AC Europe and the shareholders making such purported transfer shall indemnify AC Europe.

8. TERMS AND CONDITIONS OF THE BONDS

8.1 General

Each Bond forms part of a duly authorised issue of up to €71,500,000 in aggregate nominal value of unsecured convertible callable zero-coupon bonds due 31 December 2021, with each Bond having a Nominal Value of €250,000, and issued by the Issuer at the Issue Price of €125,000 per Bond. The Bonds will be listed on the EWSM.

Unless previously converted, redeemed or purchased and cancelled as provided herein, the Bonds shall be redeemable at their Nominal Value (i.e. the Redemption Value) on the Maturity Date.

The Bonds and their issue will be governed by the terms and conditions contained in this section 8, in section 9 (“Terms and Conditions of the Issue”) and all the other terms and conditions contained in and constituted by the Prospectus.

The issue and listing of the Bonds is made in accordance with the requirements of the laws of Luxembourg and Malta (as applicable, as per section 8.20), the Listing Rules, the Prospectus Directive and the Prospectus Regulation.

8.2 Constitution of the Bonds

The issue of the Bonds in terms of the Prospectus (and of the Prospectus) has been approved and authorised by a resolution of the general meeting held on 5th January 2017, which also authorized the Board to organize such issuance and to issue the Prospectus. Such issuance was also approved by a resolution of the Board dated 5th January 2017.

The Bonds will accordingly be issued on the Issue Date, pursuant to the said resolutions and the authorisations contained therein and in the Agency Agreement, in favour of the Approved Investors, by means of the appropriate book-entries in the electronic register held at the CSD upon instruction of the Agent (acting on behalf of the Issuer).

After processing and acceptance / approval of Applications by the Agent (acting on behalf of the Issuer as duly authorized by virtue of the above-mentioned Board resolution and the Agency Agreement), the Agent will on the Issue Date instruct the CSD (on the Issuer’s behalf as aforesaid) to make the appropriate book-entries in the electronic register held at the CSD.

Such constitution and issue of the Bonds will be subject to the terms and conditions of the issue set out in section 9.

8.3 Currency and Denomination

The Bonds will be issued in euro (€). The Nominal Value of each Bond (denomination per unit) will be €250,000. The aggregate principal amount of Bonds that the Issuer may issue is €71,500,000, divided into 286 Bonds of €250,000 each.

The Bonds will be issued in whole, and not in part.

8.4 Form and Title

The Bonds are issued in fully registered and dematerialised form and are represented in uncertificated form (except where the relevant Bondholder requires the issuance of such certificate) 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 or other legal persons) and account details of the Bondholders and the particulars of the Bonds held by them respectively. Bondholders will also have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for purposes of inspecting information held on their respective accounts.

Title to the Bonds shall be evidenced by an entry in the electronic register of Bonds held by the CSD. The CSD will issue, upon a request by a Bondholder, a statement of holdings to a Bondholder evidencing that Bondholder's entitlement to Bonds 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 Bond 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.

8.5 Status

The Bonds shall, as and when issued, constitute the general, direct, unconditional, unsubordinated and unsecured obligations of the Issuer, and shall at all times rank *pari passu*, without any priority or preference among themselves and, save for such exceptions as may be provided by applicable law, with all other outstanding, unsubordinated and unsecured obligations of the Issuer, present and future. Furthermore, subject to section 8.6 ("Negative Pledge and Undertakings") below, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer, as the case may be, for so long as such security interests remain in effect.

8.6 Negative Pledge and Undertakings

The Issuer undertakes, for as long as any principal under the Bonds or any of the Bonds remains outstanding, without the prior approval of the Bondholder/s representing of at least seventy five percent (75%) in nominal value of the Bonds then outstanding (which approval shall then be binding on all Bondholders at the relevant time):

- (a) not to create any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon all or any of the PPLNs then outstanding to secure any indebtedness of the Issuer (other than indebtedness subordinated to the Bonds);
- (b) not to transfer all or any of the PPLNs then outstanding to third parties other than:
 - (i) to Bondholders in exercise of the Conversion Option by the Issuer as provided herein;
 - (ii) as and to the extent necessary to make or for the purpose of making payments due to Bondholders under the Bonds out of the proceeds of such transfer; and/or
 - (iii) as and to the extent necessary for the Issuer to pay its debts due to other creditors

created in the normal course of business and which cannot be paid out of funds otherwise available to the Issuer, with a view to avoid insolvency of the Issuer; and

- (c) not to create or issue any other bonds, notes or other debt securities, except:
 - (i) Fungible Bonds (as defined below) and in such case only on condition that at least the higher of (1) ninety five percent (95%) of the proceeds of issue of such Fungible Bonds or (2) the full proceeds of issue of such Fungible Bonds less the expenses of such issue, are invested by the Issuer in further profit participating loan notes issued by Rainbow in the Relevant Rainbow Compartment and fungible with the PPLNs, and are invested by the said Rainbow in assets of a fair market value at the relevant time (as such value is determined by an independent professional valuer or otherwise ascertainable from sources independent from Rainbow) at least equal to the amount so invested by the Issuer in such further profit participating loan notes;
 - (ii) any other bonds, notes or other debt securities, but only if prior to such creation and issue, the Issuer creates a first ranking pledge governed by the laws of Luxembourg over the PPLNs then held by it in favour of the Bondholders or their representative (such as a security trustee appointed to hold such pledge for their benefit).

For the purposes of the foregoing provisions of this section 8.6:

- “Security Interest” shall mean any privilege, hypothec, pledge, lien, charge or other encumbrance whatsoever which grants rights of preference to a creditor over the PPLNs;
- “Permitted Security Interest” shall mean:
 - (A) any Security Interest arising by operation of law;
 - (B) any Security Interest securing any indebtedness of the Issuer created for the sole purpose of financing or raising finance for the redemption of the Bonds;
 - (C) any Security Interest securing the obligations of the Issuer under the Bonds, which may from time to time be created or given by the Issuer in favour of the Bondholders or their representative (such as a security trustee appointed to hold such Security Interest for their benefit); and
- “Fungible Bonds” shall mean further bonds that may be issued by the Issuer with terms and conditions that are identical to the Bonds in all respects except for the Issue Date and/or Issue Price.

The Issuer hereby further undertakes and covenants in favour of the Bondholders that, at all times during which any of the Bonds shall remain outstanding, it shall:

- (a) pay the Redemption Value of the Bonds on the Redemption Date, unless such Bonds have been previously converted or purchased and cancelled by the Issuer;
- (b) maintain its corporate existence as a limited company duly organised, existing and in good standing under Luxembourg law;
- (c) promptly notify the Bondholders upon the occurrence of an Event of Default;

- (d) 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;
- (e) permit the Bondholders or any person or persons authorised by them, at any time and from time to time during the usual times of business so long as the Bonds shall remain outstanding, to inspect and examine the Issuer's books and records, including information on the PPLNs in the possession of the Issuer; PROVIDED that the aforementioned inspection may only be made by the Bondholders or their representative/s after having notified the Issuer in writing of their intention and that the aforementioned inspection is made during reasonable business hours;
- (f) keep proper books of account as required by applicable laws which shall at all reasonable times be open to inspection by the Bondholders or any person or persons authorised by them, and will furnish to the Bondholders or their representative/s all such information relating to its business or affairs as they may reasonably require; PROVIDED that the aforementioned inspection may only be made by the Bondholders or their representative/s after having notified the Issuer in writing of their intention and that the aforementioned inspection is made during reasonable business hours;
- (g) exercise reasonable endeavours to carry on and conduct its business in a proper and efficient manner; and
- (h) comply with the requirements of all laws in force in any jurisdiction from time to time as applicable to it.

8.7 Rights Attaching to the Bonds

The terms and conditions of the Bonds as described and set out in this Securities Note and in the Prospectus constitute the terms and conditions of the contract between the Issuer and the Bondholder which comes into effect upon approval by the Issuer (or the Agent on its behalf) of the relevant Application submitted by such Bondholder, which approval shall be signified by the instruction given by the Agent (on behalf of the Issuer) to the CSD on the Issue Date to make the appropriate book-entries in respect of the relevant Bondholder and the relevant Bond/s in the electronic register held at the CSD. A Bondholder shall have such rights as are, pursuant to this Securities Note and the Prospectus, attached to the Bonds, including (without limitation):

- (i) the payment of capital;
- (ii) the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions; and
- (iii) all such other rights attached to the Bonds emanating from the Prospectus.

No Bonds shall be issued and allotted to Eligible Investors before the Conditions Precedent set out in section 9.4 have been duly satisfied.

8.8 Interest / Yield

The Bonds are zero-coupon bonds and accordingly pay no interest. The yield

expected to be made thereon (if any), assuming the Bonds are not previously converted or redeemed, will be that indicated and calculated on the basis set out in section 5.2 (“Indication of Yield”) but there is no guarantee that such yield will in fact be achieved.

8.9 Redemption

Unless previously redeemed on an Early Redemption Date (or unless previously converted or purchased and cancelled) in accordance with the terms of this section, the Bonds shall be redeemed at their Nominal Value on the Maturity Date.

The Issuer reserves the right to redeem any or all of the Bonds prior to the Maturity Date, on any Early Redemption Date during the Early Redemption Period as determined by the Issuer, on giving not less than fifteen (15) days’ prior written notice to the relevant Bondholders specifying the date (being a Business Day) on which such redemption shall be effected (i.e. the Early Redemption Date). Each Bond may be redeemed only in whole and not in part and any partial redemption of the Bonds held by a Bondholder shall be made only in multiples of €250,000. Any redemption of the Bonds on any Early Redemption Date prior to the Maturity Date shall take place by payment of the full Nominal Value of the Bonds being redeemed. The notice of redemption shall be effective only on actual receipt by the relevant Bondholder, shall be irrevocable (unless otherwise agreed between the Issuer and the relevant Bondholder at the relevant time) and shall oblige the Issuer to make, and the Bondholder to accept, such redemption on the Early Redemption Date specified in the notice.

8.10 Payments

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

Repayment of the Redemption Value of the Bonds will be made in euro (€) on the Redemption Date by the Issuer to the person in whose name such Bonds are registered as at the close of business on the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon repayment of the Redemption Value, the Bonds shall be redeemed and cancelled the appropriate entry made in the electronic register of the Bonds at the CSD and the Issuer shall have no further obligation towards such Bondholder in respect of the Bonds redeemed (or otherwise).

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

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

No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments. The Issuer shall not be liable for charges, expenses and commissions levied by parties other than the Issuer, nor for any taxes whatsoever (including any interest and penalties payable in connection therewith) arising from or in connection with such payments, which shall be at the charge of the Bondholders, and the Bondholders will keep the Issuer and the Agent at all times indemnified against the same.

Any claim against the Issuer by Bondholders in connection with all payments due to them in respect of the Bonds shall be prescribed (time-barred) upon the lapse of ten (10) years from the day on which an action in relation to the same can be exercised.

8.11 Conversion

At the exclusive option of the Issuer (and not of the relevant Bondholder), each Bond is exchangeable, on any Conversion Date during the Conversion Period, for the pro rata share of the PPLNs held by the Issuer on the Conversion Date.

Such Conversion Option shall be exercised by the Issuer, in respect of all or any of the Bonds outstanding at the relevant time, on giving not less than fifteen (15) days' prior written notice to the relevant Bondholders specifying the date (being a Business Day) on which such conversion shall be effected (i.e. the Conversion Date).

The notice of conversion shall be effective only on actual receipt by the relevant Bondholder, shall be irrevocable (unless otherwise agreed between the Issuer and the relevant Bondholder at the relevant time) and shall oblige the Issuer to make, and the Bondholder to accept, the exchange of Bonds for PPLNs as provided herein on the Conversion Date specified in the notice.

Upon conversion, a Bondholder or its nominee designated by him shall, for each Bond held by such Bondholder on the Conversion Date which is being converted, receive such number of PPLNs held by the Issuer on the Conversion Date, corresponding to the portion that the Bond being converted bears to the total number of Bonds outstanding on such Conversion Date.

The Issuer (itself or through the Agent or other person acting on his behalf) shall arrange for the number of PPLNs due to the Bondholder to be transferred to such Bondholder or its nominee as designated by him or to an account designated for such purpose by the Bondholder at the relevant time, by following the procedures for transfers of PPLNs applicable in terms of the PPLN Term Sheet. Such exchange shall be made free of charge and funding to the relevant Bondholder: provided that any taxes whatsoever (including any interest and penalties payable in connection therewith) arising from such exchange and the transfer of the PPLNs to the Bondholder shall be at the charge of the Bondholder, and the Bondholder will keep the Issuer and the Agent at all times indemnified against the same.

Until a Bondholder acquires PPLNs following a conversion, the Bondholder will not be

holder of the said PPLNs and until such a conversion no Bondholder will have any rights to payments or other rights in connection with the PPLNs or Rainbow. Save where otherwise mandatorily required by law or by the terms hereof, the Issuer is not obliged to take account of the interests of the Bondholders when exercising any rights relating to the PPLNs.

Each PPLN (of a principal amount of €1) is not divisible and the Issuer cannot deliver a fraction of a PPLN to a Bondholder in order to ensure that a Bondholder receives its exact pro rata entitlement of the PPLNs in relation to an exercise of the Conversion Option by the Issuer. The Issuer shall round down each pro rata entitlement of each Bondholder whose Bonds are being converted to the nearest whole multiple of PPLNs to eliminate any fraction and shall be under no obligation to the Bondholder to make any payment in respect of that fraction in order to make up the exact pro rata entitlement.

The precise amount of the pro rata share of the PPLNs that a Bondholder will receive following the exercise of the Conversion Option by the Issuer will be determined by the Issuer (acting through the Agent) and the Issuer's determination (acting through the Agent as aforesaid) shall, save in the case of manifest error, be conclusive and binding on the Issuer and the relevant Bondholder.

The Bondholders shall sign, execute, deliver and do any and all documents and other acts whatsoever which may be requested by the Issuer to give effect to the exchange of the Bonds held by them to be exchanged for PPLNs as mentioned herein. Without prejudice to the aforesaid obligations of the Bondholder, each Bondholder hereby irrevocably authorizes the Issuer (which mandate is given by way of security to the Issuer, who declares to have an interest in such mandate), which shall have the right to delegate such authorization to third parties appointed by it, to sign, execute, deliver and do, on behalf of such Bondholder, any and all documents and other acts whatsoever which may be necessary or desirable to give effect to such exchange of Bonds.

Upon delivery to the Bondholder of its pro rata share of the PPLNs as specified above, the Issuer shall have no further obligation towards such Bondholder in respect of the Bonds exchanged (or otherwise).

The Issuer and the Agent shall not be responsible or liable to any person for any delay in the delivery of any PPLNs pursuant to the exercise of a Conversion Option by the Issuer arising as a result of a failure by that Bondholder to supply all and accurate information and details required by the relevant Conversion notice sent by (or on behalf of the Issuer) or otherwise for a reason not attributable to the respective fault or negligence of the Issuer and the Agent.

The Bonds in respect of which the Conversion Option has been exercised and which have been exchanged for PPLNs will subsequently be cancelled by the Issuer.

Exchange rights of a Bondholder arising from the exercise of the Conversion Option by the Issuer are not transferrable by such Bondholder to a third party, without prejudice to the right of the Bondholder to designate a nominee to hold on its behalf the PPLNs to which it is entitled upon such conversion, as provided above.

The Issuer has no obligation to update the disclosures or information contained in the Prospectus prior to the Conversion Period or prior to any Conversion Date or at the time of the conversion of any Bonds.

8.12 Purchase and Cancellation

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

8.13 Transferability of the Bonds

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

Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the CSD on behalf of the Issuer, elect either to be registered himself as holder of the Bond 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 Issuer which shall transfer to 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 Bond.

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

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

Because the Bonds will be held at the CSD, investors will have to rely on its procedures for transfers to the extent permitted by Luxembourg laws. The CSD, acting on behalf of the Issuer, will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment under the Bonds.

Bonds may only be transferred in whole, and no part of a Bond may form the object of a transfer.

8.14 Further Issues

The Issuer may from time to time, without the consent of any existing Bondholders but subject to the undertakings of the Issuer under section 8.6 ("Negative Pledge and Undertakings"), create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either being Fungible Bonds (as such term is defined in the said section 8.6) or otherwise upon such terms as the Issuer may determine at the time of their issue. Any Fungible Bonds issued will be fungible and consolidated with the Bonds. Although the amount of Bonds that may be issued under the Prospectus is limited to €71,500,000, there is no other restriction on the amount of debt which the Issuer may issue, always subject to the undertakings of the Issuer under section 8.6 ("Negative Pledge and Undertakings").

8.15 Meetings of Bondholders and Amendments to Terms and Conditions

The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which pursuant to Luxembourg law and the Prospectus require their approval or the approval of a Bondholders' meeting.

A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 8.15 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer, and shall be binding on all Bondholders.

The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of the Issuer and the Bondholders at a meeting called and held for that purpose.

A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose, any number of Bondholders present, in person or by proxy, representing not less than fifty per cent (50%) in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within five (5) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: any number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.

A Bondholder shall be entitled to be represented at any such meeting and to exercise his rights (including the right to vote) by proxy. For such purpose, the Issuer shall make available a proxy form, on paper or, where applicable, by electronic means to each Bondholder entitled to vote at a meeting of Bondholders. The proxy form shall be made available either together with the notice convening the meeting or after a company announcement of the meeting. Every instrument appointing a proxy must be in writing signed by the appointer or his attorney or in the case of a corporation executed as a deed or signed by its duly authorised representative. The instrument appointing a proxy

and the power of attorney or other authority (if any) under which it is signed or a notarially certified or true copy of such power or authority shall be deposited at the registered office of the Issuer not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote and, in default, the instrument of proxy shall not, unless the Directors otherwise decide, be treated as valid. A vote given in accordance with the terms of an instrument appointing a proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the instrument of proxy or of the authority under which the instrument of proxy is given or transfer of the Bond in respect of which it is given unless previous intimation in writing of such death, insanity, revocation or transfer shall have been received at the registered office of the Issuer.

Any person who in accordance with the Articles of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders, or if he is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting or is not willing to act, the Directors present shall elect one of their number to be the chairman of the meeting.

Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the Directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.

The voting process shall be managed by the company secretary of the Issuer or some other person appointed for the purpose by the Directors or by the chairman of the meeting.

Except where otherwise required herein in respect of a specific matter or matters, any resolution proposed at a meeting of Bondholders shall only be considered as approved if the resolution is approved by Bondholders representing seventy-five (75%) of the nominal value of the Bonds held by Bondholders present or represented at the meeting.

Save for the above, the rules generally applicable by law or under the Articles to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

8.16 Events of Default

The Bonds shall be or become immediately due and repayable at their Nominal Value, if any of the following events (“Events of Default” and each an “Event of Default”) shall occur:

- (i) the Issuer duly fails to duly perform or shall otherwise be in breach of any material covenant or material obligation contained in the Prospectus and such failure shall continue for sixty (60) days after written notice thereof shall have been given to

the Issuer by any Bondholder; or

- (ii) the Issuer is, or is deemed for the purposes of any applicable law, unable to pay or admits its inability to pay its debts as they fall due or is otherwise insolvent;
- (iii) the Issuer stops or suspends payments with respect to the Bonds or announces an intention to do so; or
- (iv) 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: provided that this paragraph (iv) shall not apply to an application for dissolution, liquidation, or winding-up presented by a creditor of the Issuer which is being contested in good faith and with due diligence.

8.17 Notes held Jointly

In respect of a Bond 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 of Bondholders with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond 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 Bond shall, for all intents and purposes, be deemed to be the registered holder of the Bond so held. Notwithstanding what is stated above, the joint holders of Bonds shall be liable, jointly and severally, in respect of the production of documents and information and all other obligations which may be due by holders of Bonds to the Issuer.

8.18 Notes held subject to Usufruct

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be notified to the Issuer or accepted by the latter in accordance with the provision of article 1690 of the Luxembourg civil code. The name of the bare owner and the usufructuary shall be entered in the register held by the CSD on behalf of the Issuer. Without prejudice to what is provided in section 8.10 regarding payment of principal, the usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond so held and shall have the right to vote at meetings of the Bondholders, but shall not, during the continuance of the Bond, have the right to dispose of or to take any decision which leads to dispose of the Bond so held without the consent of the bare owner.

8.19 Notices to Bondholders

Notices to the Bondholders shall be mailed to them at their respective addresses contained in the register of Bondholders 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 to a Bondholder it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at the address contained in the register of Bondholders maintained by the CSD on behalf of the Issuer. Notices concerning the Bonds shall also be available on the website of the EWSM (www.ewsm.eu), where so required by the rules and regulations of the EWSM.

8.20 Governing Law and Jurisdiction

The Bonds, all the rights and obligations of the Bondholders and the Issuer, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with Luxembourg law: provided that matters relating to the approval of the Prospectus and its conformity with the requirements of the Prospectus Directive and approval of admissibility and the actual admissibility to listing and trading of the Bonds on the EWSM shall be governed by and construed in accordance with Maltese law.

The Courts of Luxembourg 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 Bondholders and/or the Issuer, and any non-contractual obligations arising out of or in connection therewith. The Issuer and each Bondholder hereby irrevocably submits to the exclusive jurisdiction of the Courts of Luxembourg to hear and determine any proceedings and to settle any disputes which may arise as aforesaid.

The Issuer and each Bondholder hereby waives any objection to the Luxembourg 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.

9. TERMS AND CONDITIONS OF THE ISSUE

9.1 Issue Period, Expected Dates of Issue and of Listing

The Issue Period starts on the date of this Securities Note, namely 31/01/2017, and ends on the Issue Date.

The Issue Date is expected to be 30 June 2017 but may be earlier at the option of the Issuer (on any date during the Issue Period) and the Issuer will issue the Bonds subscribed for on the selected Issue Date.

Application Forms for the Bonds shall be available from the Issuer or the Agent from the date of this Securities Note; the Issuer and the Agent may be contacted using the contact details provided in the "Directory" at the end of this Securities Note. Unless an exception is made by the Issuer, all Applications must be received by the Agent (acting on behalf of the Issuer) by no later than two (2) Business Days prior to the Issue Date. Proof of payment into the Subscription Account, in cleared funds, of the full subscription monies, where applicable (i.e. except in case of and to the extent that an Application is made by or on behalf of Original Bondholders and relates to the exchange of Original Bonds for Bonds hereunder or an Application is made by Taliti to subscribe for Bonds 'in specie', in exchange for / set-off against the whole or part of the principal amount of the Taliti Private Placement Bond), must also be received by the Administrator by no later than 10:00 am on the Issue Date.

The Agent shall make the necessary verifications on behalf of the Issuer about the Applications and the Applicants, as explained further below in this section 9.

There will then follow the allocation of the Bonds by the Issuer (or by the Agent on its behalf) as per the allocation policy set out herein.

The Issuer shall, through the Agent, issue Bonds to Approved Investors on the Issue Date, by means of the appropriate book-entries in the electronic register held at the CSD upon instruction of the Agent (acting on behalf of the Issuer).

The Listing Authority has authorised the admissibility of the Bonds to listing and trading on the EWSM pursuant to the Listing Rules by virtue of a letter dated 31/01/2017.

Application has also been made for the Bonds to be admitted to listing and trading on the EWSM. The admission date of the Bonds is expected to be the Issue Date.

9.2 Terms and Conditions of Application

Original Bondholders, or the Issuer or its delegate (by virtue of the authorisations granted to the Issuer under the Original Bondholders Agreement) shall complete and submit a pre-printed Application Form 'A' whereby they agree to the redemption of all the Original Bonds held by them at a redemption price per Original Bond equivalent to the Issue Price per Bond and whereby they apply for a number of Bonds equivalent to the number of Original Bonds held by them and being redeemed as aforesaid, and agree to settle the amount due on the Bonds (at the Issue Price per Bond) so applied for by them by way of set-off in full against the redemption price due to them in connection with the redemption of their Original Bonds as aforesaid.

Where the Application Form 'A' is submitted in respect of Original Bonds which are held subject to usufruct, the signatures of both the bare owner and the usufructuary will be required in the Application Form 'A'.

In addition to the aforesaid, Original Bondholders who have so redeemed all of the Original Bonds held by them as aforesaid may apply for an additional amount of Bonds in excess of the number of Bonds applied against the redemption of their Original Bonds. In such case such Original Bondholders may apply for such additional Bonds by completing the appropriate section of Application Form 'A' in respect of such additional Bonds.

If Taliti decides to apply for Bonds (at its discretion), it shall use and shall complete and submit a pre-printed Application Form 'B', in which it shall indicate whether and what portion of the principal amount of the Taliti Private Placement Bond it elects to have settled by way of set-off against the amount due on the Bonds (calculated at the Issue Price per Bond) applied for by it, and in such case the relevant portion of the consideration for the Bonds applied for by Taliti (calculated always at the Issue Price per Bond) which is subject to the set-off election made by Taliti shall be settled by way of set-off against an equivalent amount of the principal amount of the Taliti Private Placement Bond, and such equivalent amount of the principal amount of the Taliti Private Placement Bond which is so set-off shall be extinguished and shall be no longer due by the Issuer to Taliti. The remaining portion (if any) of the consideration for the Bonds applied for by Taliti (calculated always at the Issue Price per Bond) which is not subject to the set-off election made by Taliti shall be settled by Taliti in cash.

Eligible Investors, not being Original Bondholders and Taliti, may subscribe for Bonds by submitting an Application Form 'C'.

All Applications (whether submitted on Application Form 'A', 'B' or 'C') must be lodged with the Agent (on behalf of the Issuer) and must be received by the Agent as aforesaid, by no later than two (2) Business Days prior to the Issue Date, except where otherwise allowed by the

Issuer.

Whilst the Agent shall verify on behalf of the Issuer that all Applicants submitting an Application Form 'B' or 'C' qualify as Eligible Investors, the Agent shall undertake the necessary assessments and verifications in this respect on behalf of the Issuer and subject to the final approval thereof and of the relevant Application by the Issuer.

All Applicants submitting an Application Form 'B' or 'C' will be required to submit, together with, but separately from, the respective Application Forms, a declaration that they qualify as Eligible Investors and the basis upon which they so qualify.

Without prejudice to the representations and warranties given (or deemed to be given) by the Applicant as provided in section 9.3 below (in particular, but without limitation, in paragraph (i) thereof), the Original Bondholders submitting an Application Form 'A' shall be presumed to continue to qualify as Eligible Investors (pursuant to the eligibility criteria satisfied by them when they acquired the Original Bonds), and it shall be the duty of the Applicant to inform the Issuer or the Agent on its behalf of any change of circumstances which would lead to a different conclusion.

In addition to any information or documentation which may be required pursuant to the relevant Application Form, the Agent and the Issuer reserve the right to request any further documentation from an Applicant (or from their representatives or financial intermediaries through which they submit their Application) that may be required in order to verify that such investor qualifies or continues to qualify as an Eligible Investor or generally to complete or approve an Application Form.

Following such verifications and approval of Applications and allocation of the Bonds amongst Approved Investors, the Issuer will, through the Agent, issue Bonds to such Approved Investors who have provided proof of payment (where and to the extent such payment is applicable) into the Subscription Account, in cleared funds, of the full subscription monies in respect of the Bonds that are the subject of the relevant Application Form by no later than 10:00 am on the Issue Date. The issue (and constitution) of such Bonds to Approved Investors shall be made on the Issue Date, by means of the appropriate book-entries in the electronic register held at the CSD upon instruction of the Agent (acting on behalf of the Issuer), pursuant to the resolutions of the general meeting and of the Board referred to in section 8.2 above (and pursuant to the said authorisations contained in such resolutions and in the Agency Agreement).

When acting in the capacity of a financial intermediary in respect of Applicants for the Bonds (where applicable), Integra Private Wealth Limited will inform Applicants that it is also acting as Listing Agent in respect of the issue of Bonds. Integra Private Wealth Limited has procedures in place to manage any conflicts of interest that may arise on its part, and those of its officers and employees carrying out functions on behalf of Integra Private Wealth Limited as Listing Agent will not be carrying out any functions on behalf of Integra Private Wealth Limited as financial intermediary.

9.3 Contract constituted by Acceptance of Application and Covenants, Warranties and Representations by Approved Investors

The full contents of the Prospectus (including this Securities Note) as well as of the

relevant Application exhaustively set out and contain the terms and conditions of offering, issue, subscription, transfer, acquisition, conversion/exchange, holding and redemption of the Bonds. By signing and submitting the relevant Application, the Applicant (and in the case of joint applications, each individual joint Applicant) will be entering into a legally binding contract with the Issuer (which shall become binding on the Issuer if and when such Application is accepted by the Issuer, acting through the Administrator, during the Subscription Period, until which time the Application shall be irrevocable by the Applicant):

- (a) whereby the Applicant acknowledges, declares and agrees (and will automatically be deemed to be acknowledging, declaring and agreeing) that he/she/it has made the Application solely on the basis of, and that he/she/it shall at all times be bound by and comply with, and shall be subscribing, acquiring and/or holding the relevant Bonds on the basis of, such contents, terms and conditions;
- (b) whereby he/she/it makes and gives (and will automatically be deemed to be making and giving) to the Issuer the declarations, covenants, representations and warranties contained below in this section 9.3 and all other applicable declarations, covenants, representations and warranties contained in the Prospectus and/or in the relevant Application;
- (c) which contract, and any non-contractual matter arising out of or in connection with it, shall be governed and construed in all respects in accordance with the laws of Luxembourg, and any disputes arising out of or in connection with such contract or any non-contractual matter arising out of or in connection therewith shall be subject to the exclusive jurisdiction of the courts of Luxembourg, as provided in section 8.20 ("Governing Law and Jurisdiction"); and
- (d) which contract supersedes any previous agreement or arrangement, whether written or oral, between the Issuer and any Bondholder in relation to the Bonds (including, without limitation, the Original Bondholders Agreement).

Without prejudice to the aforesaid, by submitting a signed Application Form 'A', and to the extent that such Application Form 'A' relates to the redemption of the Original Bonds held by the Applicant and the application of the redemption price in satisfaction of the consideration for Bonds applied for by the Applicant, the Applicant is thereby confirming:

- (i) that all the Original Bonds held by the Applicant on the Issue Date are being redeemed and cancelled by the Issuer;
- (ii) that the redemption price due on the Original Bonds so redeemed (namely a redemption price per Original Bond equivalent to the Issue Price per Bond) shall not be paid by the Issuer to the Applicant but shall be applied by the Issuer (and the Application submitted by or on behalf of the Applicant constitutes the Applicant's irrevocable mandate to the Issuer, by way of security to the Issuer, who declares to have an interest in this mandate) to apply the same in satisfaction of the subscription monies (at the Issue Price per Bond) due by the Applicant on an equivalent number of Bonds (equivalent to the number of Original Bonds so redeemed) being issued to the Applicant pursuant to such Application, as applied for by (or on behalf of) the Applicant; and
- (iii) the obligations of the Issuer with respect to the Original Bonds being redeemed pursuant

to such Application are fully extinguished, and replaced by obligations on the part of the Issuer under the Bonds to be issued upon acceptance by the Issuer of the Application in question.

Without prejudice to the aforesaid, by submitting a signed Application Form 'B', and to the extent that such Application Form 'B' relates to the election made by Taliti for the settlement of the consideration for any Bonds applied for by Taliti by way of set-off of a corresponding amount of the principal amount of the Taliti Private Placement Bond, Taliti is thereby confirming:

- (i) that the amount of the principal amount of the Taliti Private Placement Bond which is subject to such set-off election shall not be paid by the Issuer to Taliti but shall be applied by the Issuer (and the Application submitted by or on behalf of Taliti constitutes Taliti's irrevocable mandate to the Issuer, by way of security to the Issuer, who declares to have an interest in this mandate) to apply the same in satisfaction of the subscription monies (at the Issue Price per Bond) due by Taliti on such number of Bonds the aggregate Issue Price whereof corresponds to the amount of the principal amount of the Taliti Private Placement Bond which is subject to such set-off election made by Taliti and being issued to Taliti pursuant to such Application, as applied for by (or on behalf of) Taliti; and
- (ii) that the amount of the principal amount of the Taliti Private Placement Bond which is subject to such set-off election shall be extinguished and shall be no longer due by the Issuer to Taliti upon acceptance by the Issuer of the Application in question.

Without prejudice to the aforesaid, by completing and delivering an Application, the Applicant:

- (a) agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations made available to him by or on behalf of the Issuer concerning the Issuer and the issue of the Bonds contained therein;
- (b) warrants that the information submitted by the Applicant in the Application is true and correct in all respects;
- (c) accepts that the Issuer, the Agent, the EWSM and the CSD may process, and authorizes the same to process the personal data that the Applicant provides in the Application, for all purposes necessary and subsequent to the Bonds applied for, in accordance with applicable data protection legislation. The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer, the Agent, the EWSM and/or the CSD. Any such requests must be made in writing and sent to the Issuer, the Agent, the EWSM and/or the CSD at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
- (d) confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the Bonds or the issue of the Bonds other than what is contained in the Prospectus and accordingly agrees that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
- (e) agrees that the documents and any monies returnable to the Applicant may be retained

pending clearance of his/her remittance, and any verification of identity as required by applicable prevention of money laundering and funding of terrorism legislation, and that such monies will not bear interest;

- (f) agrees to provide the Agent and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
- (g) warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her/its Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Agent acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bonds or his/her/its Application;
- (h) warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- (i) represents and warrants that the Applicant is (and in the case of an Applicant who is an Original Bondholder, it represents and warrants that it continues to be) an Eligible Investor;
- (j) agrees that unless such Application is made through Integra Private Wealth Limited as financial intermediary, Integra Private Wealth Limited will not, in its capacity of Listing Agent, treat the Applicant as its customer by virtue of such Applicant making an Application for the Bonds, and that Integra Private Wealth Limited in its capacity of Listing Agent will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
- (k) agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) as set out in the Application;
- (l) renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds; and
- (m) the Bonds shall become repayable before the Redemption Date only if an Event of Default occurs as provided in section 8.16.

9.4 General Terms and Conditions

The issue and allotment of the Bonds is conditional upon:

- (a) the Bonds being admitted to listing and trading on the EWSM; and
- (b) at least one hundred and fifty two (152) Bonds being applied and subscribed for by or on behalf of Original Bondholders in exchange for their Original Bonds, as provided in section 9.2 above,

(each such condition referred to as a "Condition Precedent" and together referred to as the "Conditions Precedent").

In the event that either of the aforesaid Conditions Precedent is not satisfied, the issue of the Bonds 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, at the Applicant's sole risk. The Issuer shall not be responsible for any charges or delay arising in connection with such transfer.

In view of the fact that the proceeds of the issue of the Bonds are partially intended to be applied to the redemption of the outstanding amount of the Original Bonds, the aggregate minimum subscription level for the issue of Bonds is one hundred and fifty two (152) Bonds (namely €38,000,000 in terms of nominal value of Bonds). As indicated in section 5.3 above under the heading "Reasons for the Issue and Use of Proceeds", it is expected that this aggregate minimum subscription level will be achieved in view of the undertakings and authorisations given by Original Bondholders in the Original Bondholders Agreement.

The Issue of the Bonds is not underwritten.

Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple applications. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with the requirements hereof or set out in the Application or is not accompanied by the required documents.

In the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by direct credit into the Applicant's bank account as indicated by the Applicant on the Application Form, at the Applicant's sole risk, within five (5) Business Days from the Issue Date. The Issuer shall not be responsible for any charges or delay arising in connection with such transfer.

The Issuer or the Agent on its behalf may in its discretion process an Application received by facsimile, but reserves the right not to process the same until receipt of the original.

It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements and any exchange control in the countries of their nationality, residence or domicile.

It is the responsibility of any person wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

The contract created by the Issuer's acceptance of an Application filed by an Applicant shall be subject to all the terms and conditions set out in the Prospectus and the relevant Application, as provided in section 9.3 above.

If an Application is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of

persons, and will be deemed also to have given the declarations, confirmations, covenants, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer, the Agent and/or the CSD, but it shall not be the duty or responsibility of the Issuer, the Agent and/or the CSD to ascertain that such representative is duly authorised to appear on the Application.

In the case of joint Applications, the person whose name shall be inserted in the field entitled “Applicant” on the Application shall for all intents and purposes be deemed to be the person nominated by all those joint Applicants whose names appear in the field entitled “Additional Applicants” in the Application to be their representative, and his/her name will be entered in the register of Bondholders with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held. Notwithstanding what is stated above, the joint Applicants for Bonds shall be liable, jointly and severally, in respect of all subscription monies due to the Issuer and in respect of the production of documents and information and all other obligations which may be due by applicants for Bonds to the Issuer.

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond so held, as and subject to what is provided in sections 8.10 and 8.18 (“Notes held subject to Usufruct”).

The Bonds are only being offered to and may only be applied and subscribed for by Eligible Investors.

No person receiving a copy of the Prospectus or an Application Form in any territory may treat the same as constituting an invitation or offer to such person, nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal or regulatory requirements.

The Bonds will be issued in whole, in denominations of €250,000 each. The minimum subscription amount for any investor (or joint investors considered cumulatively) shall be €125,000 (i.e. the Issue for a whole Bond).

9.5 Distribution and Allotment

Applications for subscription to the Bonds may be made through the Agent (acting on behalf of the Issuer).

The Bonds are open for subscription by:

- (i) Original Bondholders who apply for Bonds and settle the consideration due by the redemption of, and by way of set-off against the redemption price for, their Original Bonds, and who may also apply for additional Bonds, by submitting an Application Form ‘A’, as provided in section 9.2;
- (ii) Taliti, which may apply for Bonds and may elect to settle any part of the consideration due by way of set-off against the whole or any part of the principal amount of the Taliti Private Placement Bond, by submitting an Application Form ‘B’, as provided in section 9.2; and

- (iii) other Eligible Investors who may subscribe for Bonds by submitting an Application Form 'C' to the Agent.

Dealings in the Bonds shall not commence prior to admission to listing and trading of the Bonds on the EWSM.

9.6 Allocation Policy

The Issuer shall allocate the Bonds on the basis of the following policy and order of priority:

- (i) first to Original Bondholders to the extent of such number of Bonds issued to and subscribed by them corresponding to, and in exchange for, the number of Original Bonds held by them, as provided in section 9.2;
- (ii) the balance of the Bonds not subscribed for by the Original Bondholders as referred to in (i) above, shall be allocated first to Taliti to the extent of such number of Bonds applied for by the said Taliti and being subject to a set-off election made by the said Taliti, as provided in section 9.2; and
- (iii) the remaining balance of Bonds (if any) following the allocations made pursuant to (i) and (ii) above, shall be allocated between other Applicants in the manner determined by the Issuer at its discretion.

9.7 Pricing

The Bonds are being issued at the Issue Price of €125,000 per Bond, with the full amount payable upon subscription.

9.8 Admission to Listing and Trading

The Listing Authority has authorised the admissibility of the Bonds to listing and trading on the EWSM pursuant to the Listing Rules by virtue of a letter dated 31/01/2017.

Application has also been made for the Bonds to be admitted to listing and trading on the EWSM. The admission date of the Bonds is expected to be the Issue Date.

10. SELLING RESTRICTIONS

10.1 Qualified Investors

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

10.2 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 (as amended). The Bonds may not be offered or sold within the United States of America, its territories or its possessions, or any area subject to its jurisdiction ("United States") or to or on behalf or for the account 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).

11. DOCUMENTS AVAILABLE AND INCORPORATED BY REFERENCE

The following Reference Documents are incorporated by reference into this Securities Note and are available for physical inspection at the Issuer's registered office for the whole period of validity of the Prospectus:

- The PPLN Term Sheet, dated 1st April 2016;
- The updated Articles of Association of AC Europe;
- The Agency Agreement.

The Reference Documents may also be requested and provided by electronic means through a request to the Issuer's contact email: lbardelli@gta.lu.

DIRECTORY

The Issuer:

QUASAR SYSTEM SA

10, rue Antoine Jans, L-1820, Luxembourg

Phone Number: + 352 26 21 24 1

Fax Number: + 352 26 21 24 70

E-mail: lbardelli@qta.lu

Listing Agent:

INTEGRA PRIVATE WEALTH LIMITED

228, Tower Road, Sliema SLM 1601, Malta

Phone Number: +356 21 338831/2

Fax Number: +356 21310452

E-mail: info@integra-pw.com

Agent:

ALTER DOMUS (SERVICES) MALTA LIMITED

Vision Exchange Building, Territorials Street, Mriehel BKR 3000, Malta

Phone Number: +356 22 05 1008

Fax Number: + 356 22 05 1099

E-mail: admt-aafa@alterdomus.com

Legal Advisor for Malta:

SALIBA STAFRACE LEGAL

9/4, Britannia House, Old Bakery Street, Valletta VLT1450, Malta

Phone Number: +356 2123 9556

E-mail: info@salibastafpace.com