

## **TERMS & CONDITIONS OF THE SECURITISATION BONDS**

### **General**

This document does not comprise a prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC) and/or the Luxembourg Companies Act. A copy of this document has not been, and will not be reviewed or approved by the Luxembourg Registry of Companies, the Commission de Surveillance du Secteur Financier (the “**CSSF**”), or any other regulatory authority in Luxembourg or elsewhere.

This document contains information relating to an issue by ETI Luxembourg S.ar.l. (the “**Company**”) of 250,000 securitisation bonds with internal identification number ETILUX2017030602 named **Pendragon Index EUR Securitisation Bond** (the “**Securities**” or the “**Securitisation Bonds**”) with a denomination of **EUR 1,000** each (“**Denomination**”) and relating to the underlying assets comprised in Compartment 11 (the “**Underlying**”).

The Securitisation Bonds to be issued by the Company will not be listed or traded on any regulated market or multilateral system as defined in Article 4(1)(21) of Directive 2014/65/EU.

This document has been prepared solely for and is being delivered on a confidential basis to iStructure PCC plc as the first and sole purchaser of the Securitisation Bonds. Any reproduction or distribution of this document, in whole or in part, or the disclosure of its contents, without the prior written consent of the Company, is prohibited and all recipients agree to keep confidential all information contained herein and not already in the public domain. By accepting this document, a holder of Securitisation Bonds (the “**Holder**”) agrees to the foregoing.

This document does not represent or constitute an “offer of securities to the public” for the purposes of the Prospectus Directive as transposed in Luxembourg law. The Securitisation Bonds shall, in fact, be placed and issued by the Company, and may only be resold by a Holder, if and insofar as (i) the placement or sale is made to less than one hundred and fifty (150) natural or legal persons per EU Member State or EEA State, other than qualified investors (as defined in terms of the Prospectus Directive), and/or (ii) the placement or sale is addressed to investors who acquire Securitisation Bonds for a total consideration of at least one hundred and twenty five thousand Euros (€125,000) per investor, for each separate placement or sale, and/or (iii) the placement or sale is made exclusively to qualified investors (as defined in terms of the Prospectus Directive).

The document does not constitute and may not be used for purposes of the transfer of the Securitisation Bonds to any person in any jurisdiction: (i) in which such transfer is not authorised; or (ii) in which the Company or the person transferring the Securitisation Bonds is not qualified to do so; or (iii) to any person to whom it is unlawful to make such transfer.

This document does not constitute an “investment advertisement” as defined under Luxembourg legislation insofar as the content of this document does not purport to advertise, promote, invite or otherwise induce persons to subscribe for or otherwise acquire the Securitisation Bonds, but is intended to stipulate the terms and conditions regulating the issuance of the Securitisation Bonds by the Company.

### **§ 1 Rights under the Securities**

The Company hereby grants the Holder of each Securitisation Bond the right to receive the Redemption Amount as specified in § 2 and calculated and published by the Calculation Agent (as defined in §9) in accordance with §10, upon redemption or termination in accordance with § 11 or § 12.

The Company shall issue the Securities in the context of a securitisation transaction to be undertaken by the Company in terms of the provisions of the Securitisation Act of Luxembourg. In terms of the Securitisation Act of Luxembourg, the value or yield of the Securities shall be linked to the securitized Underlying comprised in Compartment 11. The Securities are limited recourse obligations of the Company

which are payable solely out of amounts received by or on behalf of the Company in respect of the Underlying.

The Securities shall represent debt obligations incumbent upon the Company. The Securities are asset backed securities insofar as they represent a real interest in the Underlying actually acquired and held by the Company in the course of a securitisation transaction. The payment of principal under the Securities would be subject to the Company having received payments and/or realisation proceeds from the Underlying comprised in Compartment 11. The Securities shall accordingly provide exposure, amongst other things, to the credit risk of the Underlying comprised in Compartment 11.

## § 2 Calculations and Payment of Cash Amounts

2.1. The Redemption Amount is calculated by the Calculation Agent (§ 9) and published in accordance with § 10. The calculations are (in the absence of manifest error) final and binding upon all parties.

2.2. On the Repayment Date (§ 3), the Company will arrange for the transfer of the Redemption Amount to the accounts of the Holders of the Securities redeemed as to the relevant Valuation Date (§ 3). The amounts transferred are commercially rounded to two decimal places.

2.3. All taxes, fees or other charges arising in connection with the payment of cash amounts must be borne and paid by the Holder. The Company and/or the Calculation Agent shall be entitled to withhold taxes, fees or charges payable by the Holder in accordance with the preceding sentence, if any, from cash amounts.

2.4. The Redemption Amount is determined as follows:

$$\text{Redemption Amount}(t) = \frac{\text{Underlying}(t) * \text{Margin factor}(t)}{\text{Underlying}(t_0)} * \text{Denomination}$$

Underlying(t): Value of the Underlying at Valuation Date(t);

Underlying(t<sub>0</sub>): Value of the Underlying at Initial Valuation Date;

Margin factor(t): A number starting at one and decreasing by up to 0.5% per month to ensure a margin for the Company earned by entering into the securitisation transaction.

## § 3 Definitions

**"Business Day"** means every day (except Saturday and Sunday) on which the TARGET2 System is open and the Clearing System settles payments.

**"Clearing System"** means the clearing and settlement system (MaltaClear) established and maintained by Malta Stock Exchange plc, a public limited company incorporated in Malta with registration number C42525.

**"Compartment 11"** means a separate and distinct compartment created and designated as such by the Company and comprising the Underlying linked to the Securities having a value or yield which is linked to such segregated Underlying.

**"Currency"** is EUR.

**"Initial Valuation Date"** means the first Valuation Date following the Issue Date.

**"Issue Date"** means 6<sup>th</sup> March, 2017.

**"Lock in Period"** means five (5) years from the Initial Offering Period.

**"Repayment Date"** for Securities redeemed or terminated on a certain Valuation Date means the later of the following two days: (i) the fifth Business Day following the relevant Valuation Date, or (ii) the fifth day after which the Company actually receives the proceeds from the Underlying Assets.

**"Securitisation Act of Luxembourg"** means the Luxembourg Securitisation Act of 22nd March, 2004, as amended.

**"TARGET2 System"** means the second-generation Trans-European Automated Real-time Gross Settlement Express Transfer System.

**"Underlying"** means all the assets of the Company comprised in Compartment 11.

**"Valuation Date"** means the last business day of December and June of every calendar year (subsequent to the Lock in Period).

#### **§ 4 Coupon Payments**

Coupon payment shall be made at the sole discretion of the directors of the Company pursuant to a resolution approved by the said directors. On the fifth Business Day (such date being the **"Interest Payment Day"**) after the Company receives an interest payment, the Holder shall have a right to receive its pro rata share of an amount of interest (the **"Interest Amount"**) determined by the Calculation Agent by reference to such factors as the Calculation Agent considers in good faith to be appropriate (including, without limitation, any costs, losses and expenses incurred by or on behalf of the Holder in connection with the interest payment), provided that it has not submitted a Redemption Notice. The Company shall cause notice of the date of the Interest Payment Day and the Interest Amount to be given to the Holder not less than four (4) Business Days prior to the relevant Interest Payment Day.

#### **§ 5 Status**

The Securities create direct, unsecured and unsubordinated obligations of the Company ranking *pari passu* among themselves and with all other outstanding unsecured and unsubordinated obligations of the Company with respect to the Underlying comprised in Compartment 11, unless mandatory legal provisions require otherwise.

The Securities are secured to the extent that, the Holders have a privilege over the Underlying and such privilege shall rank prior to all other claims at law – except for other securitisation creditors who enjoy a prior ranking granted to them with the consent or knowledge of the Holders. The said privilege arises by operation of law and need not be registered in any register. The Company understands that the said privilege appertaining to a Holder should be effective limitedly to the Underlying comprised in Compartment 11. The said privilege should not, accordingly, extend over assets comprised in any other segregated compartment linked to any other securities issued by the Company. There shall otherwise be no security interest securing the Securities or the Underlying.

#### **§ 6 Term of the Securities**

Subject to termination by the Holder in accordance with § 11 or termination by the Company in accordance with § 12, the Securities are constituted for an unlimited duration.

#### **§ 7 Description of the Underlying; Limited Recourse**

The Underlying shall follow the investment strategy as described below and shall be comprised in a segregate compartment with segregate identifiable accounting. In case of bank accounts opened, these will be opened bearing the name *"ETI Luxembourg Sarl – Pendragon Index EUR Asset Backed ETI"*. Any issuance amount and any other assets acquired through payment effected from the aforementioned segregated account/s shall be comprised in Compartment 11.

The Underlying investment shall consist of an investment in Pendragon Fund SICAV SIF SCA (the **"Fund"**), specifically sub-fund called Real Estate One, having ISIN LU0556125283 (the **"Sub-Fund"**). The Fund is a société d'investissement à capital variable (SICAV) qualifying as a specialized investment fund (SIF) under the Law of 13 February 2007 and having registered office at 11-13, boulevard de la Foire, L-1528, Luxembourg. In accordance with the Offering Memorandum dated July 2016, the investment objective and

strategy of the Sub-Fund is that of achieving long-term capital growth by investing directly or indirectly (through structures such as SPV, Soparfi...) in real estate properties located in central positions of major cities and principally in Europe but also around the world. To achieve this objective the Sub-Fund invests, with respect of the principle of diversification, (i) at least the 70% of the its total assets (not including cash and cash equivalents) in real estate sector and (ii) up to 30% in interest-bearing bank accounts, "triple A (or equivalent)" rated bonds of governments or assimilated public institutions, or any low risk money market instruments. The Sub-Fund may also use techniques and instruments in accordance with the rules set out in CSSF Circular 08/356. Investors' attention is brought to the fact that Sub-Fund documentation is available for inspection on the website of the Fund.

The Company has appointed ALLX Ltd. as the investment manager (the "**Asset Manager**") with the responsibility to manage the Company's Compartment 11 assets. ALLX Ltd is a company duly registered under the Laws of United Kingdom on the 23<sup>rd</sup> April, 2014 and having company registration number 09006784. The Company has exercised due skill, care and diligence in the appointment of the Asset Manager. Investors' attention is brought to the fact that the board of directors of the Company shall supervise the activities of the Asset Manager and its compliance with the investment strategy and shall have no liability or responsibility for the economic success of the investment strategy. The claims of Holders against the Company under the Securities may be satisfied only from the Underlying comprised in Compartment 11.

The Redemption Amount shall be paid from the proceeds received from the Underlying comprised in Compartment 11 or from the redemption, cancellation, surrender or other disposal of such Underlying. As a result the redemption of the Securities is dependent on payments received by the Company from the Underlying comprised in Compartment 11 or upon its redemption, cancellation, surrender or other disposal of the said Underlying.

If the Company is not able to redeem or realise the Underlying, the Company may be unable to redeem the linked Securities. If the Underlying comprised in Compartment 11 or the proceeds from the disposal thereof are insufficient for the final and full settlement of the claims of the Holders, the Company will not be liable for any shortfalls.

In the circumstances, the Holders cannot assert any further claims against the Company. In such case, the claim to full repayment of capital is lost without compensation. Holders cannot take recourse against other accounts or assets of the Company. The Holders are not entitled to any direct legal claims whatsoever against any originator of the Underlying.

In case the realised Underlying should not be sufficient to pay out all parties, the proceeds from the Underlying shall be distributed at the following ranking:

1. Holders
2. Calculation Agent
3. Arranger (as defined in §9)

By subscribing for Securities or otherwise acquiring the Securities, a Holder expressly acknowledges and accepts that the Company: (i) acts in compliance with the Securitisation Act of Luxembourg; and (ii) has created a specific compartment (that is, Compartment 11) in respect of the Securities to which all assets, rights, claims and agreements relating to the Securities will be allocated.

Furthermore, a Holder acknowledges and accepts that it only has recourse to the Underlying comprised in Compartment 11 and not to the assets allocated to other compartments created by the Company or to any other assets of the Company. The Holder accordingly acknowledges and accepts that once all the assets allocated to Compartment 11 have been realised, he shall not be entitled to take any further steps against the Company to recover any further sums due and the right to receive any such sum shall be extinguished.

The Holder hereby accepts not to attach or otherwise seize the assets of the Company allocated to Compartment 11 or to other compartments of the Company or other assets of the Company. In particular, the Holder shall not be entitled to petition or take any other step for the winding-up, liquidation or bankruptcy

of the Company, or any similar insolvency related proceedings.

If a Holder makes an application for the dissolution of the Company, insolvency proceedings against the assets of the Company, or the institution of similar proceedings aimed at liquidating the Company, or if a Holder joins such application made by a third party, such Holder will *ipso jure* lose all rights under the Securities.

The Company shall require persons dealing with the Company (although there is no guarantee that the Company will be able to achieve this) to expressly acknowledge and confirm that they have no recourse against or to the assets of the Company and/or any compartment other than the specific compartment in respect of or with which they are dealing.

## **§ 8 Form of the Securities; Transferability**

8.1 The Securities are represented by up to 250,000 definitive, securities in book-entry form. Securities will be issued in registered form. The Securities are transferable in accordance with applicable law.

8.2 Any Holder has to prove to be a sophisticated investor and submit a valid bank account held within the European Union, a valid email address for all notices of the issue as well as a valid certificate of incorporation. Payments are only accepted from and done to an account held in the name of the security holder within the European Union.

## **§ 9 Paying Agent; Arranger; Calculation Agent**

9.1. No Paying Agent shall be appointed. The payments are done by the Company to the Holders directly.

9.2 The Company has appointed Argentarius ETI Management Ltd as the Arranger and Calculation Agent. Argentarius ETI Management Ltd provides technical and management services to securitisation vehicles or assets or risks thereof.

9.3. The Arranger shall secure the conclusion of all agreements and transactions contemplated in these Terms & Conditions in connection with the issue of Securities and including, but not limited to, agreements and transactions securing the Company's acquisition of the Underlying and agreements engaging the Arranger, the Calculation Agent and the Clearing System.

9.4 The Calculation Agent shall be responsible for determining the value of the Securities as at a Valuation Date and the resulting Redemption Amount due to a Holder pursuant to his redemption of Securities. The Calculation Agent shall make all relevant determinations and/or calculations accordingly and the Company shall procure that the Calculation Agent notifies the Holders of the Repayment Day and of the amounts due to be paid on the Securities on the relevant Repayment Day not less than four Business Days prior to the relevant Repayment Day. The Company is entitled to replace the Calculation Agent with any other person in accordance with the terms and conditions set out in an agreement between the Company and the Calculation Agent.

## **§ 10 Notices, Investments & Fees**

10.1. All notices shall be done via publication to the Holders via email.

10.2 The Redemption Amount shall be published on the website of the Arranger: [www.argentarius-group.com](http://www.argentarius-group.com).

10.3 The directors of the Company, the Calculation Agent and the Arranger shall be entitled to fees (including, but not limited to fixed fees, volume-based fees and placement-based fees) which will be paid directly out of Compartment 11. Such fees shall reduce the value of Compartment 11 and, as such, the value of the Securities. The directors, the Calculation Agent and the Arranger will also be entitled to a full reimbursement by the Company of all properly incurred out-of-pocket expenses (including, but not limited to, taxes and legal fees).

10.4 The Company (for its own account BUT not for the account of Compartment 11 or any other compartment created by the Company) shall be entitled to fees (including, but not limited to, fixed fees,

volume-based fees and placement-based fees) which will be paid directly out of Compartment 11, therefore reducing the value of Compartment 11 as well as the value of the Securities. Such fees shall be paid out of Compartment 11 as consideration for the Company procuring the setting up and administration of Compartment 11. By subscribing for Securities or otherwise acquiring the Securities, each Holder expressly acknowledges and accepts that the Company's business model consists of acquiring securitisation assets, issuing transferable securities in the context of securitisation transactions to be undertaken by the Company in terms of the provisions of the Securitisation Act, and making a profit out of (i) selling Securitisation Bonds at a premium to denomination as well as (ii) depreciating the repayment price by a margin-factor. Such costs/margin will reduce the performance of Compartment 11 and, as such, the performance of the Securities.

## **§ 11 Termination by Holders**

11.1. Subject to the following provisions, each Holder shall be entitled to redeem the Securities held by it in whole or in part by giving notice to the Company no less than one hundred twenty (120) days prior to a Valuation Date, following the Lock-in Period.

11.2. Subject to the Lock in Period, termination in accordance with § 11.1 is valid only if the Company has received a notice of termination in accordance with § 11.3.

11.3. Notice of termination must be given in writing and must contain the following information:

(i) name and address of the Holder;

(ii) the International Security Identification Number (ISIN) or other identification number as applicable, the quantity of Securities to be redeemed and the valuation date at which the termination shall be effective; and

(iii) the account of the Holder with a bank in a member state of the European Economic Area, to which any payments owed under the Securities are to be credited.

11.4. If the number of Securities to be redeemed as specified in the notice of termination differs from the number of Securities transferred to the Company, the notice of termination shall be deemed to have been made only for the smaller of both numbers of Securities. Any Securities transferred in excess shall be re-transferred to the Holder at its risk and expense.

## **§ 12 Termination by the Company; Maturity**

12.1 The Company shall be entitled to terminate (compulsorily redeem) all outstanding Securities on any Valuation Date by giving at least one month's notice to the Holders in accordance with § 10.

12.2 The Securities are constituted for an unlimited duration, subject to the provisions on redemption and termination above.

## **§ 13 Statute of Limitations**

The entitlement to the capital is barred after five (5) years.

## **§ 14 Admission to Trading**

14.1 No application for admission of trading of the Securities will be done.

14.2. Over the counter trading is done in a unit quote and without accrued interest calculation.

## **§ 15 Miscellaneous**

15.1. Form and contents of the Securities as well as all rights and duties arising from the matters provided for in the Terms & Conditions of the Securities shall be governed in all respects by the laws of Luxembourg.

15.2. Place of performance is Luxembourg.

15.3. Place of jurisdiction for any suit or other legal proceedings against the Company arising out of or in connection with the Securities, is Luxembourg.

15.4. Should any provisions of these Terms and Conditions of the Securities be or become wholly or partly invalid, the remaining provisions shall remain valid. The invalid provision shall be replaced by a valid provision, which reflects the economic purpose of the invalid provision as far as legally possible.

15.5 These Terms & Conditions may be modified and changed by means of a resolution approved by at least seventy five percent (75%) of the Holders attending a meeting of the Holders convened by the Company for such purposes by giving at least five (5) Business Days' notice of such meeting to all Holders.