



**Lar España Real Estate SOCIMI, S.A.**

*(incorporated and registered in the Kingdom of Spain under the Spanish Companies Act)*

**€140,000,000 2.90% Senior Secured Notes due 2022 (the “Notes”)**

The issue price of the €140,000,000 Senior Secured Notes due 2022 (the “Notes”) of Lar España Real Estate SOCIMI, S.A. (the “**Issuer**” or “**Lar España**”) is 100 per cent. of their principal amount. The denomination of the Notes shall be €100,000.

The Notes bear interest from 19 February 2015 at the rate of 2.90 per cent. per annum payable annually in arrears on 21 February each year commencing on 2016. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 9 (*Terms and Conditions of the Notes - Taxation*). The Notes will constitute direct, unconditional, unsubordinated and secured obligations of the Issuer. See “*Terms and Conditions of the Notes - Status*”. The offering of the Notes (the “**Offering**”) is further described under this prospectus (the “**Prospectus**”).

Unless previously redeemed or cancelled, the Notes will be redeemed at their principal amount on 21 February 2022. The Notes may be redeemed in whole before then at the option of the Issuer at any time (i) at their principal amount plus accrued interest, in the event of certain tax changes as defined and further described under “*Terms and Conditions of the Notes - Redemption and Purchase - Redemption for taxation reasons*”; and (ii) at the Make Whole Amount as defined and further described under “*Terms and Conditions of the Notes - Redemption and Purchase - Redemption at the Option of the Issuer*”. In addition, upon the occurrence of a Change of Control or a Tender Offer Triggering Event holders of the Notes may require the Issuer to redeem all or some of the Notes at their principal amount plus accrued interest as further described under “*Terms and Conditions of the Notes - Redemption and Purchase - Redemption at the Option of the Noteholders*”. In the event of a Disposal, the Issuer may also be required to redeem the Notes pursuant to Condition 7(d) at the Make Whole Amount, in such principal amount of Notes as is necessary for the Issuer to ensure the Pro Forma Notes Loan to Value Ratio is lowered to 60.00 per cent. as defined and further described under “*Terms and Conditions of the Notes - Redemption and Purchase - Mandatory Redemption upon the occurrence of a Disposal*”. For further information see “*Terms and Conditions of the Notes*”.

The prospectus (the “**Prospectus**”) has been approved by the Central Bank of Ireland (the “**Central Bank**”), as competent authority under Directive 2003/71/EC, as amended (including by Directive 2010/73/EU, to the extent that such amendments have been implemented in a relevant member state of the European Economic Area) (the “**Prospectus Directive**”).

The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes to be admitted to the official list (the “**Official List**”) and trading on its regulated market (the “**Main Securities Market**”). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC. Such approval relates only to the Notes which are to be admitted to trading on the Main Securities Market or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any member state of the European Economic Area. This Prospectus (together with the documents incorporated by reference herein) is available for viewing on the website of the Irish Stock Exchange. For the avoidance of doubt, references in this Prospectus to the “**Irish Stock Exchange**” (and all related references) shall mean the regulated market of the Irish Stock Exchange plc.

This Prospectus constitutes a listing prospectus for the purposes of Article 3 of the Prospectus Directive and has been prepared in accordance with, and including the information required by, Regulation (EC) No. 809/2004. This Prospectus is only addressed to, and directed at, persons who are qualified investors within the meaning of Article 2.1(e) of the Prospectus Directive.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”), or any United States state securities laws and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exception from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Notes will initially be represented by a temporary global note (the “**Temporary Global Note**”), without interest coupons, which will be issued in new global note (“**NGN**”) form and will be delivered on or prior to the Closing Date to a common safekeeper (the “**Common Safekeeper**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, société anonyme (“**Clearstream, Luxembourg**”). The Temporary Global Note will be exchangeable for interests recorded in the records of Euroclear and Clearstream, Luxembourg in a permanent global note (the “**Permanent Global Note**”, and, together with the Temporary Global Note, the “**Global Notes**”), without interest coupons, on or after a date which is expected to be 31 March 2015, upon certification as to non-U.S. beneficial ownership. The Permanent Global Note will be exchangeable for definitive Notes in bearer form in the denomination of €100,000 not less than 60 days following the request of the Issuer or the holder in the circumstances set out in it. See “*Summary of Provisions relating to the Notes while in Global Form*”.

The Notes issued will be unrated.

**Investing in the Notes involves certain risks. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations under the Notes are discussed under “Risk Factors” below.**

**Sole Lead Manager**

**Morgan Stanley**

**The date of this Prospectus is 12 February 2015**

## IMPORTANT NOTICES

**THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Prospectus, or as to what action you should take, you should immediately consult an appropriately authorised professional advisor.**

**This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any Notes offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.**

**Neither the delivery of this Prospectus nor any sale made hereunder shall, under any circumstances, imply that the information set forth herein is correct as of any date subsequent to the date hereof or the date upon which this Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Prospectus has been most recently amended or supplemented.**

The Issuer is a Spanish listed company whose shares are admitted to trading on the official Spanish Stock Exchanges (the “**Spanish Stock Exchanges**”). A prospectus related to the listing of the Issuer’s shares dated 13 February 2014 prepared in accordance with Regulation (EC) No. 809/2004 and the Prospectus Directive has been approved by and registered with the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores* or “**CNMV**”) and is available for consultation at the Issuer’s corporate website and at the website of the CNMV (the “**IPO Prospectus**”).

The Issuer and the Sole Lead Manager reserve the right to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Notes being offered in the proposed Offering. This Prospectus is personal to the offeree to whom it has been delivered by the Sole Lead Manager and does not constitute an offer to any person or to the public in general to purchase or otherwise acquire the Notes. Distribution of this Prospectus to any person other than the offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorised, and any disclosure of any of its contents, without the Issuer’s prior written consent, is prohibited.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”).

The Issuer has confirmed to the Sole Lead Manager that this Prospectus contains all information regarding the Issuer and the Notes which is (in the context of the issue of the Notes) material; such information is true and accurate in all material respects and is not misleading in any material respect; any opinions, predictions or intentions expressed in this Prospectus on the part of the Issuer are honestly held or made and are not misleading in any material respect; this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in such context) not misleading in any material respect; and all proper enquiries have been made to ascertain and to verify the foregoing.

Cushman & Wakefield Sucursal en España (“**Cushman & Wakefield**”) has produced a valuation report dated 28 January 2015 in relation to part of the properties of the Issuer as of 31 December 2014, including the following properties, as identified in section 4.6 of this Prospectus: Txingudi, Ondara, Las Huertas, Marcelo Spínola, Alovera I and Eloy Gonzalo. By virtue of a letter dated 11 February 2015, Cushman & Wakefield authorised the inclusion of such valuation report in this Prospectus, accepted responsibility for its content and confirmed that to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained therein is in accordance with the facts and does not omit anything likely to affect the accuracy of such information. For the purposes of this Prospectus the letter dated 11 February 2015 together with the valuation report dated 28 January 2015, which are appended to this Prospectus as Annex I shall be hereinafter referred to as the “**Cushman & Wakefield Report**”.

Jones Lang LaSalle España, S.A. (“**Jones Lang LaSalle**”) has produced a valuation report dated 27 January 2015 in relation to the remaining properties of the Issuer as of 31 December 2014, including the following properties, as identified in section 4.6 of this Prospectus: Albacenter Shopping Centre, L’Anec Blau, Nuevo Alisal, Villaverde, Albacenter Hypermarket and two Retail Units, Alovera II, Arturo Soria and Edificio Egeo. By virtue of a letter dated 12 February 2015, Jones Lang LaSalle authorised the inclusion of such valuation report in this Prospectus, accepted responsibility for its content and confirmed that to the best of its knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained therein is in accordance with the facts and does not omit anything likely to affect the accuracy of such information. For the purposes of this Prospectus the letter dated 12 February 2015 together with the valuation report dated 27 January 2015, which are appended to this Prospectus as Annex II shall be hereinafter referred to as the “**Jones Lang LaSalle Report**” and, together with the Cushman & Wakefield Report, the “**Valuation Reports**”.

The property referred to as Juan Bravo in section 4.6 of this Prospectus has been recently acquired by the Issuer –30 January 2015– and, therefore, has not been included in any of the Valuation Reports, which as indicated have been produced as of 31 December 2014.

Cushman & Wakefield has its business address in Madrid, calle Ortega y Gasset, 29, and has confirmed that: (i) they have prepared a valuation report in accordance with the RICS Valuation Standards 8<sup>th</sup> Edition as amended (the “**Red Book**”); (ii) they are appropriate valuers who conform to the requirements as set out in the Red Book, acting in the capacity of external valuers, and; (iii) they have not identified any conflict of interest and therefore bear no material interest in the Issuer.

Jones Lang LaSalle has its business address in Madrid, Paseo de la Castellana 79 and 130, and has confirmed that: (i) they have carried out an independent valuation report in accordance with the RICS Appraisals and Valuation Standards with qualified personnel for such purpose, and; (ii) they bear no material interest in the Issuer.

For the ease of reference, the table below reflects (i) the asset name used in this Prospectus for each property of the Issuer, (ii) the Valuation Report that covers it (Cushman & Wakefield (CW) or Jones Lang LaSalle (JLL), and (iii) the name under which such property is identified in the corresponding Valuation Report:

Asset name in the Prospectus	Report	Asset name in the report
L’Anec Blau	JLL	L’Anec Blau
Ondara	CW	Portal de la Marina SC
Albacenter Shopping Centre	JLL	Albacenter (Shopping Centre)
Albacenter Hypermarket and two Retail Units	JLL	Albacenter (Primark & Eroski)
Txingudi	CW	Txingudi SC
Las Huertas	CW	Las Huertas SC
Nuevo Alisal	JLL	Nuevo Alisal
Villaverde	JLL	Media Markt
Edificio Egeo	JLL	Egeo
Arturo Soria	JLL	Arturo Soria 366
Marcelo Spínola	CW	C/ Cardenal Marcelo Spinola 42
Eloy Gonzalo	CW	C/ Eloy Gonzalo 27
Alovera I	CW	Logistics Warehouse
Alovera II	JLL	Alovera II
Juan Bravo	N/A (acquired in January 2015)	

Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. In making an investment decision, investors must rely on their own examination and analysis of the Issuer and the terms of the Notes, including the merits and risks involved.

Save for the Issuer, no other party has verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Sole Lead Manager as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. The Sole Lead Manager accepts no liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution. To the fullest extent permitted by law, the Sole Lead Manager accepts no responsibility whatsoever for the contents of this Prospectus or for any other statement, made or purported to be made by the Sole Lead Manager or on its behalf in connection with the Issuer or the issue and offering of the Notes. The Sole Lead Manager accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Prospectus or any such statement. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Issuer since the date of this Prospectus.

The Sole Lead Manager is acting exclusively for the Issuer and no one else in connection with the Offering. It will not regard any other person (whether or not a recipient of this document) as its client in relation to the Offering and will not be responsible to anyone other than the Issuer for providing the protections afforded to its clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

The distribution of this Prospectus and the Offering of Notes is restricted by law in certain jurisdictions, and this Prospectus may not be used in connection with any offer or solicitation in any such jurisdiction, or to any person to whom it is unlawful to make such offer or solicitation. No action has been or will be taken in any jurisdiction by the Issuer or the Sole Lead Manager that would permit a public offering of the Notes or possession or distribution of a Prospectus in any jurisdiction where action for that purpose would be required. This Prospectus may not be used for, or in connection with, and does not constitute an offer to, or solicitation by, anyone in any jurisdiction in which it is unlawful to make such an offer or solicitation. Persons into whose possession this Prospectus may come are required by the Issuer and the Sole Lead Manager to inform themselves about and to observe these restrictions. Neither the Issuer nor the Sole Lead Manager accept any responsibility for any violation by any person, whether or not such person is a prospective purchaser of the Issuer's Notes of any of these restrictions.

The Notes have not been and will not be registered under the Securities Act, or any U.S. state securities laws and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) unless an exemption from the registration requirements of the Securities Act is available and in accordance with all applicable securities laws of any state of the United States and any other jurisdiction.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

The language of this Prospectus is English. Certain legislative references and technical terms have been cited in their original language so that the correct technical meaning may be ascribed to them under the applicable law.

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**ANNEX I – CUSHMAN & WAKEFIELD VALUATION REPORT**

**ANNEX II – JONES LANG LASALLE VALUATION REPORT**

## 1. RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under the Notes. Most of these factors are 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 contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available or which the Issuer may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

*The risks and uncertainties discussed below are those that the Issuer views as material, but these risks and uncertainties are not the only ones faced by it. Additional risks and uncertainties, including risks that are not known to the Issuer at present or that the Issuer currently deems immaterial, may also arise or become material in the future, which could lead to a decline in the value of the Notes and a loss of part or all of the investment made by any Noteholder.*

*Noteholders must seek their own advice to ensure that they comply with all applicable procedures and to ensure the correct tax treatment of their Notes.*

### 1.1 Risks inherent to investing in a recently formed company

***The management structure of the Issuer, the procedure followed by the Issuer in order to carry out its investments, the mechanics set out for the estimation of the accrual of management fees, the fact that the Issuer's performance relies, among other things, on the expertise of the Investment Manager and the condition of the Issuer as a recently formed company are factors that contribute to the complexity of the investment in the Notes***

The management structure of the Issuer, the procedure followed by the Issuer in order to carry out its investments, the mechanics set out for the estimation of the accrual of management fees to be paid by the Issuer to Grupo Lar Inversiones Inmobiliarias, S.A. ("**Grupo Lar**" or the "**Investment Manager**"), the fact that the Issuer's performance relies, among other things, on the expertise of the Investment Manager and the condition of the Issuer as a recently formed company with a limited operating history and financial information are factors that contribute to the complexity of the investment in the Notes. As a result, institutional and qualified investors are more capable to understand the investment in the Issuer or in securities issued by the Issuer and the risks involved therewith, and, in any event, consultation with financial, legal and tax advisors is strongly recommended in order to assess any such potential investment.

#### ***The Issuer has been recently formed***

The Issuer was formed on 17 January 2014, has a limited operating history and, except for the interim financial information referred to in section 4.12 of this Prospectus, does not have any historical financial statements or other meaningful operating or financial data. It is therefore difficult to evaluate the probable future performance of the Issuer. Notwithstanding the aforementioned, the Issuer has carried out certain investment as specified in section 4.6 of this Prospectus.

As a consequence, prospective investors in the Notes will have a limited opportunity to evaluate the terms of any potential investment opportunities or actual investments or the financial data to assist them in evaluating the prospects of the Issuer and the related merits of an investment in the Notes. Any investment in the Notes is, therefore, subject to all of the risks and uncertainties associated with a recently formed business, including the risk that the value of any investment made by the Issuer, and of the Notes, could substantially decline.

## 1.2 Risks relating to the external management of the Issuer and the Investment Manager Agreement

### *The Issuer is reliant on the performance of the Investment Manager and the expertise of the Management Team*

The Issuer's asset portfolio is externally managed and the Issuer relies on the Investment Manager, and the experience, skill and judgment of the management team which currently comprises Mr. Luis Pereda, Mr. Miguel Pereda, Mr. Jorge Pérez de Leza, Mr. Miguel Ángel González, Mr. Arturo Perales and Mr. José Manuel Llovet (together, the "**Management Team**"), in identifying, selecting and negotiating the acquisition of suitable investments. Furthermore, the Issuer is dependent upon the Investment Manager's successful implementation of the Issuer's investment policy and investment strategies, and ultimately on its ability to create a property investment portfolio capable of generating shareholder returns. In addition, the Issuer is reliant on the Investment Manager to manage the Issuer's assets and properties on behalf of the Issuer and to provide or procure the provision of various accounting, administrative, registration, reporting (including the provision of assistance and cooperation for reporting by the Issuer to the CNMV), record keeping and other services to the Issuer. There can be no assurance that the Investment Manager will be successful in achieving the Issuer's objectives.

Moreover, the ability of the Issuer to achieve its objectives is significantly dependent upon the expertise and operating skills of the Management Team. The departure for any reason of a member of the Management Team could have an adverse impact on the ability of the Investment Manager to achieve the investment objectives of the Issuer. Any member(s) of the Management Team could become unavailable due, for example, to death or incapacity, as well as due to resignation. In the event of such departure or unavailability of any member of the Management Team, there can be no guarantee that the Investment Manager would be able to find and attract other individuals with similar levels of expertise and experience in the Spanish commercial property market or similar relationships with commercial real estate lenders, property funds and other market participants in Spain. The loss of any member of the Management Team could also result in lost business relationships and reputational damage and, in particular, if any member of the Management Team transfers to a competitor this could have a material adverse effect on the Issuer's competitive position within the Spanish commercial real estate market. If alternative personnel are found, it may take time for the transition of those persons to the Investment Manager and the transition might be costly and ultimately might not be successful. The departure of any member of the Management Team without timely and adequate replacement of such person(s) by the Investment Manager may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Investment Manager is also responsible for carrying out the day-to-day management and administration of the Issuer's affairs and, therefore, any disruption to the services of the Investment Manager (whether due to termination of the Investment Manager Agreement, as defined below, or otherwise) could cause a significant disruption to the Issuer's operations until a suitable replacement is found.

The Issuer is also dependent on the Investment Manager's ability to procure and maintain access to the asset management operation of Grupo Lar, as well as systems and other supporting functions, and to retain the services of the members of the Management Team (and any support staff to the extent it employs support staff directly). As the Issuer and the Investment Manager will rely on the asset management operation of Grupo Lar, the Issuer is also dependent on the ability of Grupo Lar to attract and retain the services of suitable property, financial and support staff.

The investment manager agreement entered into by the Issuer and Grupo Lar on 12 February 2014 (the "**Investment Manager Agreement**"), has an initial term of five years and thereafter will continue for consecutive three-year periods, unless terminated by either party in accordance with the terms further described in the IPO Prospectus. There can be no assurance that the Investment Manager Agreement will be renewed at the end of the initial five-year term or any subsequent three year term. Furthermore, in limited circumstances the Investment Manager may terminate the Investment Manager Agreement upon notice in writing to the Issuer. Upon expiry or termination (whether in accordance with its terms or otherwise) of the Investment Manager Agreement, there is no assurance that an agreement with a new investment manager can be entered into on similar terms or on a timely basis or that suitable personnel can be hired by the Issuer to internalize operations. Any entry into an agreement with less

favourable terms or the replacement of the Investment Manager (whether on a timely basis or not) or the internalisation by the Issuer of operations performed by the Investment Manager may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***The Issuer has entered into an Investment Management Agreement whereby functions normally exercised by the Board of Directors or other corporate bodies of listed companies are carried out by the Investment Manager, except where such functions are considered expressly reserved for approval by the Board***

The Issuer has entered into an Investment Management Agreement whereby functions normally exercised by the board of directors of the Issuer (the “**Board of Directors**” or “**Board**”) or other corporate bodies of listed companies are carried out by the Investment Manager, except where such functions are considered expressly reserved for approval by the Board. Such a structure is normally found in collective investment schemes or investment funds but the regulations applicable to this type of entities do not apply to the Issuer. In particular, it must be noted that even if certain changes affecting Mr. Luis Pereda and Mr. Miguel Pereda (the “**Key Persons**”) or their positions as directors in the Investment Manager may trigger termination events under the Investment Manager Agreement, such changes or alterations in the shareholding of the Investment Manager would not trigger an obligation to launch a public tender offer.

***Actions taken by the Investment Manager may adversely affect the Issuer and the Issuer may not be able to terminate the Investment Manager Agreement at its discretion***

There can be no assurance that the Investment Manager, which can exert substantial discretion over the services it provides to the Issuer under the Investment Manager Agreement, will be successful in advancing the Issuer's interests or that its actions will not adversely affect the Issuer's interests. For example, the Issuer has no control over the personnel of or used by the Investment Manager. If any such personnel were to do anything or be alleged to do anything that may be the subject of public criticism or other negative publicity or may lead to investigation, litigation or sanction, this may have an adverse impact on the Issuer by association, even if the criticism or publicity is factually inaccurate or unfounded and notwithstanding that the Issuer may have no involvement with, or control over, the relevant act or alleged act. Any damage to the reputation of the personnel of the Investment Manager could result in potential counterparties and other third parties such as tenants, joint venture partners, lenders or developers being unwilling to deal with the Investment Manager and/or the Issuer. This may have a material adverse effect on the ability of the Issuer to successfully pursue its investment strategy and may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

The Investment Manager Agreement, executed 12 February 2014, has an initial term of five years and thereafter will continue for consecutive three-year periods, unless terminated by either party in accordance with the terms further described in the IPO Prospectus. However, under the terms of the Investment Manager Agreement the Issuer is restricted in its ability to terminate the Investment Manager Agreement prior to the expiration of its initial term. Prior to expiration, the Issuer may terminate the Investment Manager Agreement only in limited circumstances, including, among other things, if the Investment Manager is in breach of a material term of the Investment Manager Agreement. Additionally, the Investment Manager Agreement does not provide for termination in the event of a change of control in the Issuer, even if it is pursuant to a takeover bid. This could discourage other persons from attempting to acquire control of the Issuer or launching a takeover bid over its ordinary shares, even if such acquisition could be beneficial to the Issuer's shareholders, which could have a negative effect on the market value of the ordinary shares of the Issuer.

***The past performance of the Management Team and the Investment Manager is not a guarantee of the future performance of the Issuer***

The Issuer is a recently created entity reliant on the Investment Manager to identify and manage prospective investments in order to create value for investors. The IPO Prospectus includes certain information regarding the past performance of the Management Team and the Investment Manager. However, the past performance of the Management Team and the Investment Manager is not indicative, or intended to be indicative, of the future performance or results of the Issuer. For example, the track record information of the Investment Manager included in the IPO Prospectus was generated based on the actual acquisitions and investments made and the relevant investment objectives, fee



arrangements, structure (including for tax purposes), terms, leverage, performance targets, market conditions and investment horizons used or prevailing in connection with such acquisitions or investments, which may not be comparable to the conditions and circumstances to be faced by the Investment Manager when providing its services to the Issuer under the Investment Manager Agreement. All of these factors can affect returns and impact the usefulness of performance comparisons and, as a result, none of the publicly available historical information is directly comparable to the Issuer's business or the returns which the Issuer may generate.

***The Investment Manager may fail to retain the Key Persons or to identify suitable replacement members***

The successful implementation of the investment strategy of the Issuer depends mainly on the availability of the Key Persons. Thus, if for any reason the Investment Manager is unable to retain the Key Persons as part of the Management Team, the Issuer's investment strategy, and therefore its business, financial condition, results of operations and prospects may be adversely affected. In addition, the Issuer will only have the ability to terminate the Investment Manager Agreement if either of the Key Persons ceases to be a member of the Management Team in certain limited circumstances. See the IPO Prospectus for additional details on the Investment Manager's obligations under the Investment Manager Agreement with respect to the Key Persons.

Moreover, the Investment Manager may fail to identify a replacement member for the Management Team if one of the Key Persons ceases to be significantly or materially involved in the delivery of the services provided for under the Investment Manager Agreement. In such case, the Issuer's investment strategy, and therefore its business, financial condition, results of operations and prospects may also be adversely affected.

***There may be circumstances where the Investment Manager has a conflict of interest with the Issuer***

There may be circumstances in which the Investment Manager has, directly or indirectly, a material interest in a transaction being considered by the Issuer or a conflict of interest with the Issuer. Pursuant to the Investment Manager Agreement, the Investment Manager has agreed that, during the term of the Investment Manager Agreement, it will not, and it will require that none of the Investment Manager Affiliates will (i) acquire or invest (on its own behalf or on behalf of third parties or through joint venture agreements) in commercial property in Spain which is within the parameters of the investment strategy of the Issuer or (ii) act as investment manager, investment adviser or agent, or provide administration, investment management or other services, for any person, entity, body corporate or client other than the Issuer, for commercial property in Spain which is within the parameters of the investment strategy of the Issuer subject to limited exceptions. For more information on these exceptions and the aforementioned undertakings, see section 4.7 of this Prospectus. Beyond the scope of this exclusivity agreement, the Issuer expects that there will be conflicts of interest among the Investment Manager and the Issuer. These conflicts may include:

- Investment terms: in instances where the Issuer co-invests with the Investment Manager (which strategy will be followed only with respect to residential property assets), the Investment Manager may control the structure and terms of the transaction;
- Shared legal counsel: the Issuer and the Investment Manager will generally engage common legal counsel in transactions in which both are participating, including transactions in which they may have conflicting interests; and
- Competition for tenants: the Investment Manager's consolidated portfolio comprised approximately €2.132 billion of assets under management as of 31 December 2014. The Investment Manager's current real estate portfolio could be put in direct competition for attraction and retention of tenants with any potential real estate asset acquired by the Issuer.

In addition, the number of performance fee shares that the Investment Manager receives each year in pay-out of its services according to the Investment Manager Agreement depends on the average closing price on the Spanish Stock Exchanges of the ordinary shares of the Issuer during certain period preceding the delivery of such shares. The number of performance fee shares that the Investment Manager receives will be inversely related to the average closing price of the ordinary shares of the Issuer (i.e., a lower average closing price will lead to a higher number of performance fee shares being paid to the Investment Manager). As a result, the interests of the Investment Manager with respect to the trading performance of the Issuer's ordinary shares may differ from those of the Issuer or other

shareholders of the Issuer during such certain period preceding the delivery of the performance fee shares to the Investment Manager. Moreover, a member of the Management Team sits on the Issuer's Board of Directors and is a member of the Issuer's audit and control committee, which is responsible for supervising the calculation of the performance fee to be paid to the Investment Manager according to the Investment Manager Agreement among other matters.

Moreover, conflicts of interest could arise as a result of the provision of property management services by Gentalia to the Issuer. See “—The Investment Manager could have a potential conflict of interest with the Issuer if Gentalia was to be appointed property manager of the Issuer's assets” below.

If conflicts of interest with the Investment Manager result in decisions that are not in the best interests of the Issuer's shareholders, the Issuer's business, financial condition, results of operations and prospects could be adversely affected.

***The Investment Manager could have a potential conflict of interest with the Issuer if Gentalia was to be appointed property manager of the Issuer's assets and Gentalia could compete with the Issuer in the future***

The Investment Manager currently has a 61% participation in Gentalia, a property management joint venture, and Servicios e Inversiones en GLA, S.L. (Si-GLA) holds the remaining 39%. Gentalia is one of the leading companies in Spain in shopping centre property management, providing consultancy, asset management, leasing and day-to-day management services to shopping centres. It currently manages 52 shopping centres in Spain, with a gross leasable area of over 1,263,000 sqm. A potential conflict of interest could arise should Gentalia be appointed as property manager of all or part of the Issuer's assets due to the differing economic interests of the Investment Manager in Gentalia and the Issuer. In addition, one of the members of the Management Team is a member of the Board of Directors of Gentalia. Moreover, Gentalia, which is not a party to, and is not bound by, the Investment Manager Agreement, could in the future undertake activities or operations that compete with those undertaken by the Issuer.

***Members of the Management Team may have conflicts of interest in allocating their time and activity between the Issuer and the Investment Manager***

Members of the Management Team, in particular Luis Pereda and Miguel Pereda (who are members of the Pereda Family, which owns a controlling stake in the Investment Manager, and who hold executive positions in the Investment Manager), and the support staff available to the Investment Manager (including the staff of Gentalia) may have conflicts of interest in allocating their time and activity to matters relating to the Issuer. The Investment Manager is an active real estate developer, investor and asset manager in Spain. While pursuant to the Investment Manager Agreement, the Investment Manager is to ensure that the Key Persons devote such time to the supervision and performance of the obligations of the Investment Manager under the Investment Manager Agreement as is necessary to enable the Investment Manager to comply with its obligations under the Investment Manager Agreement, the Issuer cannot assure you that such contractual obligation will achieve the desired results.

***The calculation of the compensation to be paid to the Investment Manager is based on EPRA NAV and volatility in property values might lead to overpayment ahead of a cyclical peak***

According to the Investment Manager Agreement, the Investment Manager is entitled to receive a Base Fee and a Performance Fee to the extent it becomes payable in accordance with the terms of the Investment Manager Agreement, which calculation is based on the “**EPRA NAV**” (meaning the net asset value of the Issuer adjusted to include properties and other investment interests at fair value and to exclude certain items not expected to crystallise in a long-term investment property business in accordance with guidelines issued by the European Public Real Estate Association by August 2011 unless otherwise agreed) of the Issuer. Increases in the EPRA NAV of the Issuer will lead to an increase in the compensation to be paid to the Investment Manager. If increases in the EPRA NAV are the result of price overheating in the real estate sector, it is possible that the Management Team is overpaid ahead of a cyclical peak. Fees that fall due and payable to the Investment Manager are not subject to reduction or clawback due to any subsequent decrease that may occur in the EPRA NAV of the Issuer. In addition, in general, the net asset value of real estate companies and the evolution of such companies' share prices are not perfectly correlated. Accordingly, the Investment Manager's compensation will not be directly linked to the price performance of the Issuer's ordinary shares and may be payable or increase when the price performance of the Issuer's ordinary shares is deteriorating.

***The arrangements among the Issuer and the Investment Manager were negotiated in the context of an affiliated relationship and may contain terms that are less favourable to the Issuer than those which otherwise might have been obtained from unrelated parties***

The Investment Manager Agreement and the Issuer's internal policies and procedures for dealing with the Investment Manager were negotiated in the context of the Issuer's formation and the Issue by persons who were, at the time of negotiation, members of the Management Team and affiliates of the Investment Manager. While the Issuer believes that the terms of these arrangements are broadly similar to what would have been obtainable from unaffiliated third parties, the Issuer cannot assure you that their terms, including terms relating to fees, performance criteria, contractual or fiduciary duties, conflicts of interest, limitations on liability, indemnification and termination, are not less favourable to the Issuer than otherwise might have resulted if the negotiations had involved unrelated parties from the outset.

### **1.3 Risks relating to the Issuer's board of directors**

***The Issuer is reliant on the performance and retention of the members of the Board***

The Issuer relies on the expertise and experience of the directors of the Issuer (the "**Directors**") to supervise the management of the Issuer's affairs. Although, pursuant to the Investment Manager Agreement, the Investment Manager manages the Issuer's property portfolio, certain reserved matters require the consent of the Board, including, among other things, all acquisitions or disposals of property investments above certain thresholds, financing and hedging arrangements above certain thresholds and entry into joint venture agreements to acquire any property investment. The performance of the Directors and their retention on the Board are, therefore, significant factors in the Issuer's ability to achieve its investment objectives. The Directors' involvement with the Issuer is on a part time, not full time basis, and if there is any material disruption to the Investment Manager's performance of its services, the Directors may not have sufficient time or experience to manage the Issuer's business until a new investment manager is appointed. In addition, there can be no assurance as to the continued service of such individuals as Directors of the Issuer. The departure of any of these individuals from the Issuer without timely and adequate replacement may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***Reputational risk in relation to the Board may materially adversely affect the Issuer***

The Board may be exposed to reputational risks. In particular, litigation, allegations of misconduct or operational failures by, or other negative publicity and press speculation involving any of the Directors, whether or not accurate, will harm the reputation of the relevant Director. Any damage to the reputation of any of the Directors could result in potential counterparties and other third parties such as tenants, landlords, joint venture partners, lenders or developers being unwilling to deal with the Issuer. This may have a material adverse effect on the ability of the Issuer to successfully pursue its investment strategy and may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***There may be circumstances where Directors have a conflict of interest***

There may be circumstances in which a Director has, directly or indirectly, a material interest in a transaction being considered by the Issuer or a conflict of interests with the Issuer. Any of the Directors and/or any person connected with them may from time to time act as director, investor or be otherwise involved in other investment vehicles (including vehicles that may have investment strategies similar to the Issuer's) which may also be purchased or sold by the Issuer, subject at all times to the provisions governing such conflicts of interest both in law and in the by-laws of the Issuer (the "**By-Laws**"). Mr. Miguel Pereda, who is a Director of the Issuer, is also a director of the Investment Manager and a member of the Management Team. Although procedures have been put in place to manage conflicts of interest, it is possible that any of the Directors and/or their connected persons may have potential conflicts of interest with the Issuer.

### **1.4 Regulatory risks**

***Changes in laws and regulations may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects***

The Issuer's operations must comply with laws and governmental regulations (whether domestic or international (including in the European Union)) which relate to, among other things, property ownership and use, land use, development, zoning, health and safety requirements and environmental compliance. These laws and regulations often provide broad discretion to the administering authorities. Additionally, all of these laws and regulations are subject to change, which may be retrospective, and changes in regulations could adversely affect existing planning consents, costs of property ownership, the capital value of the Issuer's assets and the rental income arising from the Issuer's property portfolio. Such changes may also adversely affect the Issuer's ability to use a property as intended and could cause the Issuer to incur increased capital expenditure or running costs to ensure compliance with the new applicable laws or regulation which may not be recoverable from tenants. The occurrence of any of these events may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***Environmental and health and safety laws, regulations and standards may expose the Issuer to the risk of substantial costs and liabilities***

Laws and regulations, which may be amended over time, may impose environmental liabilities associated with investment properties on the Issuer (including environmental liabilities that were incurred or that arose prior to the Issuer's acquisition of such properties). Such liabilities may result in significant investigation, removal, or remediation costs regardless of whether the Issuer originally caused the contamination or other environmental hazard. In addition, environmental liabilities could adversely affect the Issuer's ability to sell, lease or redevelop a property, or to borrow using a property as security and may in certain circumstances (such as the release of certain materials, including asbestos, into the air or water) form the basis for liability to third persons for personal injury or other damages. Environmental laws and regulations may limit the development of, and impose liability for, the disturbance of wetlands or the habitats of threatened or endangered species. The Issuer's investments may include properties historically used for commercial, industrial and/or manufacturing uses. Such properties are more likely to contain, or may have contained, storage tanks for the storage of hazardous or toxic substances. Leasing properties, such as those containing warehouses, to tenants that engage in industrial, manufacturing and other commercial activities will cause the Issuer to be subject to increased risk of liabilities under environmental laws and regulations. In the event the Issuer is exposed to environmental liabilities or increased costs or limitations on its use or disposal of properties as a result of environmental laws and regulation this may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

**1.5 Risks relating to the Issuer's activity**

***The Issuer's investments is concentrated, and it is its intention in the future, in the Spanish commercial property market and the Issuer has therefore greater exposure to political, economic and other factors affecting the Spanish market than more diversified businesses***

The Issuer's investment portfolio consists, and will remain consisting in the future, primarily of direct or indirect interests in commercial property in Spain, the majority of which are located in Madrid, Barcelona and certain secondary locations. This means the Issuer has a significant industry and geographic concentration risk relating to the Spanish commercial property market, and an investment in the Notes may therefore be subject to greater risk than investments in securities issued by companies with more diversified portfolios. Accordingly, the Issuer's performance may be significantly affected by events beyond its control affecting Spain, and the Spanish commercial property market in particular, such as a further general downturn in the Spanish economy, changing demand for commercial property in Spain, changing supply within a particular geographic location, the attractiveness of property relative to other investment choices, changes in domestic and/or international regulatory requirements and applicable laws and regulations (including in relation to taxation and land use), Spain's attractiveness as a foreign direct investment destination, political conditions, the condition of financial markets, the availability of credit, the financial condition of tenants, interest rate and inflation rate fluctuations, higher accounting and control expenses and other developments. Any of these events could reduce the rental and/or capital values of the Issuer's property assets and/or the ability of the Issuer to acquire or dispose of properties and to secure or retain tenants on acceptable terms and, consequently, may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects. In addition, significant concentration of investments in the Spanish commercial real estate market (and/or any particular sector within that market) may result in greater volatility in the value of the Issuer's investments and

consequently its net asset value and any downturn in such markets may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***The value of any properties that the Issuer acquired or may acquire and the rental income those properties yield is subject to fluctuations in the Spanish property market***

The Issuer's performance is subject to, among other things, the conditions of the commercial property market in Spain, which affect both the value of any properties that the Issuer acquired or may acquire and the rental income those properties yield. The value of real estate in Spain declined sharply starting in 2007 as a result of economic recession, the credit crisis, increased unemployment rates, an overhang of excess supply, overleveraged local real estate companies and developers and the absence mainly of bank debt financing. From an early 2007 peak in Spanish commercial property values to the end of 2012, the capital values of industrial, office and retail assets fell by approximately 42.2%, 32.1% and 28.2%, respectively (Source: Datastream). Spanish property values could decline further and those declines could be substantial, particularly if the economy were to suffer a further recession or the recent increase in demand for Spanish real estate were to fade. Further declines in the performance of the Spanish economy or the Spanish property market could have a negative impact on consumer spending, levels of employment, rental revenues and vacancy rates and, as a result, have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

In addition to the general economic climate, the Spanish commercial property market and prevailing rental rates and asset values may also be affected by factors such as an excess supply of properties, the availability of credit, the level of interest rates and changes in laws and governmental regulations (both domestic and international), including those governing real estate usage, zoning and taxes. In addition, rental rates may also be affected by a fall in the general demand for rental property and reductions in tenants' and potential tenants' space requirements. All of these factors are outside of the Issuer's control, and may reduce the attractiveness of holding property as an asset class.

These factors could also have a material effect on the Issuer's ability to maintain the occupancy levels of the properties it acquired or may acquire through the execution of leases with new tenants and the renewal of leases with existing tenants, as well as its ability to maintain or increase rents over the longer term. In particular, non-renewal of leases or early termination by significant tenants in the Issuer's property portfolio (once acquired) could materially adversely affect the Issuer's net rental income. If the Issuer's net rental income declines, it would have less cash available to service and repay its indebtedness or make distributions to shareholders and the value of its properties could further decline. In addition, significant expenditures associated with a property, such as taxes, service charges and maintenance costs, are generally not reduced in proportion to any decline in rental revenue from that property. If rental revenue from a property declines while the related costs do not decline, the Issuer's income and cash receipts could be materially adversely affected. Declines in rent and demand for space might render refurbishment and redevelopment investments unattractive.

Any deterioration in the Spanish commercial property market, for whatever reason, could result in declines in market rents received by the Issuer, in occupancy rates for the Issuer's properties, in the carrying values of the Issuer's property assets and the value at which it could dispose of such assets. A decline in the carrying value of the Issuer's property assets may also weaken the Issuer's ability to obtain financing for new investments. Any of the above may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***Competition may affect the ability of the Issuer to make appropriate investments and to secure tenants at satisfactory rental rates***

The Issuer faces competition from other property investors for the purchase of desirable properties and in seeking creditworthy tenants for acquired properties. Competitors include not only regional Spanish investors and real estate developers with in-depth knowledge of the local markets, but also other property portfolio companies, including funds that invest nationally and internationally, institutional investors and foreign investors. Competitors may have greater financial resources than the Issuer and a greater ability to borrow funds to acquire properties, and may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those the Issuer may be prepared to accept. Competition in the commercial property market may also lead to an over-supply of commercial properties through over-development or prices for existing properties being driven up through competing bids by potential purchasers. Furthermore, the number of entities and the amount

of funds competing for suitable properties may increase. There can be no assurance that the Issuer has been and will be successful in identifying or acquiring suitable investment opportunities. The existence and extent of competition in the commercial property market may also have a material adverse effect on the Issuer's ability to secure tenants for properties it acquired or may acquire at satisfactory rental rates and on a timely basis and to subsequently retain such tenants. Competition may cause difficulty in achieving rents in line with the Issuer's expectations and may result in increased pressure to offer new and renewing tenants financial and other incentives. Any inability by the Issuer to compete effectively against other property investors or to effectively manage the risks related to competition may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***The Issuer's business may be materially adversely affected by a number of factors inherent in asset sales and management***

Revenues earned from, and the capital value and disposal value of, properties held or sold by the Issuer and the Issuer's business may be materially adversely affected by a number of factors inherent in asset sales and management, including, but not limited to:

- sub-optimal tenant rotation policies or lease renegotiations;
- decreased demand by potential buyers for properties or tenants for space;
- material declines in property and/or rental values;
- excessive investment in extensions/refurbishment;
- the inability to recover operating costs such as local taxes and service charges on vacant space;
- incorrect repositioning of an asset in changing market conditions;
- exposure to the creditworthiness of buyers and tenants, which could result in delays in receipt of contractual payments, including rental payments, the inability to collect such payments at all including the risk of buyers and tenants defaulting on their obligations and seeking the protection of bankruptcy laws, the re-negotiation of purchase agreements or tenant leases on terms less favourable to the Issuer, or the termination of purchase agreements or tenant leases;
- defaults by a number of tenants with material rental obligations (including pre-let obligations) or a default by a significant tenant at a specific property that may hinder or delay the sale or re-letting of such property;
- material litigation with buyers or tenants;
- material expenses in relation to the construction of new tenant improvements and re-letting a relevant property, including the provision of financial inducements to new tenants such as rent free periods;
- reduced access to financing for tenants, thereby limiting their ability to alter existing operations or to undertake expansion plans; and
- increases in operating and other expenses or cash needs without a corresponding increase in turnover or tenant reimbursements, including as a result of increases in the rate of inflation in excess of rental growth, property taxes or statutory charges or insurance premiums, costs associated with tenant vacancies and unforeseen capital expenditure affecting properties which cannot be recovered from tenants.

If the Issuer's revenues earned from sales or tenants or the value of its properties are adversely affected by the above or other factors, the Issuer's business, financial condition, results of operations and prospects may be materially adversely affected.

***Property valuation is inherently subjective and uncertain***

The success of the Issuer depends significantly on the ability of the Issuer and the Investment Manager to assess the values of properties, both at the time of acquisition and the time of disposal. Valuations of the Issuer's property assets also have a significant effect on the Issuer's financial standing on an on-going basis and on its ability to obtain financing. The valuation of property and property-related assets

is inherently subjective, in part because all property valuations are made on the basis of assumptions which may not prove to be accurate (particularly in periods of volatility or low transaction flow in the commercial real estate market), and in part because of the individual nature of each property.

In determining the value of properties, the valuers are required to make assumptions in respect of matters including, but not limited to, the existence of willing sellers in uncertain market conditions, title, condition of structure and services, existence of deleterious materials, plant and machinery conditions, environmental matters, permits and licenses, statutory requirements and planning, expected future rental revenues from the property and other information. Such assumptions may prove to be inaccurate. Incorrect assumptions underlying the valuation reports could negatively affect the value of any property assets the Issuer acquired or may acquire and thereby have a material adverse effect on the Issuer's financial condition. This is particularly so in periods of volatility or when there is limited real estate transactional data against which property valuations can be benchmarked. There can also be no assurance that these valuations have been or will be reflected in the actual transaction prices, even where any such transactions occur shortly after the relevant valuation date, or that the estimated yield and annual rental income proves to be attainable.

The Issuer has invested and may invest in properties through investments in various property-owning vehicles, and may in the future utilise a variety of investment structures for the purpose of investing in properties, such as joint ventures and minority investments (particularly with respect to residential assets). Where a property or an interest in a property is acquired through another company or an investment structure, the value of the entity or investment structure may not be the same as the value of the underlying property due, for example, to tax, environmental, contingent, contractual or other liabilities, or structural considerations. As a result, there can be no assurance that the value of investments made or to be made through those structures fully reflects the value of the underlying property.

To the extent valuations of the Issuer's properties do not fully reflect the value of the underlying properties, whether due to the above factors or otherwise, this may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***Any costs associated with potential investments that do not proceed to completion affect the Issuer's performance***

The Issuer needs to identify suitable investment opportunities, investigate and pursue such opportunities and negotiate property acquisitions on suitable terms, all of which require significant expenditure prior to consummation of the acquisitions. The Issuer may incur certain third party costs, including in connection with financing, valuations and professional services associated with the sourcing and analysis of suitable assets. There can be no assurance as to the level of such costs and, given that there can be no guarantee that the Issuer will be successful in its negotiations to acquire any given property, the greater the number of potential investments that do not reach completion, the greater the likely adverse impact of such costs on the Issuer's business, financial condition, results of operations and prospects.

***The Issuer's due diligence may not identify all risks and liabilities in respect of an acquisition or investment***

Prior to entering into an agreement to acquire any property or make a significant investment, the Investment Manager, on behalf of the Issuer, performs due diligence on the proposed investment. In doing so, it typically relies in part on third parties to conduct a significant portion of this due diligence (including providing legal reports on title and property valuations). There can be no assurance, however, that due diligence examinations carried out by the Issuer or third parties in connection with any properties the Issuer acquired or may acquire or invest in have revealed or will in the future reveal all of the risks associated with that property or investment, or the full extent of such risks. Properties the Issuer acquired or may acquire or invest in may be subject to hidden material defects that were not apparent at the time of acquisition or investment. To the extent that the Investment Manager or other third parties underestimate or fail to identify risks and liabilities associated with an investment, the Issuer may be subject to one or more of the following risks:

- defects in title;

- environmental liabilities or structural or operational defects or liabilities requiring remediation and/or not covered by indemnities or insurance;
- lack or insufficiency of permits and licenses;
- an inability to obtain permits enabling the property to be used as intended; or
- the acquisition of properties that are not consistent with the Issuer’s investment strategy or that fail to perform in accordance with expectations.

Any of these consequences of a due diligence failure may have a material adverse effect on the Issuer’s business, financial condition, results of operations and prospects.

***The Issuer may not acquire 100% control of investments and may therefore be subject to the risks associated with minority investments and joint venture investments***

Pursuant to the Issuer’s investment strategy, the Issuer may enter into a variety of investment structures in which the Issuer acquires less than a 100% interest in a particular asset or entity and the remaining ownership interest is held by one or more third parties. In particular, the Issuer intends on making minority investments with respect to residential property assets. These minority investment or joint venture arrangements may expose the Issuer to the risk that:

- investment partners become insolvent or bankrupt, or fail to fund their share of any capital contribution which might be required, which may result in the Issuer having to pay the investment partner’s share or risk losing the investment;
- investment partners have economic or other interests that are inconsistent with the Issuer’s interests and are in a position to take or influence actions contrary to the Issuer’s interests and plans (for example, in implementing active asset management measures), which may create impasses on decisions and affect the Issuer’s ability to implement its strategies and/or dispose of the asset or entity;
- disputes develop between the Issuer and investment partners, with any litigation or arbitration resulting from any such disputes increasing the Issuer’s expenses and distracting the Board and/or the Investment Manager from their other managerial tasks;
- investment partners do not have enough liquid assets to make cash advances that may be required in order to fund operations, maintenance and other expenses related to the property, which could result in the loss of current or prospective tenants and may otherwise adversely affect the operation and maintenance of the property;
- an investment partner breaches agreements related to the property, which may cause a default under such agreements and result in liability for the Issuer;
- income obtained from these minority investments may qualify or not as income received from “**Qualifying Subsidiaries**” (meaning (i) Spanish SOCIMIs, as defined below, (ii) foreign entities with similar regime, corporate purpose and dividend distribution regime as a Spanish SOCIMI and (iii) Spanish and foreign entities which main corporate purpose is investing in real estate for developing rental activities and that shall be subject to equal dividend distribution regime and investment and income requirements as set out in the SOCIMI Act) and hence may affect the Issuer’s ability to comply with the SOCIMI Regime (a Spanish Listed Corporation for Investment in the Real Estate Market (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario* or “**SOCIMI**” according to its initials in Spanish). Failing to comply with the requirements to apply the special regime applicable to this kind of entities, the “**SOCIMI Regime**” will lead the Issuer to be subject to regular Corporate Income Tax, without being entitled to the tax regime corresponding to a SOCIMI;
- the Issuer may, in certain circumstances, be liable for the actions of investment partners; and
- a default by an investment partner constitutes a default under mortgage loan financing documents relating to the investment, which could result in a foreclosure and the loss of all or a substantial portion of the investment made by the Issuer.

Any of the foregoing may have a material adverse effect on the Issuer’s business, financial condition, results of operations and prospects.



### ***Real estate investments are relatively illiquid***

Investments in property can be relatively illiquid for reasons including but not limited to the long-term nature of leases, commercial properties being tailored to tenants' specific requirements and varying demand for commercial property. Such illiquidity may affect the Issuer's ability to vary its portfolio or dispose of properties in a timely fashion and/or at satisfactory prices in response to changes in economic, property market or other conditions. This may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

### ***The Issuer may be dependent on the performance of third party contractors when undertaking development, refurbishment or redevelopment of its property assets***

In circumstances where the Issuer seeks to create value by undertaking development, refurbishment or redevelopment of its property assets, it will typically be dependent on the performance of third party contractors who undertake the management or execution of such development, refurbishment or redevelopment on behalf of the Issuer. The risks of development, refurbishment or redevelopment include, but are not limited to:

- failure by such third party contractors in performing their contractual obligations;
- insolvency of such third party contractors;
- the inability of the third party contractors to retain key members of staff;
- cost overruns in relation to the services provided by the third party contractors;
- delays in properties being available for occupancy;
- fraud or misconduct by an officer, employee or agent of a third party contractor, which may result in losses to the Issuer and damage to the Issuer's reputation;
- disputes between the Issuer and third party contractors, which may increase the Issuer's expenses and distract the Board and the Management Team;
- liability of the Issuer for the actions of the third party contractors;
- inability to identify and acquire a property asset suitable for development, refurbishment or redevelopment;
- inability to obtain governmental and regulatory permits on a timely basis or at all;
- inability to sell the developed, redeveloped or refurbished units at prices that are favourable to the Issuer or at all; and
- inability to rent the units to tenants at rental rates that are favourable to the Issuer or at all.

If the Issuer's third party contractors fail to successfully perform the services for which they have been engaged, either as a result of their own fault or negligence, or due to the Issuer's failure to properly supervise any such contractors, this could have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

In addition, development, refurbishment or redevelopment projects are based on business plans devised by the Investment Manager and actual results might differ. Speculative developments may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

There is no assurance that the Issuer will realise anticipated returns on an investment in property development, refurbishment or redevelopment. Failure to generate anticipated returns may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

### ***The Issuer may be subject to liability following the disposal of investments***

The Issuer may be exposed to future liabilities and/or obligations with respect to the properties that it sells. The Issuer may be required or may consider it prudent to set aside provisions for warranty claims or contingent liabilities in respect of property disposals. The Issuer may be required to pay damages (including but not limited to litigation costs) to a purchaser to the extent that any representations or warranties given to a purchaser prove to be inaccurate or to the extent that the Issuer breaches any of

its covenants or obligations contained in the disposal documentation. In certain circumstances, it is possible that representations and warranties incorrectly given could give rise to a right by the purchaser to unwind the contract in addition to the payment of damages. Further, the Issuer may become involved in disputes or litigation in connection with such disposed investments. Certain obligations and liabilities associated with the ownership of investments can also continue to exist notwithstanding any disposal, such as certain environmental liabilities. Any claims, litigation or continuing obligations in connection with the disposal of any properties may subject the Issuer to unanticipated costs and may require the Management Team to devote considerable time to dealing with them. As a result, any such claims, litigation or obligations may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***The Issuer may suffer losses in excess of insurance proceeds, if any, or from uninsurable events***

The Issuer's properties may suffer physical damage resulting in losses (including loss of rent) which may not be compensated for by insurance, either fully or at all. In addition, there are certain types of losses, generally of a catastrophic nature, that may be uninsurable or are not economically insurable. Inflation, changes in building codes and ordinances, environmental considerations, and other factors, might also result in insurance proceeds being unavailable or insufficient to repair or replace a property or pay for environmental clean-up costs. Should an uninsured loss or a loss in excess of insured limits occur, the Issuer may lose capital invested in the affected property as well as anticipated future revenue from that property. In addition, the Issuer could be liable to repair damage caused by uninsured risks or pay for uninsured environmental clean-up costs. The Issuer may also remain liable for any debt or other financial obligations related to that property. Any material uninsured losses may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***The Investment Manager's insurance may not be sufficient to recoup all of the losses claimed by the Issuer***

Pursuant to the terms of the Investment Manager Agreement, the Investment Manager is required to maintain at its own cost appropriate professional indemnity insurance to cover potential claims from the Issuer under said agreement until two years after the date of its termination. However, such insurance could be subject to customary deductibles and coverage limits and may not be sufficient to recoup all of the losses claimed by the Issuer. Therefore, the Issuer could suffer losses arising from non-compliance of the Investment Manager Agreement which may not be fully compensated for by the referred insurance, or at all. Any material losses uninsured under the Investment Manager Agreement may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

***The Issuer may dispose of investments at a time which results in a lower than expected return or a loss on such investments, and may be unable to dispose of investments at all***

The Issuer may elect to dispose of investments and may also be required to dispose of an investment at any time, including due to a requirement imposed by a third party (for example, a lending bank). There can be no assurance that, at the time the Issuer seeks to dispose of assets (whether voluntarily or otherwise) relevant market conditions will be favourable or that the Issuer will be able to maximise the returns on such disposed assets. It may be especially difficult to dispose of certain types of real estate during recessionary times. To the extent that market conditions are not favourable, the Issuer may not be able to dispose of property assets at a gain and may even have to dispose of property assets at a loss. Furthermore, the Issuer may be unable to dispose of investments at all, which would tie up the capital invested in such assets and could impede the Issuer's ability to take advantage of other investment opportunities. The Issuer could be particularly exposed to this risk in residential property investments, as asset prices in residential property have typically been more volatile. If the Issuer is required to dispose of an investment on unsatisfactory terms, it may realise less than the value at which the investment was previously recorded, which could result in a decrease in net asset value and lower returns to shareholders. In addition, if the Issuer disposes of an asset without complying with the minimum holding period (as described in section 10.1 "Spanish SOCIMI Regime"), gains arising from disposal of the property and the entire income derived from such asset, including rental income, will be taxable at regular Corporate Income Tax rates (i.e., 28% for 2015 and 25% for 2016 onwards) (see risk factor entitled "Certain disposals of properties may have negative implications under the Spanish SOCIMI Regime" in this section 1.7).

Further, in acquiring a property, the Issuer may agree to restrictions that prohibit the sale of that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. In addition, if the Issuer purchases properties when the rate of return is low and purchase prices are high, the value of such properties may not increase over time, and if the property is then sold the Issuer may incur a loss.

Any inability of the Issuer to dispose of its investments or to do so at a gain, or any losses on the disposal of the Issuer's investments, may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

### ***Reliance on the valuation reports***

According to the Cushman & Wakefield Report the market value (net of acquisition costs) of the said Properties as at 31 December 2014 was as follows: Txingudi €28,500,000, Ondara €1,600,000, Las Huertas €12,000,000, Marcelo Spínola €19,300,000, Alovera I €12,900,000 and Eloy Gonzalo €12,900,000.

According to the Jones Lang LaSalle Report the market value (net of acquisition costs) of the said Properties as at 31 December 2014 was as follows: Albacenter Shopping Centre €29,103,000, L'Anec Blau €1,310,000, Nuevo Alisal €7,007,000, Villaverde €9,345,000, Albacenter Hypermarket and two Retail Units €1,788,000, Alovera II €33,170,000, Arturo Soria €24,690,000 and Edificio Egeo €65,980,000.

The Valuation Reports are attached to this Prospectus as **Annexes I and II** and form part of the information corresponding to the Issuer and its business as set out in section 4.6.

It needs to be considered that the valuation of real estate assets and real estate-related acquisitions is inherently subjective due to their lack of liquidity and, among other factors, the nature of each property, its location, the expected future rental revenues from that particular property or real estate-related acquisitions and the valuation methodology adopted. Any such valuation is subject to a degree of uncertainty and may be made on the basis of assumptions and methodologies which may not prove to be accurate, particularly in periods of volatility, low transaction flow or restricted debt availability in the real estate market. See the risk factor above *"Property valuations is inherently subjective and uncertain"*.

Accordingly, there can be no assurance that the valuations given in the Valuation Reports for each of the properties within the Issuer's portfolio will continue at a level equal to or in excess of such valuations.

## **1.6 Risks relating to the Issuer's Financial Structure**

### ***The Issuer's investment strategy includes the use of leverage, which exposes the Issuer to risks associated with borrowings***

The real estate investment business is highly capital intensive. The Issuer's strategy is to fund the acquisition of investments, in part, through borrowings. However, since the middle of 2007, domestic and international financial markets have experienced significant disruptions mainly driven by tensions in the banking system. These disruptions have severely affected the availability of, and the terms applicable to, credit and have contributed to rising costs associated with obtaining credit. There can be no guarantee that the Issuer will be able to obtain the credit it may need on acceptable terms which could adversely affect its ability to achieve its investment strategy. If the Issuer is unable to obtain credit, it may seek additional capital through the issuance of debt or equity securities to fund further acquisitions.

To the extent the Issuer incurs a substantial level of indebtedness, this could reduce the Issuer's financial flexibility and cash available to pay dividends to shareholders due to the need to service its debt obligations. Prior to agreeing the terms of any debt financing, the Issuer expects to comprehensively consider its potential debt servicing costs and all relevant financial and operating covenants and other restrictions, including restrictions that might limit the Issuer's ability to make distributions to shareholders in light of cash flow projections. However, if certain extraordinary or unforeseen events occur, including breach of financial covenants, the Issuer's borrowings and any hedging arrangements that they may have entered into may be repayable prior to the date on which they are scheduled for repayment or could otherwise become subject to early termination. If the Issuer

is required to repay borrowings early, it may be forced to sell assets when it would not otherwise choose to do so in order to make the payments and it may be subject to pre-payment penalties.

In addition, if the rental income of the Issuer's portfolio falls (for example, due to tenant defaults), the use of borrowings will increase the impact of such a fall on the net income of the Issuer and accordingly, will have an adverse effect on the Issuer's ability to pay dividends to shareholders. Moreover, in circumstances where the value of the Issuer's assets is declining, the use of borrowings by the Issuer may depress its net asset value.

The Issuer may also find it difficult or costly to refinance indebtedness as it matures, and if interest rates are higher when the indebtedness is refinanced, the Issuer's costs could increase.

Any of the foregoing events may have a material adverse effect on the Issuer's financial condition, business, prospects, results of operations, taxes and ability to make distributions to shareholders, which may affect the Issuer's ability to retain its SOCIMI status.

### ***Floating rate debt exposes the Issuer to risks associated with movements in interest rates***

The Issuer has incurred and may incur in the future debt with floating interest rates. Interest rates are highly sensitive to many factors, including international and domestic economic and political conditions, and other factors beyond the Issuer's control. The level of interest rates can fluctuate due to, among other things, inflationary pressures, disruption to financial markets and the availability of bank credit. If interest rates rise, the Issuer will be required to use a greater proportion of its revenues to pay interest expenses on its floating rate debt. Whilst the Issuer intends to hedge, totally or partially, its interest rate exposure, any such measures may not be sufficient to protect the Issuer from risks associated with movements in prevailing interest rates. In addition, any hedging arrangements will expose the Issuer to credit risk in respect of the hedging counterparty. Increased exposure to adverse interest rate movements through floating rate debt may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects.

## **1.7 Risks relating to structure and taxation**

### ***The Issuer may cease to be qualified as a Spanish SOCIMI which would have adverse consequences for the Issuer and its ability to deliver returns to shareholders***

The Issuer has elected for Spanish SOCIMI status under the SOCIMI Act and, thus, it will be subject to a 0% Corporate Income Tax rate –with the exceptions set forth in section 10.1 of this Prospectus–. The requirements for maintaining Spanish SOCIMI status, however, are complex and the Spanish SOCIMI Regime is relatively new with no practical history of interpretation (see section 10.1 of this Prospectus for additional information on these requirements). Furthermore, there may be changes subsequently introduced (including a change in interpretation) to the requirements for maintaining Spanish SOCIMI status. Prospective investors in the Notes should note that there is no guarantee that the Issuer will continue to maintain its SOCIMI status (whether by reason of failure to satisfy the conditions for Spanish SOCIMI status or otherwise).

A company may lose its SOCIMI status due to any the following:

- delisting;
- substantial failure to comply with its information and reporting obligations, unless such failure is remedied by preparing fully compliant annual accounts which contain certain required information in the following year;
- failure to adopt a dividend distribution resolution or to effectively satisfy the dividends within the deadlines described in “Mandatory dividend distribution” in section 10.1 of this Prospectus. In this case, the SOCIMI status would be lost in respect of the tax year when the undistributed profits were obtained and any subsequent period; or
- failure to meet the requirements established in the SOCIMI Act unless such failure is remedied within the following fiscal year.

Please note that assets must be held for a minimum period of time; however, the failure to observe such minimum holding period requirement would not give rise to the loss of SOCIMI

status, but (i) the assets that do not meet such requirement would be deemed to be non-qualifying assets; and (ii) income derived from such assets or from their transfer would be taxed at the standard Corporate Income Tax rate (28% for 2015 fiscal year and 25% for 2016 onwards).

If the Issuer were to lose such status as a result of any of the above, it would have to pay Spanish Corporate Income Tax on the profits deriving from its activities at the standard Corporate Income Tax rate (28% for 2015 fiscal year and 25% for 2016 onwards), and would not be eligible to become a SOCIMI (and benefit from its special tax regime) for three years. The shareholders in a company that loses its SOCIMI status are expected to be taxable as if the SOCIMI Regime had not been applicable to the company.

If the Issuer is unable to maintain its SOCIMI status, the resultant consequences may have a material adverse effect on the Issuer's financial condition, business, prospects or results of operations and could adversely impact the marketability and liquidity of the ordinary shares and their value.

***Any change in tax legislation (including the Spanish SOCIMI Regime) may adversely affect the Issuer***

The Issuer has elected to become a Spanish SOCIMI. Provided certain conditions and tests are satisfied (see section 10.1 of this Prospectus), as a Spanish SOCIMI, the Issuer will not pay Spanish Corporate Tax on most of the profits deriving from its activities. Therefore any change (including a change in interpretation) in the legislative provisions relating to Spanish SOCIMIs or in tax legislation more generally, either in Spain or in any other country in which the Issuer may operate in the future, including but not limited to the imposition of new taxes or increases in tax rates in Spain or elsewhere, may have a material adverse effect on the Issuer's financial condition, business, prospects or results of operations.

***Restrictions under the Spanish SOCIMI Regime may limit the Issuer's ability and flexibility to pursue growth through acquisitions***

The Directors contemplate growth through acquisitions for the Issuer. However, the Spanish SOCIMI Regime distribution requirements may limit the Issuer's ability to fund acquisitions and capital expenditures through retained income and debt financing.

In order to benefit from a 0% Spanish Corporate Tax rate, the Issuer will be required, among other things, to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement, to shareholders annually within the six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds; and (iii) at least 80% of all other profits obtained (e.g., profits derived from ancillary activities).

If the relevant dividend distribution resolution is not adopted in a timely manner, the Issuer will lose its SOCIMI status as per the year to which the dividends relate and the Issuer will be required to pay Spanish Corporate Income Tax on the profits deriving from its activities at the standard rate (28% for 2015 fiscal year and 25% for 2016 onwards) as from the relevant tax period in which the Issuer loses such status. In such case, the Issuer will not be eligible to become a SOCIMI (and benefit from its special tax regime) for three years. A general guide to the Spanish SOCIMI Regime is included in section 10.1 of this Prospectus.

As a result of the restrictions referred to above, the Issuer will be able to apply only a limited amount of its income to acquiring additional properties and its ability to grow through acquisitions will be limited if it is unable to obtain further debt or equity financing. If the Issuer elects to rely on equity financing, shareholders' interests in the Issuer may be diluted.

In addition, differences in timing between the receipt of cash and the recognition of income for the purposes of the rules governing Spanish SOCIMIs and the effect of any potential debt amortisation payments could require the Issuer to borrow funds to make cash distributions.

The dividend distributions requirements that are necessary to achieve the full tax benefits associated with qualifying as a Spanish SOCIMI can be met by approving such distribution and satisfying the dividend in kind or immediately thereafter, converting credits deriving from such dividends into share capital of the Issuer, provided such dividends qualify as income for tax purposes. However, the Issuer cannot provide assurance that any such distribution will be approved by a general shareholder's meeting or that the distribution will be considered as income for all shareholders.

These requirements to maintain status as a Spanish SOCIMI could limit the Issuer's ability and flexibility to make investments and pursue growth through acquisitions.

***Certain disposals of properties may have negative implications under the Spanish SOCIMI Regime***

At least 80% of a SOCIMI's net annual income must derive from the lease of qualifying assets (as described in section 10.1 of this Prospectus), or from dividends distributed by Qualifying Subsidiaries and real estate collective investment funds.

Capital gains derived from the sale of qualifying assets are in principle excluded from the 80%/20% net income test. However, if a qualifying asset is sold before the minimum holding period (as described in section 10.1 of this Prospectus) is achieved, then (i) such capital gain would compute as non-qualifying revenue within the 20% thresholds that must not be exceeded for the maintenance of the SOCIMI Regime; and (ii) such gain would be taxed at the standard Corporate Income Tax rate (28% for 2015 fiscal year and 25% for 2016 onwards); furthermore, the entire income, including rental income, derived from such asset also would be subject to the standard Corporate Income Tax rate.

Further, if the Issuer generates income out of a non-property rental business, the 80%/20% gross asset or net income tests may not be met. In such case, the Issuer will have one-year grace period to cure that infraction. If the gross asset or net revenue tests are not met within that fiscal year, the Issuer will lose its SOCIMI status.

For more information on the Spanish SOCIMI Regime please see section 10.1 of this Prospectus.

***The Issuer may become subject to an additional tax charge if it pays a dividend to a Substantial Shareholder and, as a result, may result in a loss of profits for the Issuer***

The Issuer may become subject to a 19% Corporate Income Tax on the gross dividend distributed to any shareholder that holds a stake equal or higher than 5% of the share capital of the Issuer and either (i) is exempt from any tax on the dividends or subject to tax on the dividends received at a rate lower than 10% (for these purposes, final tax due under the Spanish Non Resident Income Tax Law is also taken into consideration) or (ii) does not timely provide the Issuer with the information evidencing its equal or higher than 10% taxation on dividends distributed by the Issuer in the terms set forth in the By-Laws (a "**Substantial Shareholder**").

The By-Laws contain indemnity obligations from Substantial Shareholders in favour of the Issuer designed to discourage the possibility that dividends may become payable to Substantial Shareholders. If a dividend payment is made to a Substantial Shareholder, the Issuer will be entitled to deduct an amount equivalent to the tax expenses incurred by the Issuer on such dividend payment from the amount to be paid to such Substantial Shareholder (the Board will maintain certain discretion in deciding whether to exercise this right if making such deduction would put the Issuer in a worse position). However, the Issuer cannot provide assurance that these measures will be effective. If these measures are ineffective, the payment of dividends to a Substantial Shareholder may generate an expense for the Issuer (since it may have to pay a 19% Corporate Income Tax on such dividend) and, thus, may result in a loss of profits for the rest of the shareholders.

***The Issuer may not impose restrictions on the free transferability of its ordinary shares and the acquisition of the ordinary shares by certain investors could adversely affect the Issuer***

Under Spanish law, the Issuer may not impose restrictions on the free transferability of its ordinary shares in its By-Laws. Accordingly, the Issuer cannot refuse to register a transfer of any shares in the capital of the Issuer in favour of a person to whom a sale or transfer of shares, or whose direct, indirect or beneficial ownership of shares, would or might (i) cause the Issuer to be required to register as an “investment company” under the US Investment Company Act or to lose an exemption or status thereunder to which it might otherwise be entitled; (ii) cause the Issuer to be required to register under the US Exchange Act or any similar legislation; (iii) cause the Issuer not to be considered a “foreign private issuer” as such term is defined in rule 3b-4(c) under the US Exchange Act; (iv) result in a person holding shares in violation of the transfer restrictions set forth in any offering memorandum published by the Issuer (including in this Prospectus), from time to time; (v) result in any shares being owned, directly or indirectly, by Benefit Plan Investors or Controlling Persons; (vi) cause the assets of the Issuer to be considered “plan assets” under the Plan Asset Regulations; (vii) cause the Issuer to be a “controlled foreign corporation” for the purposes of the Code; (viii) result in the ordinary shares of the Issuer being owned by a person whose giving, or deemed giving, of the representations as to ERISA and the Code set forth in the By-Laws is or is subsequently shown to be false or misleading; (ix) result in a person becoming a Substantial Shareholder, or (x) otherwise result in the Issuer incurring a liability to taxation or suffering any pecuniary, fiscal, administrative or regulatory or similar disadvantage. Any of the above could have a material adverse effect on the Issuer’s business, financial condition, results of operations and prospects.

## **1.8 Risks relating to the economy**

***Since the Issuer’s investments will be concentrated in Spain, adverse developments in general economic conditions in Spain and elsewhere and concerns regarding instability of the Eurozone may adversely affect the Issuer***

The Issuer intends that its investment portfolio will consist primarily of direct or indirect interests in commercial property assets in Spain. Accordingly, the performance of the Spanish economy will affect the Issuer’s business, financial condition, results of operations and prospects.

The global financial system began to experience difficulties in mid-2007. This resulted in severe dislocation of financial markets around the world, including Spain, significant declines in the values of nearly all asset classes and unprecedented levels of illiquidity in capital markets. After rapid economic growth since 2004, Spain entered into a severe economic crisis which led to a GDP contraction between 2008 and 2013.

The Spanish economy has been gradually recovering from a recession and a number of economic indicators reveal a steady improvement. The Spanish Ministry of Economy and Finance forecasts a sustainable path for GDP growth in the country in the coming years and unemployment has shown the first signs of improvement.

Despite the recent improvement, the outcome of this situation remains unclear. Sovereign debt defaults and European Union and/or Eurozone exits (whether involving Spain or other countries) could have a material adverse effect on the Issuer by, for example, impacting the cost and availability of credit to the Issuer and causing uncertainty and disruption in relation to financing. Austerity and other measures (including, but not limited to currency redenomination or the reintroduction of exchange controls) introduced to limit, or to contain these issues, whether in Spain or elsewhere, may themselves lead to economic contraction and result in adverse effects on the Issuer’s business, financial condition, results of operations and prospects.

In addition, uncertainty continues to surround the pace and scale of economic recovery, both in Spain and globally, and conditions could deteriorate. Negative macroeconomic conditions and the fiscal consolidation and reform efforts in Spain, along with global market turmoil, including the EU credit crisis and economic recession, have significantly affected, and may continue to affect, rental and/or capital values of property assets and may reduce the ability of the Issuer to obtain liquidity or acquire

or dispose of properties and to secure or retain tenants on acceptable terms and, consequently, may have a material adverse effect on the Issuer's business, financial condition, results of operations and prospects and its ability to pay any amounts due under the Notes.

## **1.9 Risks relating to the Notes**

### ***The Notes may not be a suitable investment for all investors***

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments under the Notes is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Notes, which are complex financial instruments, unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### ***The Notes are not rated***

Neither the Notes nor the long-term debt of the Issuer are rated. To the extent that any credit rating agencies assign credit ratings to the Notes, such ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A rating or the absence of a rating is not a recommendation to buy, sell or hold securities.

### ***The market price of the Notes may be volatile***

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in the Issuer's operating results, adverse business developments, changes to the regulatory environment in which the Issuer operates, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes as well as other factors. In addition, in recent years the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to the Issuer's operating results, financial condition or prospects.

### ***Notes subject to optional redemption by the Issuer***

In accordance with the Conditions, in particular Condition 7c), the Notes are subject to optional redemption in whole by the Issuer at any time at the Make Whole Amount (as defined in the "Terms and Conditions of the Notes - Definitions"). This feature is likely to limit the market value of Notes. The market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk



in light of other investments available at that time. See “Terms and Conditions of the Notes - Redemption and Purchase - Redemption at the option of the Issuer”.

***The Issuer may redeem the Notes for tax reasons***

The Issuer may redeem all of the Notes, but not some, only pursuant to Condition 7b) in the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority therein or thereof having power to tax.

On any such redemption for tax reasons, Noteholders would receive the principal amount of the Notes that they held, together with interest accrued on those Notes up to (but excluding) the date fixed for redemption. As with the optional redemption feature of the Notes referred to above, it may not be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate. See “Terms and Conditions of the Notes - Redemption and Purchase - Redemption for Taxation Reasons”.

***The Issuer may be obliged to redeem all or some of the Notes upon a Disposal***

If following a Disposal (as defined in the “Terms and Conditions of the Notes - Definitions”), the Pro Forma Notes Loan to Value Ratio is above 60.00 per cent. the Issuer shall redeem, at the Make-Whole Amount, Notes in up to such amount as is stipulated in Condition 7d) (“Terms and Conditions of the Notes - Redemption and Purchase – Mandatory redemption upon the occurrence of a Disposal”) . Upon the occurrence of such an event there can be no assurance that the Issuer would have sufficient funds available at the time to pay the price of the outstanding Notes subject of the notice. See “Terms and Conditions of the Notes - Redemption and Purchase – Mandatory redemption upon the occurrence of a Disposal”.

Moreover, the Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time. See “Terms and Conditions of the Notes - Redemption and Purchase - Mandatory redemption upon the occurrence of a Disposal”.

***Notes subject to optional redemption by the Noteholders***

Upon the occurrence of a Change of Control or a Tender Offer Triggering Event (as defined in the “Terms and Conditions of the Notes - Definitions”), if a Noteholder so requests, the Issuer will be required to redeem in whole (but not in part) the Notes subject to the notice on the Relevant Event Redemption Date, at their principal amount. If any such Change of Control or Tender Offer Triggering Event were to occur and if any such Noteholder so requests, there can be no assurance that the Issuer would have sufficient funds available at the time to pay the price of the outstanding Notes subject of the notice. See “Terms and Conditions of the Notes - Redemption and Purchase - Redemption at the option of the Noteholders”.

***Global Notes are held by or on behalf of Clearstream, Luxembourg and investors will have to rely on their procedures for transfer, payment and communication with the Issuer***

The Note will be represented by Global Notes, except in certain limited circumstances described in the Permanent Global Note. The Global Notes will be deposited with a common safe keeper for Euroclear and Clearstream, Luxembourg. Except in certain limited circumstances described in the Permanent Global Note, investors will not be entitled to receive Notes in definitive form. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by the Global Notes, investors will be able to trade their beneficial interests only through Euroclear and Clearstream, Luxembourg.

The Issuer will discharge its payment obligations under the Notes by making payments to the common depositary for Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of a beneficial interest in the Global Notes must rely on the procedures of Euroclear and Clearstream, Luxembourg to receive payments under the Notes. The Issuer has no responsibility or

liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of the beneficial interests in the Global Notes will not have a direct right to vote in respect of the Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear and Clearstream, Luxembourg to appoint appropriate proxies.

### ***Modification and waivers***

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### ***The covenants contained in the Conditions of the Notes are limited***

In addition to the Negative Pledge, the Conditions contain certain covenants pursuant to which the Issuer is required to maintain its Loan to Value Ratio and Interest Cover Ratio (both as defined in “Terms and Conditions of the Notes - Definitions”) at certain levels, as well as a covenant requiring the creation of Security and the extension of the Mortgage under certain circumstances. In particular if the Issuer’s Loan to Value Ratio or Interest Cover Ratio goes below or above, as applicable, a certain level, the Issuer shall increase the secured amount (including all secured concepts) of the Mortgages to 130 per cent. of the principal amount of the Notes. Under the general covenants the Issuer is only required to certify that the correct Loan to Value Ratio and Interest Cover Ratio stipulated in the Conditions are met on the 30 June and on the 31 December of each year. Noteholders will not be able to monitor these ratios during the rest of the year.

### ***Change of law***

The Conditions are based on English law in effect as at the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Notes.

### ***There is no active trading market for the Notes***

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although application has been made to the Irish Stock Exchange for the Notes to be admitted to listing on the Official List and to trading on the Main Securities Market, there is no assurance that such application will be accepted or that an active trading market will develop. Accordingly, there is no assurance as to the development or liquidity of any trading market for the Notes.

### ***Exchange rate risks and exchange controls***

The Issuer will pay principal and interest on the Notes in Euros. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the “**Investor's Currency**”) other than Euros. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Euro or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Euro would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

### ***The Notes are fixed rate securities and are vulnerable to fluctuations in market interest rates***

The Notes will carry fixed interest. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate on the capital market (the “**Market Interest Rate**”). While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate

typically changes on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls, until the yield of such security is approximately equal to the Market Interest Rate. Conversely, if the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the Market Interest Rate. Investors should be aware that movements of the Market Interest Rate could adversely affect the market price of the Notes.

### ***Risks relating to taxation***

#### ***Risks relating to Spanish withholding tax***

The Issuer is required to receive certain information relating to the Notes. If such information is not received by the Issuer, as the case may be, in a timely manner, the Issuer will be required to apply Spanish withholding tax to any payment of interest in respect of the relevant Notes, or to income arising from the payment of Notes issued below par.

Under Spanish Law 10/2014 and Royal Decree 1065/2007, as amended, payment of income in respect of the Notes will be made by the Issuer without withholding tax in Spain provided that the Fiscal Agent provides the Issuer in a timely manner with a certificate containing certain information relating to the Notes.

The Issuer and the Fiscal Agent have arranged certain procedures to facilitate the collection of information concerning the Notes (as described in “Taxation-Spanish tax considerations” in section 10.2 below). If, despite these procedures, the relevant information is not received by the Issuer in a timely manner, the Issuer will withhold Spanish tax at the then-applicable rate (20% in 2015 and 19% in 2016 onwards) on any payment in respect of the relevant Notes. The Issuer will not pay any additional amounts with respect to any of such withholding in any event.

The Issuer and the Fiscal Agent will, to the extent applicable, comply with the relevant procedures to facilitate the collection of information concerning the Notes. However, in the event that the current applicable procedures were modified, amended or supplemented by, amongst others, a Spanish law, regulation, interpretation or ruling of the Spanish Tax Authorities, the Issuer will not assume any responsibility therefor and, in particular, will not pay additional amounts for this reason.

Furthermore, even if these information procedures are completed in a timely manner, in the case of Notes held by Spanish tax resident individuals (and, under certain circumstances, by Spanish entities subject to Corporation Tax (*Impuesto de Sociedades*)) and deposited with a Spanish resident entity acting as depositary or custodian of those Notes, payments in respect of such Notes may be subject to withholding by such depositary or custodian at the current rate of 20% (19% in 2016 onwards).

According to Royal Decree 1065/2007, as amended, any interest paid under Notes that (i) can be regarded as listed debt securities issued under Law 10/2014, and (ii) are initially registered at a foreign clearing and settlement entity that is recognised under Spanish regulations or under those of another OECD member state, will be made free of Spanish withholding tax provided that the relevant fiscal agent fulfils the information procedures described in “Taxation - Spanish tax considerations” in section 10.2 below. The Issuer considers that the Notes meet the requirements referred to in (i) and (ii) above and that, consequently, payments made by the Issuer to Noteholders should be paid free of Spanish withholding tax provided that the relevant information about the Notes is timely submitted by the fiscal agent to the Issuer, notwithstanding the information obligations of the Issuer under general provisions of Spanish tax legislation by virtue of which identification of Spanish tax resident investors may be provided to the Spanish tax authorities.

#### ***EU Savings Directive***

EC Council Directive 2003/48/EC on the taxation of savings income (the “**Savings Directive**”) requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State, except that Austria will instead impose a withholding system for a transitional period (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) unless during such period it elects otherwise. The Council of the European Union has adopted a Directive (Council Directive 2014/48/EU) (the

**“Amending Directive”**) which will, when implemented, amend and broaden the scope of the requirements described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended by the Amending Directive. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected under these withholding systems and an amount of, or an amount in respect of, tax were to be withheld from that payment, neither the Issuer, the Fiscal Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payment made by the Fiscal Agent, the Issuer may be required to maintain a fiscal agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the EU Savings Directive to the extent is operative or feasible.

The Issuer, to the extent is operative or feasible, is required to maintain a Fiscal Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000, which may mitigate an element of this risk if the Noteholder or Couponholder is able to arrange for payment through such a Fiscal Agent. However, investors should choose their custodians and intermediaries with care, and provide each custodian and intermediary with any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive.

#### *The proposed Financial Transactions Tax (“FTT”)*

On 14 February 2013, the European Commission published a proposal (the **“Commission's proposal”**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **“participating Member States”**).

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary' market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016. The FTT, as initially implemented on this basis, should not apply to dealings in the Notes. Nevertheless, if a payment were to be made or collected due to FTT, neither the Issuer, the Fiscal Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such FTT.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

#### *Risks relating to the Security*

*The Issuer may not be able to get the mortgage over the Properties registered resulting in the Notes not being secured by real estate mortgages*

The due and valid creation of the mortgage over the Properties (as defined in the Conditions) will require the registration of the Deeds of Mortgage (as defined in the Conditions) with the competent Spanish land registries. Accordingly, the mortgage over the Properties will not be created on the Closing Date, but as soon as practicable thereafter once the Issuer completes the relevant registration processes. To the extent such registration is delayed or is not completed, the Noteholders will not have the benefit of the Security as contemplated in the Conditions.

Notwithstanding the above, under the Conditions the Issuer has undertaken to file the Deeds of Mortgage with the relevant public registries, so that the security is duly registered and therefore created under Spanish law, no later than 45 Business Days from the Closing Date. Failure to register the Deeds of Mortgage as provided for in Conditions 3 and 5 will constitute an Event of Default of the Notes pursuant to Condition 10c).

*The Mortgage will not secure 100 per cent. of the principal amount of the Notes*

Pursuant to the Terms and Conditions of the Notes the Mortgages will secure up to 20 per cent. of the principal amount of the Notes. The Mortgage may be extended pursuant to the terms of the Extension Deeds in certain circumstances in order to secure up to 130 per cent. of the principal amount of the Notes. Accordingly, in the event of a foreclosure, liquidation, bankruptcy or similar proceedings before the Mortgages are extended pursuant to the terms of the Extension Deeds, the proceeds from any sale or liquidation of the Mortgages will not be sufficient to pay the Issuer's obligations under the Notes.

Additionally, a charge in relation to any property may be registered which will rank ahead of the extension of the Mortgages pursuant to the terms of the Extension Deeds if registered between the creation of the Mortgages and the extension of the Mortgages. Therefore, in such circumstances, the Noteholders will not have priority over the beneficiaries of such charges in respect of the extension of the Mortgage.

*The Security may not be enforced based on a breach by the Issuer of an obligation under the Notes which is considered ancillary or complementary to the main payment obligation*

Spanish law, as applied by competent authorities, may preclude any security being enforced in respect of an agreement (including the Notes), irrespective of its governing law, which is terminated or accelerated, (i) based on the breach of obligations, undertakings or covenants which are merely ancillary or complementary to the main payment obligations, or (ii) based on the unreasonable, inequitable or bad faith interpretation of one of its events of default. Pursuant to this, the competent Spanish land registrar may, at the time of registration of the Deeds of Mortgage, refuse to register any term or condition of the Notes (including the Events of Default stipulated in Condition 10 ("*Terms and Conditions of the Notes - Events of Default*") which may be contrary to the above principles of Spanish law thus prejudicing the possibility of the relevant Mortgage being enforced in a fast summary proceeding based on those terms and conditions which have not been registered.

In addition, a Spanish court may, at the time of enforcing the security, through the ordinary (non summary) enforcement proceedings refuse to carry out such enforcement when based on such terms of the Terms and Conditions of the Notes that are deemed contrary to the principles of Spanish law referred to above.

*The Mortgage may not benefit from all enforcement proceedings available under Spanish law*

The Deeds of Mortgage will not include an ECO Valuation which is a requirement to have access to the special mortgage foreclosure proceeding included in the Spanish Civil Proceeding Act and to the notarial enforcement proceeding foreseen in the Spanish Mortgage Act. Although the Noteholders will have access to other enforcement proceedings available under Spanish law, they will not have access to the special mortgage foreclosure proceeding nor to the notarial enforcement proceeding. The main difference between said proceedings and the standard enforcement proceeding under the Spanish Civil Proceeding Act is that the former would be quicker. In the standard enforcement proceeding a valuation of the properties will need to be conducted by an expert appointed by the Court prior to the enforcement of a mortgage. This would add time to the enforcement process, which would be avoided in the special foreclosure proceeding through the inclusion of the ECO valuation in the Deeds of Mortgage. See "Description of the Security".

*The Deeds of Pledge over shares may not benefit from all enforcement proceedings available under Spanish law*

The Deeds of Pledge over shares and the enforcement of the Deeds of Pledge over shares are each subject to Spanish law. As at the date of this document, there is no case law in Spain as regards the enforcement of a pledge in a bond issue and, in particular, enforcement pursuant to the provisions of Royal Decree Law 5/2005, of 11 March 2005, on urgent measures to promote productivity (RDL 5/2005), which implemented in Spain the EU Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements.

*The Notes are the sole obligation of the Issuer and there may not be sufficient security to pay all or any of the Notes*

The Notes are the sole obligation of the Issuer and do not have the benefit of any form of a guarantee. In addition, the value of the Security (as defined in “*Terms and Conditions of the Notes - Security*”) in the event of liquidation will depend on market and economic conditions, the availability of buyers and other factors. By its nature, portions of the Security may be illiquid and may have no readily ascertainable market value. In the event of a foreclosure, liquidation, bankruptcy or similar proceedings, the proceeds from any sale or liquidation of the Security may not be sufficient to pay the Issuer’s obligations under the Notes and any other *pari passu* claims.

### **Forward looking statements**

This Prospectus may contain forward-looking statements, including (without limitation) statements identified by the use of terminology such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “may”, “plans”, “projects”, “will”, “would” or similar words. These statements are based on the Issuer’s current expectations and projections about future events and involve substantial uncertainties. All statements, other than statements of historical facts, contained herein regarding the Issuer’s strategy, goals, plans, future financial position, projected revenues and costs or prospects are forward-looking statements. Forward-looking statements are subject to inherent risks and uncertainties, some of which cannot be predicted or quantified. Future events or actual results could differ materially from those set forth in, contemplated by or underlying forward-looking statements. The Issuer does not undertake any obligation to publicly update or revise any forward-looking statements.

### **Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

### **Risks arising in connection with the Spanish Insolvency Law**

Law 22/2003 of 9 July, on Insolvency, as amended (the “**Spanish Insolvency Law**”) regulates court insolvency proceedings, as opposed to out-of-court liquidation, which is only available when the debtor has sufficient assets to meet its liabilities.

#### *Declaration of insolvency*

In the event of insolvency of a debtor, insolvency proceedings can be initiated either by that debtor or by its creditors. In the event that such debtor files the insolvency petition, a “voluntary” insolvency (*concurso voluntario*), such debtor shall provide evidence of the situation of insolvency (whether actual or imminent insolvency). The directors of such debtor company shall request the insolvency within two months from the moment they knew, or ought to have known, of the insolvency situation.

A debtor may file for insolvency (or file with the insolvency court a communication under 5 Bis of the Spanish Insolvency Law informing that it has commenced negotiations with its creditors to agree a refinancing agreement or an advanced proposal of settlement agreement (*convenio*), to obtain an additional period of three months to negotiate with its creditors) as a protective measure in order to avoid (i) the attachment of its assets or (ii) certain enforcement actions that could be taken by its creditors.

An insolvency petition may be filed in relation to more than one company on a coordinated basis where, for instance, such companies belong to the same group of companies.

Upon receipt of an insolvency petition by a creditor, the insolvency court may issue provisional interim measures to protect the assets of a debtor and may request a guarantee from the petitioning creditor asking for the adoption of such measures to cover damages caused by the preliminary protective measures.

The insolvency court will issue a court order either rejecting the petition or declaring the insolvency. In the event of declaration of insolvency, the insolvency court order will appoint a court administrator or receiver (*administración concursal*) (“**receiver**”) and will order the publication of such declaration of the insolvency in the State Official Gazette (*Boletín Oficial del Estado*). The declaration of insolvency shall be also filed with the Commercial Registry (*Registro Mercantil*) and the Public Registry of Insolvency (*Registro Público Concursal*).

#### *Certain effects of the insolvency declaration*

The general rule is that the declaration of insolvency shall not affect the continuity of the business activity of a debtor company other than in the terms expressly set out in the Spanish Insolvency Law.

In case of voluntary insolvency (*concurso voluntario*), a debtor company will usually maintain administrative control of its affairs, however, the management decisions will be subject to the receiver’s authorisation. In case of necessary insolvency (*concurso necesario*), the receiver will usually assume the administration of the debtor company, unless the insolvency court decides otherwise.

Unless otherwise provided by certain specific rules applicable to a certain type of contracts (e.g. insurance or financial collateral agreements), creditors will not be able to accelerate the maturity of their credits based only on the declaration of the insolvency (*declaración de concurso*) of a debtor. Any provision to the contrary will be null and void.

The debt will cease to accrue interest from the declaration of insolvency, except for such debt secured with security rights in rem (such as the Notes), and up to, the amount obtained from the enforcement of the security.

Judicial or non-judicial enforcements proceedings (*ejecuciones singulares*) cannot be initiated from the declaration of insolvency and the enforcement of in rem security (e.g. pledges or mortgages) will be suspended unless the insolvency court considers that the assets are not necessary to the continuance of the professional activity of the company. However, such suspension is limited to a period ending either (i) with the approval of a settlement agreement (*convenio*) which does not affect the right to enforce or (ii) one (1) year elapses from the declaration of insolvency provided the liquidation phase has not started.

As a general rule, insolvency proceedings are not compatible with other enforcement proceedings. When compatible, in order to protect the interests of a debtor and its creditors, the law extends the jurisdiction of the court dealing with insolvency proceedings, which is, then, legally authorised to handle any enforcement proceedings or interim measures affecting a debtor’s assets (whether based upon civil, labour or administrative law).

#### *Classification of the company’s debts*

The court order declaring the insolvency of the debtor shall contain an express request for the creditors to communicate and declare to the receivers any debts owed to them, within a one-month period starting from the date after the publication of the insolvency in the State Official Gazette (*Boletín Oficial del Estado*), providing documentation to justify such credits. Based on the documentation provided by the creditors, the insolvency receivers draw up a list of acknowledged creditors and classify them according to the categories established under Spanish Insolvency Law<sup>1</sup> as follows: (i) debts against the insolvency estate, (ii) debt benefiting from special privileges, (iii) debt benefiting from general privileges, (iv) ordinary debt and (v) subordinated debt:

- (i) Debts against the insolvency estate (*créditos contra la masa*): which are not subject to ranking and will be paid out of the insolvent company’s assets (other than those attached to the specially

privileged debts) with preference to any other debt. Debts against the insolvency estate may include, among others, (i) certain employees' claims, (ii) costs and expenses of the insolvency proceedings, (iii) certain amounts arising under reciprocal contracts, (iv) certain claims deriving from the exercise of a clawback action (except in cases of bad faith), (v) certain amounts arising from obligations created by law or from the non-contractual liability of an insolvent debtor after the declaration of insolvency and until its conclusion, (vi) 50 per cent. of the new funds granted within the context of certain refinancing agreement meeting the requirements set out under the Spanish Insolvency Law and (vii) certain debts incurred by a debtor following the declaration of insolvency.

- (ii) Debts benefiting from special privileges (such as the Notes), representing attachments on certain assets (basically in rem security). These privileges may entail separate proceedings over the related assets, subject to certain restrictions (including a waiting period that may last up to one year unless the security qualifies as financial collateral subject to Royal Decree-Law 5/2005, of 11 of March, on urgent measures to improve the productivity and the public trade (**RDL 5/2005**), implementing the financial collateral directive (Directive 2002/47/EC of the European Parliament and of the council of 6 June 2002 on financial collateral arrangements) in Spain. However, the insolvency court may authorise the sale of the assets/business of the insolvent company before the settlement/liquidation phases subject to certain specific payment rules which do not necessary entail the full recovery of the secured debt.
- (iii) Debts benefiting from general privileges, including, among others, certain labour debts, certain taxes, debts arising from non-contractual liability, up to 50 per cent. of the debt owed to the creditor who applied for insolvency or new money granted pursuant to a refinancing agreement that comply with certain requirements set out under the Spanish Insolvency Law in the amount not admitted as a debt against the insolvency estate (*crédito contra la masa*).
- (iv) Ordinary debts (non-subordinated and non-privileged creditors) will be paid on a pro-rata basis.
- (v) Subordinated debts (thus classified by virtue of law) include, among others, (A) credits which have been contractually subordinated; and (B) those credits held by parties in special relationships with a debtor: in the case of an individual, his/her relatives; in the case of a legal entity, any shareholders holding more than 5 per cent. (for companies which have issued securities listed on an official secondary market) or 10 per cent. (for companies which have not issued securities listed on an official secondary market) of the share capital and companies pertaining to the same group as such debtor and their common shareholders, provided that such shareholders meet the minimum shareholding requirements set forth before and the insolvent company's directors, de facto directors, liquidators and general attorneys and those holding any of such capacities during the two years prior to the insolvency declaration. Subordinated creditors are second-level creditors; they cannot vote on a settlement agreement (but are bound by the contents of the settlement agreement) and will be paid only if and after all privileged and ordinary debts have been fully satisfied.

The Spanish Insolvency Law has been recently amended by virtue of Royal Decree-Law 4/2014, of 7 March and Royal Decree-Law 11/2014, of 5 September (the “**recent amendments**”) whereby, inter alia, a new regime for certain pre-insolvency refinancing agreements and settlement agreements has been set forth. In particular, according to such recent amendments, certain judicially-sanctioned refinancing agreements and settlement agreements (*convenio*) reached by a debtor in an insolvency scenario are capable of binding dissenting (including absentee) unsecured and secured creditors of financial indebtedness (“**dissenting creditors**”) *vis-à-vis* such debtor. Whether dissenting creditors are bound by a judicially-sanctioned refinancing agreement or a settlement agreement depends on the level of support received from the various types of creditors.

#### *Claw back regime*

The acts performed and agreements entered into by a debtor company within the two years immediately preceding the declaration of insolvency may be set aside by the court upon the petition of the receivers or the creditors if such acts are considered to be prejudicial to the company's asset base. The burden of proof is on the receivers or the creditors, as the case may be, alleging that such acts were prejudicial. However:

- (i) certain acts and agreements are presumed to be prejudicial to the company's assets base, without any possibility for the parties to file evidence against this presumption (this is applicable in the case of gifts and early payments of unmatured debts which are not secured with a right in rem);



- (ii) in respect of certain acts and agreements (such as, for instance, the creation of security in respect of pre-existing obligations other than certain real estate security, onerous contracts entered into with certain related persons, or early payments of unmatured debts secured with a right in rem) the burden of proof is reversed, and the burden of proof is on the creditor(s) to rebut, to the court's satisfaction, the presumption that the company's asset base was prejudiced through those acts and agreements; and
- (iii) transactions made within the company's ordinary course of business cannot be rescinded on the basis of being prejudicial to the company's asset base.

The main consequence of rescission is that the reciprocal obligations must be restored and the receivable of the creditor (if any) will be classified as a debt of the insolvency estate (please see paragraph (i) of "*Classification of the company's debts*" above) unless the court finds that the creditor acted in bad faith, in which case its claim will be classified as a subordinated debt.

The above remedy is without prejudice to the possibility to rescind those acts and contracts entered into by the company (i) in fraud of creditors during the previous four years or (ii) as null and void (*acción de nulidad*) being this later action, as a declarative one, subject to no statute of limitation period.

The agreements in relation to the Notes could be challenged if, amongst others things, those transactions were deemed to have been prejudicial, as explained above.

## 2. OVERVIEW

The following overview provides the summary of the essential characteristics of the Notes. This overview should be read as an introduction to this Prospectus. Any decision by an investor to invest in the Notes should be based on consideration of this Prospectus as a whole, including in particular the “Risk Factors” section and any documents incorporated by reference and any supplements hereto.

<b>Form, denomination and title</b>	The Notes have been issued in bearer form in euro (the “ <b>Specified Currency</b> ”) in an aggregate nominal amount of €140,000,000 (the “ <b>Aggregate Nominal Amount</b> ”) and denomination of €100,000.
<b>Status</b>	The Notes and Coupons constitute direct, unconditional and unsubordinated obligations of the Issuer which will be secured as provided in “ <i>Terms and Condition of the Notes-Security</i> ”. The Notes shall at all times rank <i>pari passu</i> without any preference within themselves and at least equally with all other unsubordinated obligations of the Issuer, from time to time outstanding.
<b>Title and transfer</b>	Title to the Notes and Coupons passes by delivery. The holder of any Note will be treated as its absolute owner for all purposes and no person will be liable for so treating the holder.
<b>Issue and Maturity Date</b>	The Notes were issued on 19 February 2015 (the <b>Issue Date</b> ) and will mature on 21 February 2022 (the <b>Maturity Date</b> ).
<b>Listing and admission to trading</b>	Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on the Main Securities Market.
<b>Clearing Systems</b>	Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme.
<b>Fiscal Agent</b>	Citibank, N.A., London Branch
<b>Listing Agent</b>	Arthur Cox Listing Services Limited
<b>Security</b>	Once the Security is perfected pursuant to Spanish law, the obligation of the Issuer under the Notes will be secured by: (i) first ranking mortgages ( <i>hipotecas inmobiliarias de primer rango</i> ) over certain properties owned by the Issuer and the Property Subsidiaries with an aggregate maximum secured amount of 20% of the principal amount of the Notes (that could be extended to an aggregate maximum secured amount of 130% of the principal amount of the Notes under certain circumstance); and (ii) first ranking pledges ( <i>prendas ordinarias de primer rango</i> ) over the shares ( <i>acciones</i> ) or share quotas ( <i>participaciones sociales</i> ), as applicable, of the Property Subsidiaries. See “ <i>Terms and Condition of the Notes-Security</i> ”.
<b>Negative Pledge</b>	The terms and conditions of the Notes contain a negative pledge provision as described in “ <i>Terms and Condition of the Notes-Negative Pledge</i> ”
<b>Covenants</b>	<p>The terms and conditions of the Notes contain certain covenants, including:</p> <ul style="list-style-type: none"><li>• Maintenance of Interest Cover Ratio</li><li>• Maintenance of Loan to Value Ratio</li><li>• Creation of Security on the Closing Date</li><li>• Transformation of Riverton Gestión and creation of a first ranking mortgage over the Riverton Gestion Property</li><li>• Amendment of the Mortgages upon the occurrence of a Substitution – Substitutions will have to comply with the requirements set out in Condition 3 d).</li><li>• Extension of the Mortgages upon the occurrence of a Mortgage Extension Event</li><li>• Creation of pledges of shares of the Future Property Subsidiaries</li><li>• Cash collateral and creation of a pledge over an Escrow Account</li></ul> <p>See “<i>Terms and Condition of the Notes-Covenants</i>”</p>
<b>Interest</b>	2.90%
<b>Redemption and purchase</b>	
<b><i>Redemption at maturity</i></b>	Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date.
<b><i>Redemption for tax reasons</i></b>	The Notes may be redeemed at the option of the Issuer in whole, but not in part, at their principal amount together with interest accrued to the date fixed for redemption, if the Issuer has or will become obliged to pay any additional amounts as a result of any change in law and such obligation cannot be avoided by the Issuer

	taking reasonable measures available to it. See “ <i>Terms and Conditions-Redemption and Purchase-Redemption for taxation reasons</i> ”.
<b>Redemption at the option of the Issuer</b>	The Issuer may at any time prior to the Maturity Date redeem all, but not some only, of the Notes at a redemption price per Note equal to the Make Whole Amount together with interest accrued to but excluding the date fixed for such redemption. See “ <i>Terms and Conditions-Redemption and Purchase-Redemption at the option of the Issuers</i> ”.
<b>Mandatory redemption upon the occurrence of a Disposal</b>	If following a sale or transfer of Properties by the Issuer, the Pro Forma Notes Loan to Value Ratio is above 60.00 per cent. the Issuer shall redeem the Notes, at a redemption price per Note equal to the Make Whole Amount together with interest accrued to but excluding the date fixed for such redemption, in a principal amount as is necessary for the Issuer to ensure the Pro Forma Notes Loan to Value Ratio is lowered to at least 60.00 per cent. See “ <i>Terms and Conditions-Redemption and Purchase-Mandatory redemption upon the occurrence of a Disposal</i> ”.
<b>Redemption at the option of the Noteholder</b>	Upon the occurrence of a Change of Control or a Tender Offer Triggering Event, each Noteholder may notify the Issuer that it requires the early redemption of some or all of its Notes. The Issuer will redeem in whole, but not in part, the Notes subject of the notice on the Relevant Event Redemption Date at their principal amount, together with interest accrued to the date fixed for such redemption. See “ <i>Terms and Conditions-Redemption and Purchase-Redemption at the option of the Noteholders</i> ”.
<b>Payments</b>	Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) at the Specified Office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.
<b>Taxation</b>	Subject to Condition 9 of the Terms and Condition of the Notes-Events of default ( <i>Taxation</i> ), all payments of principal and interest in respect of the Notes by the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Spain or any political subdivision or any authority thereof or therein having power to tax unless such withholding or deduction is required by law.
<b>Events of default</b>	<p>The terms and conditions of the Notes contain events of default, including:</p> <ul style="list-style-type: none"> <li>• Non-payment</li> <li>• Breach of Obligations</li> <li>• Breach of Covenant</li> <li>• Cross-acceleration</li> <li>• Enforcement Proceedings</li> <li>• Security Enforced</li> <li>• Insolvency</li> <li>• Winding-up</li> <li>• Authorisation and Consents</li> <li>• Unlawfulness</li> <li>• Analogous Events</li> </ul> <p>See “<i>Terms and Condition of the Notes-Events of default</i>”</p>
<b>Prescription</b>	Claims in respect of principal and interest will become void unless presentation for payment is made within a period of 10 years in the case of principal and five years in the case of interest from the date on which such payment first becomes due and if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which, full amount having been so received, notice to such event has been given to the Noteholders. See “ <i>Terms and Condition of the Notes-Prescription</i> ”.
<b>Replacement of Notes and Coupons</b>	If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Fiscal Agent upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require. Mutilated

or defaced Notes or Coupons must be surrendered before replacements will be issued. See “*Terms and Condition of the Notes-Replacement of Notes and Coupons*”.

**Syndicate of Noteholders and modification**

The Noteholders shall meet in accordance with the regulations governing the Syndicate of Noteholders (the **Regulations**). The Regulations shall contain the rules governing the functioning of the Syndicate and the rules governing its relationship with the Issuer. Bondholders, S.L. has been appointed as temporary Commissioner of the Syndicate of Noteholders.

**Notices**

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in London, and, for as long as the Notes are admitted to the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange, a leading newspaper having general circulation in the Republic of Ireland or published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) or, in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Copies of any notice given to any Noteholders will also be given to the Commissioner of the Syndicate of Noteholders.

Until such time as any definitive Notes are issued, there may, so long as any global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg be substituted for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders in accordance with their respective rules and operating procedures. Any such notice shall be deemed to have been given to the Noteholders on the day on which the notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate. See “*Terms and Condition of the Notes-Notices*”.

**Governing law and submission to jurisdiction**

***Governing law***

The Notes and any non-contractual obligations arising out of or in connection with the Fiscal Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law. Condition 2 and the provisions of Condition 13 relating to the appointment of the Commissioner and the Syndicate of Noteholders are governed by, and shall be construed in accordance with, Spanish law.

***Submission to jurisdiction***

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Coupons may be brought in such courts.

***Agent for Service of Process***

Intertrust (UK) Limited

### **3. DOCUMENTS INCORPORATED BY REFERENCE**

The following documents shall be deemed to be incorporated in this Prospectus and form part of this Prospectus provided however that any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement:

- (i) IPO Prospectus: Prospectus related to the listing of the Issuer's shares dated 13 February 2014 prepared in accordance with Regulation (EC) No. 809/2004 and the Prospectus Directive and approved by and registered with the CNMV. The IPO Prospectus is available at:

[http://larespana.com/es/wp-content/uploads/2014/03/Prospectus\\_Lar\\_Espana.pdf](http://larespana.com/es/wp-content/uploads/2014/03/Prospectus_Lar_Espana.pdf)

- (ii) Interim consolidated financial statements corresponding to the period of eight months and fourteen days ended September 30, 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union together with Limited Review Report, available at:

<http://larespana.com/en/wp-content/uploads/2015/02/limited-review-30092014.pdf>

## 4. DESCRIPTION OF THE ISSUER

### 4.1 Introduction

Lar España Real Estate SOCIMI, S.A. is a Spanish property investment company incorporated on 17 January 2014. The Issuer has an experienced Board, chaired by Mr. Jose Luis del Valle, and is externally managed by Grupo Lar Inversiones Inmobiliarias, S.A. (“**Grupo Lar**” or the “**Investment Manager**”) in the terms and under the conditions set forth in the investment manager agreement they entered into on 12 February 2014 (the “**Investment Manager Agreement**”). The shares of the Issuer are listed on the Spanish Stock Exchanges and quoted through the SIBE (*Sistema de Interconexión Bursátil or Mercado Continuo*) of the Spanish Stock Exchanges. The Issuer is set up as a Spanish Listed Corporation for Investment in the Real Estate Market (*Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario* or “**SOCIMI**” according to its initials in Spanish) and, thus, is taxed under the special regime applicable to this kind of entities (the “**SOCIMI Regime**”) which is further described in section 10.1 of this Prospectus.

The Issuer’s strategy is to create a property portfolio consisting primarily of commercial property in Spain to deliver income and capital growth through active asset management. The Issuer relies on active asset management to maximise operating efficiency and profitability at the property level. As of the date of this Prospectus, the Issuer’s real estate portfolio comprises the assets described in section 4.6 below.

### 4.2 Information on the Issuer

The Issuer was incorporated and registered in Spain on 17 January 2014 pursuant to the Spanish Companies Act as a public limited company (a *sociedad anónima* or S.A.) under the name Lar España Real Estate, S.A., subsequently changed to Lar España Real Estate SOCIMI, S.A. upon election of SOCIMI special tax regime. The Issuer is incorporated for an unlimited term.

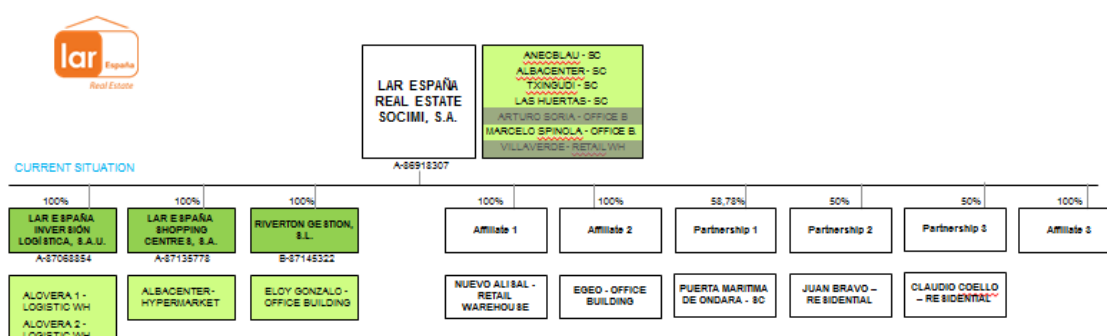
The principal legislation under which the Issuer operates is the Spanish Companies Act and the regulations made thereunder.

The registered office the Issuer is at Rosario Pino 14-16, 28020 Madrid, Spain (Telephone number: +34 91 436 04 37).

The financial year end of the Issuer is 31 December.

The Issuer, which is domiciled in Spain and resident in Spain for tax purposes, holds Tax Identification Number (*Número de Identificación Fiscal*) A-86918307.

The chart below reflects the current position of the Issuer within its corporate group, which it heads. Please see section 5 for further information on the perimeter reorganization that the Issuer expects to implement following the issue of the Notes.



### 4.3 The Investment Manager and the Management Team

In order to manage the Issuer’s activity, Grupo Lar has appointed a management team which currently comprises Mr. Luis Pereda, Mr. Miguel Pereda, Mr. Jorge Pérez de Leza, Mr. Miguel Ángel González, Mr. Arturo Perales and Mr. José Manuel Llovet (together, the “**Management Team**”). All of the members of the Management Team are property and finance professionals with extensive experience in Spanish real estate and a notable track record of creating value for shareholders.

The Issuer believes that the extensive experience of the Management Team, which is one of the most experienced real estate management teams in Spain, and the Investment Manager's management professionals will provide the Issuer with investment opportunities across all of its targeted asset classes. The track record of the Management Team is concentrated principally within Grupo Lar.

### ***Grupo Lar***

Grupo Lar was originally formed in 1985 in Madrid and is currently one of the biggest property companies in Spain with nearly 30 years of experience in the sector and with a presence in seven countries: Spain, Mexico, Brazil, Poland, Romania, Colombia and Peru. Grupo Lar has a diversified real estate business across asset classes (such as offices, retail, residential, etc.). Grupo Lar also has experience across the value chain through experience in investment, development, asset management and property management.

In addition, Grupo Lar currently has a 61% participation in Gentalia 2006, S.L. ("**Gentalia**"), one of the leading companies in Spain in shopping centre property management. Gentalia provides consultancy, asset management, leasing and day-to-day management services to shopping centres.

Grupo Lar is effectively controlled by the Pereda Family. Two of the six members of the Management Team (Mr. Luis Pereda and Mr. Miguel Pereda) are members of the Pereda Family and, therefore, shareholders of the Investment Manager. In addition, Mr. Luis Pereda and Mr. Miguel Pereda are, respectively, the Executive Chairman and Co-CEO of Grupo Lar. Mr. Miguel Pereda is also a member of the Issuer's Board. The remaining share capital is distributed among treasury shares (approximately 2,5%) and an entity sub-advised by Proprium Capital Partners, LLC, a Delaware limited liability company.

## **4.4 The Business Strengths**

The Issuer benefits from its position as one of the first established and well capitalised Spanish SOCIMIs and the aid of an experienced active asset manager such as Grupo Lar to invest and take advantage of the ongoing recovery in the real estate market in Spain. Throughout the investment process, the Issuer has access to the Investment Manager's management and administration function which addresses various operational matters, including the provision of various accounting, administrative, registration, reporting and record keeping services. This way, the Management Team can seize investment opportunities in a timely manner without having to build a large internal infrastructure and the Issuer has access to the asset and property management functions of a leading Spanish real estate group in the most management intensive cycle of the Issuer.

Additionally, the Issuer enjoys the following key strengths:

### ***Diversified property portfolio acquired at attractive levels in a recovering market***

The Issuer has gradually fully deployed the net proceeds raised in its IPO in commercial real estate properties throughout Spain. The total acquisition price of the properties acquired as of 31 December 2014 amounts to €351 million. Additionally, the acquisition of a 58.78% stake in the share capital of the company Puerta Marítima Ondara, S.L., was carried out for a total amount of €17.5 million.

The current portfolio is diversified throughout different asset classes. The main asset classes are retail and office with a 57% and 30% of total acquisition price respectively. Additionally, the Issuer has acquired two prime logistic assets accounting for the remaining 13% of total acquisition price.

Geographically, the portfolio locations are a consequence of the Issuer's target investment strategy. Retail assets are mainly located in Northern Spain and in selected coastal areas. Office assets are located in Madrid and logistic assets are located in a prime location in the Henares Corridor, one of Spain's main logistic hubs outside of Madrid direction to Barcelona. Acquisitions have been done at attractive levels given the initial yields on cost reported by the Issuer (see details in table of section 4.6 below).

### ***Strong track record of the Investment Manager in commercial and residential real estate in Spain***

The Investment Manager, Grupo Lar, is one of Spain's most recognisable real estate companies. The Investment Manager has a long and successful track record of creating value for shareholders by investing in and managing properties in a wide range of real estate asset classes in Spain.

The members of the Management Team have been well known within the Spanish real estate markets for many years, and have established relationships in these markets with all of the main stakeholders

in the property and rental markets, including with commercial real estate lenders, domestic banks, property funds, planning authorities, tenants and private investors. The Issuer believes that the Management Team's distinct knowledge of, and competence within, the Spanish commercial and residential property market make the Issuer well placed to capitalise on the opportunities presented by current and expected market conditions. Moreover, the Investment Manager's market position is enhanced by its ability to utilise the scale, experience and specialist expertise of its complementary business activities to maximise value through each asset's ownership cycle.

***Access to a valuable and highly experienced asset management platform***

Through the Investment Manager, the Issuer has access to the asset and property management operation of Grupo Lar which, together with Gentalia, includes 248 full time property, financial and support staff. The Investment Manager has over 15 years of experience in the investment, development and management of shopping centres.

In addition, and as indicated before, Grupo Lar currently has a 61% participation in Gentalia, one of the leading companies in Spain in shopping centre property management. Gentalia provides consultancy, asset management, leasing and day-to-day management services to shopping centres. It currently manages 52 shopping centres in Spain, with a gross leasable area of over 1,263,000 sqm.

***In-depth access to potential investment opportunities***

The Management Team has extensive and long-standing relationships in the Spanish real estate market and has in-depth knowledge of deal sources including corporate and private landlords, brokers, all major domestic banks and the Spanish Company for the Management of Assets Proceeding from Restructuring of the Banking System (*Sociedad de Gestión de Activos Procedentes de la Reestructuración Bancaria* or "SAREB" according to its initials in Spanish). These relationships and knowledge have enabled members of the Management Team to access both off-market and more widely marketed real estate transactions. The Issuer believes that the Management Team's relationships and experience provide the Issuer with the access and ability to cultivate appropriate investment opportunities to meet the Issuer's investment criteria.

***Strong and successful reputation working with third party international investors, including in international partnerships***

One of the key differential values of the Investment Manager is its proven experience in alliance management, which has resulted in clear competitive advantages both with respect to its investment and financial capacity and its international diversification. The success in joint ventures with leading international financial and real estate entities, such as Morgan Stanley, Goldman Sachs, Ivanhoe Cambridge, Henderson Global Investors, Grosvenor and Sonae, and the numerous long-term partnerships with well-known Spanish groups, such as Grupo Eroski, LaCaixa, Banco de Sabadell and Caixa Catalunya, are clear examples of the Investment Manager's dedication towards building fruitful alliances. In addition, the Investment Manager has spread its activity to countries like Mexico, Romania and Brazil, through partnerships with local and international entities, providing long term agreements.

***Strong domestic banking contacts facilitating access to debt facilities***

The Investment Manager has existing relationships with many Spanish financial entities. These relationships have enabled the Investment Manager to access debt financing packages in the various phases of the economic cycle during the past 30 years. In addition, the Management Team has extensive knowledge of possible sources of third party capital, allowing it to tailor the risk profile of each investment and potentially extend its investment reach through joint ventures.

***Focus on an under-served niche market for medium size assets, often too small for remaining foreign and institutional investors and too big for local players trying to act with limited financing***

The Investment Manager has extensive experience in the acquisition of medium size assets, which are often too small for foreign and other institutional investors and too big for local players trying to act with limited financing. The Issuer tries to leverage this experience in order to be positioned as the partner of choice for this type of assets by combining detailed local knowledge, availability of funding, strategic flexibility and cost of capital management.

***Alignment of interests of the Investment Manager with those of other shareholders***



Various factors contribute to the alignment of interests of the Investment Manager with those of other shareholders, including:

- (i) the fact that the Investment Manager acquired approximately a 2.5% stake in the Issuer in the context of the Issuer's IPO, which, with certain limited exceptions, is subject to a lock-up period of three years from the date on which the shares of the Issuer were admitted to trading on the Spanish Stock Exchanges (i.e., 5 March 2014);
- (ii) the fact that, in accordance with the Investment Manager's compensation structure, the Investment Manager receives Issuer's shares (in addition to cash) in compensation for the services provided to the Issuer (such shares being also subject, with certain limited exceptions, to a lock-up period of three years from the date of their delivery to the Investment Manager);
- (iii) the fact that the Investment Manager is only able to conduct certain investments and activities through the Issuer (as the Investment Manager has undertaken, subject to certain exceptions, not to acquire or invest in commercial property in Spain which is within the parameters of the investment strategy of the Issuer); and
- (iv) the fact that the Investment Manager Agreement can be terminated at the Issuer's election at the end of its initial five-year term with no penalty if the Issuer is not satisfied with the Investment Manager's performance.

As a result of the above, the Issuer believes that the interests of the Investment Manager should be closely aligned with those of the other shareholders.

#### **4.5 Investment policy and strategy**

The Issuer sources its investment opportunities primarily through the Management Team's extensive network of relationships within the Spanish commercial property market which include the corporate and private landlords, brokers, all major domestic banks and SAREB. The Management Team intends to focus on creating both sustainable income and strong capital returns for the Issuer.

##### *4.5.1 Investment criteria and property characteristics*

In carrying out their functions under the Investment Manager Agreement, the Investment Manager and the members of the Management Team must follow certain investment and leverage criteria, with the aim to focus their investment decisions on the acquisition of primarily commercial properties in Spain which preferably require an active asset management and fit within the Issuer's purpose of creating a real estate portfolio capable of paying dividends in line with the applicable Spanish SOCIMI Regime requirements, and generate capital returns for the Issuer's shareholders.

Pursuant to the Investment Manager Agreement, the total gross asset value of the assets forming part of the Issuer's real estate portfolio ("**Total GAV**") must be distributed as follows (measured as at the time investments are made):

- (a) Over 80% of the Total GAV shall be invested in the following target properties (herein jointly referred to as "**Commercial Property**"):
  - (i) Office properties across Spain, primarily focusing on office properties in Madrid and Barcelona.
  - (ii) Retail:
    - shopping centres in Spain;
    - retail parks including big boxes on a selective basis;
    - high street retail on a selective basis;
  - (iii) Other selected commercial real estate properties, for example, industrial properties, which are expected to represent a limited percentage of the Total GAV.
- (b) Up to but less than 20% of the Total GAV shall be invested in first-home residential properties across Spain (herein referred to as "**Residential Property**"). For the avoidance of doubt, second homes are excluded from Residential Property.

When investing in Commercial Property, the Investment Manager and the members of the Management Team focus on mis-priced assets or assets with active asset management opportunities,

for example through repositioning, rental extension or rental optimisation, and adopt a conservative approach with regard to development opportunities in the context of the whole portfolio.

When investing in Residential Property, the Investment Manager and the members of the Management Team primarily target fully-built assets, in very specialised cases consider assets with a component of development risk and consider investing in new developments in niche markets with limited supply of first-homes (for example, in prime neighbourhoods of large cities in which there are limited residential developments).

The Management Team may also consider property development opportunities but currently expects that this will form a limited component of the overall portfolio since the focus of the Issuer is on cash flow and active asset management.

The Issuer has the ability to enter into (including at the Investment Manager's request) a variety of investment structures, including joint ventures, acquisitions of controlling interests or acquisitions of minority interests within the parameters stipulated in the Spanish SOCIMI Regime. There is no limit imposed by the Spanish SOCIMI Regime on the proportion of the Issuer's portfolio that may be held through joint ventures. In addition, acquisitions of assets may be done through any type of agreement and structure, including though the acquisition of non-performing loans and other types of financial instruments.

When implementing the Issuer's Investment Strategy, the Investment Manager will not in any event invest more than 20% of the Issuer's equity capital in a single asset.

Pursuant to the Spanish SOCIMI Regime, the Issuer is required, among other things, to conduct a property rental business and comply with the following requirements: (i) it must invest at least 80% of the Total GAV in leasable urban real estate properties, land plots acquired for the development of leasable urban real property to the extent that development starts within the following three-year period as from acquisition or shares of other SOCIMIs, foreign entities or subsidiaries engaged in the aforementioned activities with similar distribution requirements, and (ii) at least 80% of its net annual income must derive from rental income and from dividends or capital gains in respect of the abovementioned assets.

#### *4.5.2 Investment sourcing*

The Management Team is well placed to secure properties which meet the Issuer's investment criteria due to its strong track record in commercial and residential real estate in Spain, its established network to source off-market deals (including as a result of its strong domestic banking contacts and successful reputation working with third party investors as co-investors and joint ventures, among others) and as a result of the high visibility that the Issuer has achieved as a listed vehicle. The Management Team sources deals from competitive auctions, restricted auctions and off-market deals.

The Issuer's investments are primarily be sourced through a combination of the following core avenues (of which the Management Team has detailed knowledge):

##### ***High net worth individuals and corporations***

The Management Team believes that certain high net worth individuals and corporations are seeking to divest Spanish real estate assets in light of increased transaction activity in the market in order to deleverage or to reduce their Spanish real estate exposure. A number of private investors are increasingly looking to deleverage their own balance sheet. The Management Team believes that this is a source of opportunities to acquire assets that meet the Issuer's investment criteria.

##### ***Banking institutions/receivers/borrowers***

The excessive use of leverage in the purchase of Spanish commercial real estate, particularly in the middle part of the last decade, and the subsequent severe re-pricing in values has resulted in banking institutions that provided credit for such purchases having significant legacy exposure, both direct and indirect, to Spanish commercial real estate assets. Many Spanish banks have developed divestment strategies with respect to their legacy exposures to commercial real estate assets that have not been transferred to the SAREB. Moreover, a number of non-Spanish banks that operate in the Spanish market are undertaking initiatives to reduce their Spanish real estate exposure. These efforts result in a number of property acquisition and investment opportunities for the Issuer. Assets may become available directly from the banks divesting them, from receivers appointed over the assets, or from borrowers who are selling under the guidance of the banks or receivers.

### ***Institutional funds***

The Management Team believes that certain institutional funds, such as pension funds or life assurance companies, are seeking to divest Spanish real estate assets as liquidity re-emerges in the Spanish real estate investment market in order to alter the weightings within their respective investment portfolios. The Management Team believes the divestments range from small reweighting exercises to outright exit from the Spanish real estate market. This is also a source of opportunities to acquire assets that meet the Issuer's investment criteria.

### ***SAREB***

As one of a number of initiatives taken by the Spanish government to address the serious problems which arose in Spain's banking sector as a result of excessive property lending, SAREB was established in November 2012 to acquire certain assets (mainly, foreclosed real estate assets and loans for real estate development) from distressed financial institutions.

The creation of SAREB has been perceived by the local and international investment community as a positive step towards the recovery of the banking sector. By acquiring foreclosed real estate assets and loans for real estate development, SAREB has injected liquidity in the market and has improved transparency. In addition, since the announcement of the creation of SAREB, the deleveraging process of Spanish banks has accelerated. Loan portfolios and distressed assets, particularly residential units, are coming into the market and, the Issuer believes, attracting the attention of local and international investors.

SAREB is selling at a discount finished real estate assets, projects under development, land for development and loans secured by real estate to national and international investors. The Issuer expects that SAREB is a source mainly for minority investments in residential joint ventures.

### ***Private equity investors***

The Management Team believes that private equity investors are also seeking to divest Spanish real estate assets in light of the increase in transaction activity in the market in order to alter the weightings within their respective investment portfolios. These efforts result in a number of property acquisition and investment opportunities for the Issuer.

#### ***4.5.3 Portfolio approach***

The Management Team has implemented a thorough and disciplined approach to asset acquisition and management with a view to managing the risk profile of income streams and in-depth underwriting of each capital expenditure plan (including rigorous analysis of tenant financial strength).

The intention of the Management Team is, where appropriate, to improve income profiles and add value to the Issuer's property portfolio through asset management techniques which include:

- Renegotiating or surrendering leases;
- Improving lease lengths and tenant profile;
- Undertaking physical improvements where considered appropriate;
- Improving layouts and space efficiency of specific assets;
- Changing the tenant mix of certain properties;
- Maintaining dialogue with tenants to assess their requirements;
- Taking advantage of planning opportunities where appropriate;
- Repositioning and upgrading assets; and
- Selective development.

#### ***4.5.4 Investment funding***

Pursuant to the Investment Manager Agreement, when implementing the Issuer's Investment Strategy, the Investment Manager and the members of the Management Team seek to use leverage over the long-term and consider using hedging where appropriate to mitigate interest rate risk, subject to the following principles:

- (a) The target of the Issuer is that total leverage, represented by the Issuer's aggregate borrowings (net of cash) as a percentage of the most recent Total GAV of the Issuer, is up to 50% in total.
- Notwithstanding the foregoing, the Board of Directors, including at the proposal of the Investment Manager, may modify the Issuer's leverage policy (including the level of leverage) from time to time in light of then-current economic conditions, the relative costs of debt and equity capital, the fair value of the Issuer's assets, growth and acquisition opportunities or other factors it deems appropriate.
- (b) Debt financing for acquisitions is assessed on a deal-by-deal basis initially with reference to the capacity of the Issuer to support leverage.
- (c) Debt on development properties is, to the extent possible, ring-fenced in order to exclude recourse to other assets of the Issuer.

The Investment Manager has undertaken, as a general rule and unless the nature of the investment advises otherwise, to carry out investments using proceeds obtained from the Issuer's IPO and any other issue of securities. When necessary, debt may be raised in line with the leverage criteria described above.

## 4.6 Real Estate portfolio and Valuation Reports

### A) Portfolio

As of the date of this Prospectus, the Issuer has already deployed €458.7 million in the acquisition of 15 different properties spread across three commercial real estate asset classes including retail, office and logistics assets located in different markets throughout the Spanish geography.

A detailed summary table with selected key parameters on each asset is presented below:

Asset	Location	Asset Class	Ownership (%)	Acquisition Date	Total GLA (sqm)	Price (€ MM)	Debt (€ MM)	Building Capex (€ MM)	Initial Occupancy (%)	Initial Yield on Cost	Monthly Rent (€/sqm)
L'Anc Blau	Barcelona	Shopping center	100%	31-jul-2014	28,863	80.0	-	0.60	90.4% <sup>2</sup>	6.1%	16.9
Portal de la Marina	Alicante	Shopping center	59%	30-oct-2014	30,007 <sup>1</sup>	47.6 <sup>10</sup>	30.1	-	89.9%	6.6%	17.6
Albaceter	Albacete	Shopping center	100%	30-jul-2014	15,488	28.4	-	1.30	91.7% <sup>4</sup>	6.9%	12.4 <sup>5</sup>
Albaceter Hyper	Albacete	Hypermarket + 2 retail units	100%	19-dic-2014	12,486	11.5	-	0.92	100.0%	7.4%	6.2
Txingudi	Guipuzcoa	Shopping center	100%	24-mar-2014	3,920	27.67	-	0.58	90.3%	6.7%	18.8
Las Huertas	Palencia	Shopping center	100%	24-mar-2014	6,108	11.7	-	0.96	85.9%	6.9%	15.8
Nuevo Alisal	Santander	Retail warehouse	100%	17-dic-2014	7,648	17.0	7.8	0.035	100.0%	6.8%	13.6
Villaverde	Madrid	Retail warehouse	100%	29-jul-2014	4,391	9.1	-	0.10	100.0%	7.5%	14.8
Egeo	Madrid	Offices	100%	16-dic-2014	18,254	64.9	30.0	1.28	100.0%	5.6%	15.9
Arturo Soria	Madrid	Offices	100%	29-jul-2014	8,663	24.2	-	0.68	82.7%	5.4%	Offices <sup>6</sup> : 15.6
Marcelo Spínola	Madrid	Offices	100%	31-jul-2014	8,584	19.0	-	8.50	38.2%	7.7% <sup>3</sup>	Offices <sup>7</sup> : 13.9
Eloy Gonzalo	Madrid	Offices	100%	23-dic-2014	6,231	12.73	-	1.91	95.9%	5.2%	Offices <sup>8</sup> : 7.9
Alovera II	Guadalajara	Logistic warehouse	100%	13-oct-2014	83,951	32.15	-	4.01	100.0%	10.2%	3.5
Alovera I	Guadalajara	Logistic warehouse	100%	07-ago-2014	35,196	12.7	-	0.97	100.0%	9.6%	3.1
Juan Bravo 3 / C. Coello Building	Madrid	Residential development	50%	30-eac-2015	23,932	60.0	25.0	NA	NA	NA	NA
<b>BOND PERIMETER<sup>9</sup></b>					<b>206,827</b>	<b>235.8</b>	<b>-</b>	<b>19.8</b>			
<b>TOTAL SIGNED</b>					<b>299,722</b>	<b>458.7</b>	<b>92.9</b>	<b>21.9</b>			

<sup>1</sup> Total GLA, of which LRE owns 58.78% of the property.

<sup>2</sup> Includes GLA from H&M and Mercadona Enlargement. Initial Occupancy of Mall Area: 96.9%.

<sup>3</sup> Estimated 95% occupancy

<sup>4</sup> 14.6% occupancy comes from guaranteed rent

<sup>5</sup> Excl. Guaranty: 13.74

<sup>6</sup> Santander (Retail unit) Rent not included

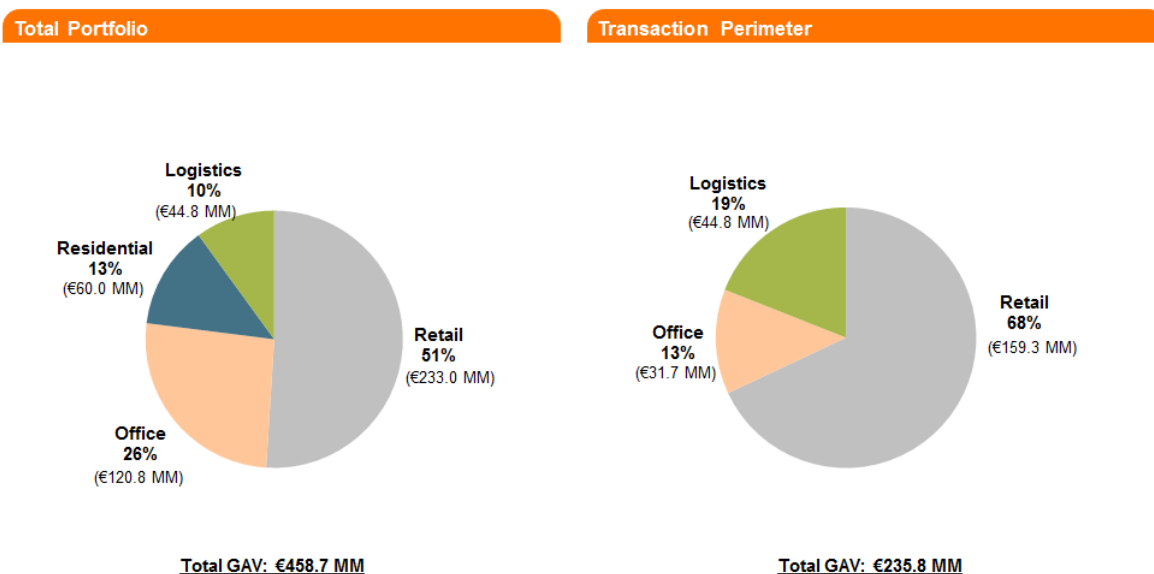
<sup>7</sup> Additional income from Telephonic Agreements

<sup>8</sup> Retail: 11.6

<sup>9</sup> Rows shaded in orange indicate asset is part of transaction perimeter

<sup>10</sup> Bank debt net of adjustments

The breakdown by asset class and acquisition price of the Issuer's total portfolio and assets included in the transaction perimeter are as follows:



The Issuer's portfolio as of the date of this Prospectus is composed of the following assets:

#### 4.6.1 L'Anec Blau

On 31 July 2014, the Issuer acquired from Igipt Spain One, S.L.U. a shopping centre located in Castelldefels, Barcelona, with an approximate gross leasable area ("GLA") of 28,863 square meters.

The acquisition was carried out for a total amount of €80 million, fully paid with the funds of the Issuer.

With 4.7 million visitors in 2013, the shopping centre L'Anec Blau, opened in 2006 and is situated in the city of Castelldefels, a tourist destination within the province of Barcelona.

The main tenants of this shopping centre are Yelmo, H&M, Mango, Inditex Group and Mercadona. The initial yield (calculated as annualised first quarter after acquisition net operating income divided by purchase price ("**Initial Yield on cost**")) of the project amounts to 6.1%. It has an initial occupancy (calculated as occupied area divided by total leasable area ("**Occupancy**")) of 90.4% including the terrace and 98.2% in the mall area.

This shopping centre is registered with the Land Registry of Castelldefels.

#### 4.6.2 Ondara

On 10 October 2014, the Issuer formalised an agreement with Cecosa Hipermercados, S.A. for the acquisition of a 58.78% stake in the share capital of the company Puerta Marítima Ondara, S.L., owner of the shopping centre "Portal de la Marina" (except from the supermarket premises), in Ondara, Alicante. The remaining share capital of Puerta Marítima Ondara, S.L. is owned by an affiliate of the Investment Manager. The transaction was completely executed on 30 October 2014. The Issuer consolidates Puerta Marítima Ondara, S.L. by using the equity method.

The acquisition was carried out for a total amount of €17.5 million.

The shopping centre Portal de la Marina, opened in 2000, has an approximate GLA of 30,007 square meters, divided into two floors and 1,600 parking places.

The main tenants of this shopping centre are Kiabi and Mango. The Initial Yield on cost of the project amounts to 6.6%. It has an initial Occupancy of 90%.

This shopping centre is registered with the Land Registry of Pedreguer.

#### *4.6.3 Albacenter Shopping Centre*

On 30 July 2014, the Issuer acquired from Unibail-Rodamco a shopping centre located in Albacete, with an approximate GLA of 15,488 square meters.

The acquisition was carried out for a total amount of €28.4 million, fully paid with the funds of the Issuer.

Albacete, with an approximate provincial population of 402,837 inhabitants and a municipal population of approximately 172,472, is the largest city in Castilla-La Mancha. This building, with 4 million visitors in 2013, was opened in 1996, and provides mass market fashion operators and is anchored by an Eroski hypermarket.

The main tenants of Albacenter shopping centre are Inditex Group, H&M, Sprinter and Burger King. The Initial Yield on cost of the project amounts to 6.9%. It has an initial Occupancy of 91.7%.

This shopping centre is registered with the Land Registry number 3 of Albacete.

#### *4.6.4 Albacenter Hypermarket and two retail units*

On 19 December 2014, the Issuer, through its subsidiary Lar España Shopping Centres, S.A.U. acquired from Joparny S.L. a hypermarket adjacent to the Albacenter Shopping Center, located in Albacete, with a GLA of 12,486 square meters.

The acquisition was carried out for a total amount of €1.5 million and was fully paid with funds of the Issuer.

The tenants of the Albacenter Hypermarket are Eroski, Primark and Orchestra. The Initial Yield on cost of the project amounts to 7.4%. The building has an initial Occupancy of 100%.

The Albacenter Hypermarket and the referred two retail units are registered with the Land Registry number 3 of Albacete.

#### *4.6.5 Txingudi*

On 24 March 2014, the Issuer acquired from Corio Real Estate España, S.L. the shopping centre called Txingudi Parque Comercial, in Irún (Basque Country), with an approximate GLA of 9,920 square metres.

The acquisition was carried out for a total amount of €27.7 million and was fully paid with the funds of the Issuer.

With a total of 4 million visitors in 2012, Txingudi Parque Comercial was opened in 1997 and has a total GLA of 34,400 square meters. Its immediate area forms a consolidated mixed industrial and commercial area, with excellent and immediate access to the national motorway network and access to the city. Other owners are Alcampo, Decathlon, Norauto, McDonalds, Casa and Merkal. The main tenants of the Issuer's units of Txingudi are Kiabi, MangoPimkie, Springfield and Promod.

The Initial Yield on cost of the project amounts to 6.7%. The building has an initial Occupancy of 90%.

This shopping centre is registered with the Land Registry of Irún.

#### *4.6.6 Las Huertas*

On 24 March 2014, the Issuer acquired from Corio Real Estate España, S.L. the shopping centre called Centro Comercial Las Huertas, in Palencia (Castilla y León), with an approximate GLA of 6,108 square metres.

The acquisition was carried out for a total amount of €1.7 million and was fully paid with the funds of the Issuer.

With a total of 2.3 million visitors in 2013, Centro Comercial Las Huertas is a well located shopping centre in a mixed residential and retail area and was opened in 1989. The main tenants of the Issuer's units of Las Huertas are Sprinter, Merkal and Pull&Bear.

The Initial Yield on cost of the project amounts to 6.9%. The building has an initial Occupancy of 86%.

This shopping centre is registered with the Land Registry number 3 of Palencia.

#### *4.6.7 Nuevo Alisal*

On 17 December 2014, the Issuer, through its subsidiary Lar España Parque de Medianas S.A.U., acquired from Grupo Empresarial Sadisa, S.L. two retail warehouses located at Nuevo Alisal retail park, in Santander (Cantabria), with a GLA of approximately 7,648 square meters.

The acquisition was carried out for a total amount of €17 million, paid with a combination of equity and bank financing.

These stand-alone units were constructed in 2004.

The tenants of these two retail warehouses are Media Markt and Toys “R” Us. The Initial Yield on cost of the project amounts to 6.8%. The building has an initial Occupancy of 100%.

These retail warehouses are registered with the Land Registry number 2 of Santander.

#### *4.6.8 Villaverde*

On 29 July 2014, the Issuer acquired from Internationales Immobilien Institut GMBH a commercial warehouse located at Santa Petronila 1, Villaverde, Madrid, with an approximate GLA of 4,391 square meters.

The acquisition was carried out for a total amount of €9.1 million, fully paid with the funds of the Issuer.

With 114 underground parking places, this stand-alone unit, constructed in 2002, is situated in a consolidated urban and residential area, with an excellent visibility, i.e. facade to Juan José Martínez Seco Street and Andalucía Avenue.

The only tenant of Villaverde is Media Markt. The Initial Yield on cost of the project amounts to 7.5%. The building has an initial Occupancy of 100%.

This commercial warehouse is registered with the Land Registry number 44 of Madrid.

#### *4.6.9 Edificio Egeo*

On 16 December 2014, the Issuer, through its subsidiary Lar España Offices, S.A.U., acquired from Meag Munich Ergo Kapitalanlagegesellschaft MBH, an office building in Madrid (Egeo building), located at Campo de las Naciones, Avenida del Partenón 4-6, with an approximate GLA of 18,254 square meters.

The acquisition was carried out for a total amount of €64.9 million, paid with a combination of equity and bank financing.

This office building has 6 stories above ground and 340 parking units.

The main tenants of Egeo building are Ineco and Sanofi. The Initial Yield on cost of the project amounts to 5.6%. It has an initial Occupancy of 100%.

The Egeo building is registered with the Land Registry number 33 of Madrid.

#### *4.6.10 Arturo Soria*

On 29 July 2014, the Issuer acquired from IVG Institutional Funds GMBH, Sucursal en España an office building located at 336, Arturo Soria Street, Madrid, with an approximate GLA of 8,663 square meters.

The acquisition was carried out for a total amount of €24.2 million, fully paid with the funds of the Issuer.

This freestanding building was constructed in 1994 and has nine stories above ground (the ground floor and eight office floors) and four underground floors with 193 parking places. The main tenants of Arturo Soria’s office building are Banco Santander, Clear Channel and Adeslas.

The Initial Yield on cost of the project amounts to 5.4%. The building has an initial Occupancy of 82.8%.

This building in Arturo Soria is registered with the Land Registry number 29 of Madrid.

#### *4.6.11 Marcelo Spínola*

On 31 July 2014, the Issuer acquired from Reyat Urbis S.A. an office building located at 42-44 Marcelo Spínola Street, Madrid, with an approximate GLA of 8,584 square meters.

The acquisition was carried out for a total amount of €19 million, fully paid with the funds of the Issuer.

This freestanding building was constructed in 1994 and has fourteen stories above ground (the ground floor and thirteen office floors), two underground floors with 110 parking places and 46 further outdoor parking places. The principal façade of the building faces Madrid's highway M-30 at is highly visible.

The main tenants of Marcelo Spínola's office building are Maessa, Acer Computer and Sungard. It has an initial Occupancy of 38.2% (Occupancy affected by total refurbishment of the building The Initial Yield on cost of the project amounts to 7.7% with an estimated Occupancy of 95% after total refurbishment in 2015.

#### *4.6.12 Building in Eloy Gonzalo*

On 23 December 2014, the Issuer, through its subsidiary Riverton Gestión, S.L. acquired from Hermanos Bernal Pareja CB an office building in Madrid, located at 27, Eloy Gonzalo Street, with an approximate GLA of 6,231 square meters.

The acquisition was carried out for a total amount of €12.7 million and was fully paid with funds of the Issuer.

This classical building was constructed in 1960 and has eight stories above ground (the ground floor and seven further floors) and a basement. The main entrance to the building is located at Eloy Gonzalo Street. The ground floor and the basement are dedicated to retail and represent a 23% of the total GLA.

The remaining floors are dedicated to office use although the licenses allow a conversion to residential use. Each of the seven floors consists of seven independent modules with the flexibility of combining up to the entire floor if required.

The building has twenty-six different tenants, the main of which are Territorio Creativo, Spotify Spain and Optica Cottet. The Initial Yield on cost of the project amounts to 5.2%. The building has an initial Occupancy of 95.9%.

This building in Eloy Gonzalo is registered with the Land Registry number 28 of Madrid.

#### *4.6.13 Alovera I*

On 7 August 2014, the Issuer, through its subsidiary Lar España Inversión Logística, S.A.U., acquired from Invista European RE Spanish Propco, S.L. two logistic warehouses located at Km. 48 of the A2 motorway in the Corredor del Henares, Alovera (Guadalajara), with an approximate aggregate GLA of 35,196 square meters.

The acquisition was carried out for a total amount of €12.7 million, fully paid with the funds of the Issuer.

These logistic warehouses, constructed between 2000 and 2001, are situated in the municipality of Alovera, in the so called Corredor del Henares, a residential, industrial and business area developed along the Henares River. The total plot reaches a surface of approximately 57,982 square meters.

The main tenant of these two logistic warehouses is Tech Data España, S.A.U. The Initial Yield on cost of the project amounts to 9.6%. It has an initial Occupancy of 100%.

These logistic warehouses are registered with the Land Registry number 3 of Guadalajara.

#### *4.6.14 Alovera II*

In addition, on 13 October 2014, the Issuer, through its subsidiary Lar España Inversión Logística S.A.U., acquired from Henares Edificios, S.A. six logistic warehouses located also at Km. 48 of the A2 motorway in the Corredor del Henares, Alovera (Guadalajara), with an approximate aggregate GLA of 83,951 square meters.



The acquisition was carried out for a total amount of €32.2 million, fully paid with the funds of the Issuer.

These logistic warehouses were constructed between 2000 and 2007. The total plot reaches a surface of approximately 152,590 square meters.

The tenant of these warehouses is Carrefour. The Initial Yield on cost of the project amounts to 10.2%. It has an initial Occupancy of 100%.

These logistic warehouses are registered with the Land Registry number 3 of Guadalajara.

#### *4.6.15 Project Juan Bravo*

On 30 January 2015, the Issuer, through two joint venture companies 50% owned with the Luxembourg entity LVS II LUX XIII S.à r.l. –advised by Pacific Investment Management Company LLC or its affiliates (“**PIMCO**”)–, formalized the acquisition of the following real estate assets located in one of the prime areas of the city of Madrid:

- (i) The plot located in Calle Juan Bravo 3, which will be destined to residential development and has a surface available for building of 26,203 sqm, of which 19,453 sqm are buildable above ground according to the special urban plan and 6,750 sqm below ground distributed in three floors; and
- (ii) The residential building located in Calle Claudio Coello 108, with a GLA of, approximately 5,318 sqm, of which 4,479 sqm are above ground and 839 sqm below ground, which is already occupied and under a lease agreement.

This transaction, which has been primarily executed through the acquisition of credits granted by financial entities in relation to the mentioned assets, is the first co-investment project carried out between the Issuer and PIMCO as a result of the agreements concluded by both entities in the framework of the admission to trading of Lar España.

The acquisition was carried out for a total maximum amount (adjustments still pending as of the date of this Prospectus) of €120 million, which was paid by both partners and the joint ventures with a combination of equity and bank financing.

The plots located in Calle Juan Bravo 3 and Calle Claudio Coello 108 are registered with the Land Registry number 1 of Madrid.

### **B) Valuation Reports**

See Annexes I and II.

### **4.7 Exclusivity and co-investment rights and conflicts of interest**

In accordance with the Investment Manager Agreement, subject to certain exceptions, the Investment Manager has agreed not to invest in commercial property in Spain which is within the parameters of the investment strategy of the Issuer (or to provide services to any person other than the Issuer in connection with such assets) and is required to offer to the Issuer at least a 20% interest of the overall investment in any residential property investment opportunity in Spain it (or any of its affiliates, as defined in the Investment manager Agreement) may plan to carry out. In addition, subject to certain exceptions, each member of the Management Team has undertaken to offer the Issuer a 20% share (if in connection with a residential property) or the full share (if in connection with a commercial property) of the stake available to such member of the Management Team in any investment in which such member of the Management Team intends to participate and which fits within the investment strategy of the Issuer.

Additionally, the Issuer has granted to its main shareholder, LVS Lux XII s.à r.l. –a Luxembourg law governed entity having Pacific Investment Management Issuer LLC (PIMCO) as investment advisor–, which acquired 12.49% of the share capital of the Issuer in the context of its IPO in March 2014 (the “**Anchor Investor**”), a right of first offer in connection with certain commercial property investments in respect of which the Issuer seeks or intends to seek equity capital from one or more third parties, subject to certain exceptions. In addition, the Investment Manager has granted the Anchor Investor with a right of first offer in connection with any residential property investment it intends to undertake, subject to certain exceptions. The Anchor Investor has in turn agreed, with certain limited exceptions, not to compete with the Issuer or the Investment Manager in competitive processes

relating to commercial or residential property in Spain and, under certain circumstances, has granted the Investment Manager with a right of first offer in connection with such investments.

These commitments are described in greater detail below.

#### *4.7.1 Investment Manager Agreement*

Set forth below is a detailed description of the Investment Manager and Management Team's undertakings under the Investment Manager Agreement.

##### ***Exclusivity in Commercial Property with respect to Investment Manager***

The Investment Manager has agreed that, during the term of the Investment Manager Agreement, it will not, and it will require that none of the **"Investment Manager Affiliates"** (meaning, with respect to the Investment Manager, (a) a subsidiary or a subsidiary undertaking (whether direct or indirect) of the Investment Manager; (b) a direct or indirect (through controlled entities under article 42 of the Spanish Commercial Code) shareholder of the Investment Manager (other than those which are not part of the Pereda Family); or (c) another subsidiary or subsidiary undertaking controlled directly or indirectly pursuant to Article 42 of the Spanish Commercial Code by the entities referred to in (b) above) will (i) acquire or invest (on its own behalf or on behalf of third parties or through joint venture agreements) in Commercial Property in Spain which is within the parameters of the investment strategy of the Issuer (except for the following investments (each an **"Exception"**) which are expressly permitted: (a) one or more investments carried out by shareholders of the Investment Manager on their own behalf, provided that such investment or investments do not exceed €2 million in the aggregate throughout the life of the Investment Manager Agreement (or such a higher amount, if any, approved by the Issuer's Board of Directors in exceptional circumstances), and that they are notified to the Board of Directors of the Issuer following their undertaking, and (b) investments by the Investment Manager or any Investment Manager Affiliate in Commercial Property for its own occupation if expressly waived by the Board of Directors) or (ii) act as investment manager, investment adviser or agent, or provide administration, investment management or other services, for any person, entity, body corporate or client other than the Issuer, for Commercial Property in Spain which is within the parameters of the investment strategy of the Issuer.

However, this exclusivity shall not apply:

- (i) to any dealings by the Investment Manager or any Investment Manager Affiliate in respect of any property or property-related asset owned or managed, totally or partially, by it as of the date of the Investment Manager Agreement (i.e., 12 February 2014). Therefore, the Investment Manager and Investment Manager Affiliates may continue or agree to act as investment manager or investment adviser for other persons or provide administration, investment management or other services for other clients without making the same available to the Issuer, in each such case provided that (a) it is done pursuant to a then existing agreement which in each case was in place with the Investment Manager or such Investment Manager Affiliate at the date of the Investment Manager Agreement, or (b) such work relates to real estate properties which are subject to such an existing agreement.
- (ii) to any acquisition or investment (directly or indirectly) by the Investment Manager or an Investment Manager Affiliate of or in assets or properties which are adjacent to assets or properties held by the Investment Manager or an Investment Manager Affiliate as of the date of the Investment manager Agreement or which are or have been acquired, pursuant to an Exception, by the Investment Manager or an Investment Manager Affiliate following the date of the Investment Manager Agreement in accordance with its terms;
- (iii) following the passage of a resolution of the Issuer's general shareholders' meeting to discontinue the investment strategy of the Issuer, cease the business and operations of the Issuer, or sell, liquidate or otherwise dispose of all or substantially all of the assets of the Issuer; or
- (iv) following the service by the Investment Manager of notice of termination of the Investment Manager Agreement due to a winding up event, an insolvency or court protection event or other similar event affecting the Issuer or an unremedied breach by the Issuer of a material term thereof.

##### ***Co-investment right in Residential Property with respect to Investment Manager***

The Issuer has no exclusivity on any investment in Residential Property made or to be made by the Investment Manager or the Investment Manager Affiliates in or outside of Spain. However, pursuant to the Investment Manager Agreement, the Investment Manager has committed to offer to the Issuer at least a 20% stake of the overall investment in each Residential Property investment opportunity in Spain it (or any of the Investment Manager Affiliates) may plan to carry out. If the stake available to the Investment Manager (and any of the Investment Manager Affiliates (as the case may be)) in a Residential Property investment opportunity in Spain is less than 20% of the overall investment, the Investment Manager has undertaken not to participate in such investment opportunity (and shall procure the same of the Investment Manager Affiliates) and the Investment Manager shall be under no obligation to offer a stake in such investment opportunity to the Issuer.

The Issuer shall not be entitled to elect less than a 20% stake of the overall investment in each Residential Property investment opportunity in Spain offered by the Investment Manager unless the Issuer and the Investment Manager agree otherwise on a case by case basis.

The Investment Manager must, before proceeding to effect the investment that is the subject of a Residential Property investment opportunity in Spain, present such opportunity to the Issuer for consideration as a possible co-investment.

If the Issuer elects to co-invest, it shall notify the Investment Manager of this as soon as reasonably practicable, and, in any event, within ten Madrid business days of service of notice to the Issuer by the Investment Manager.

If the Issuer gives notice to the Investment Manager that it does not intend to proceed with the co-investment, or if it does not serve notice within the prescribed period, the Investment Manager shall be free to carry out the relevant Residential Property investment opportunity in Spain without the Issuer.

#### ***Commitment by members of Management Team***

Pursuant to the respective commitment letters entered into by the members of the Management Team in accordance with the Investment Manager Agreement, if any member of the Management Team identifies an investment opportunity which fits within the investment strategy of the Issuer (each such opportunity, a “**Management Team Investment Opportunity**”) in which such member of the Management Team or a person that is controlled by such member of the Management Team (excluding the Investment Manager or any Investment Manager Affiliate which is a corporation) (a “**Controlled Person**”), whether directly or indirectly, intends to participate, such member of the Management Team shall, before proceeding to effect such participation or the acquisition of the property which is the subject of that Management Team Investment Opportunity, give notice in writing of such opportunity to the Issuer offering (a) at least a 20% share of the total stake available to such member of the Management Team or the Controlled Person (as the case may be) in the Management Team Investment Opportunity if such opportunity relates to a Residential Property, or (b) the full stake available to such member of the Management Team or the Controlled Person (as the case may be) in the Management Team Investment Opportunity if such opportunity relates to a Commercial Property. These commitments are subject to certain exceptions and shall end on the earlier of: (a) the date of termination of the Investment Manager Agreement; (b) with respect to a particular member of the Management Team, the date on which the relevant member of the Management Team ceases to be a member of the Management Team; and (c) the date on which a resolution is passed to cease the business and operations of the Issuer.

#### ***Conflicts of interest with respect to the Investment Manager***

Pursuant to the Investment Manager Agreement, the Investment Manager shall not (and shall procure that no Investment Manager Affiliate shall), during the term of the agreement (i) sell, transfer or lease assets or properties to the Issuer or (ii) launch or invest in a property investment/real estate listed or unlisted fund or a property investment/real estate investment trust carrying on business in Spain to invest in Commercial Property. The Investment Manager is not prohibited from launching a property investment/real estate listed or unlisted fund or a property investment/real estate investment trust carrying on business in Spain to invest in Residential Property, although the Issuer would have certain co-investment rights as described above.

In addition, the Issuer shall not, during the term of the Investment Manager Agreement, sell, transfer or lease assets or properties to the Investment Manager, unless approved by the Issuer’s Board of Directors.

The Investment Manager shall disclose in writing to the Issuer any actual or potential conflicts of interests which it and/or any of the Investment Manager Affiliates have or may have from time to time, subject to any obligations of confidentiality to which the Investment Manager is contractually bound.

#### *4.7.2 Anchor Investor rights*

##### ***Anchor Investor's right of first offer with respect to certain Commercial Property investments undertaken by the Issuer***

If the Issuer seeks or intends to seek equity capital from one or more third parties in connection with any Commercial Property investment under consideration by the Issuer in Spain (a “**Commercial Property Co-Investment Opportunity**”), the Issuer shall in good faith provide the Anchor Investor or any entity in its group named by the Anchor Investor (any of them, an “**Anchor Investor Entity**”) with a right of first offer to participate together with the Issuer in any such investment, except in certain cases where the Commercial Property Co-Investment Opportunity is offered by a third party investor to the Issuer. In connection with each applicable Commercial Property Co-Investment Opportunity (i) the Issuer shall offer to the Anchor Investor Entity the full stake in the relevant Commercial Property Investment for which the Issuer is seeking a co-investor and (ii) the Anchor Investor Entity shall have the right to participate in the stake offered to it by the Issuer (but not less than such stake) in the relevant Commercial Property investment.

##### ***Anchor Investor's right of first offer with respect to certain Residential Property investments undertaken by the Investment Manager***

Subject to certain exceptions relating to Residential Property Co-Investment Opportunities (as defined below) relating to purchases from SAREB or offered by a third party investor to the Investment Manager, the Investment Manager has granted the Anchor Investor with a right of first offer with respect to any Residential Property investment undertaken by the Investment Manager (a “**Residential Property Co-Investment Opportunity**”). In connection with each Residential Property Co-Investment Opportunity (i) the Investment Manager shall offer to the Anchor Investor Entity the stake in such investment that would have remained available to the Investment Manager (and not to third parties) after deducting (a) any stake in such investment that the Issuer accepts from the Investment Manager and which is offered to it pursuant to the terms of the Investment Manager Agreement, and (b) any stake in such investment that the Investment Manager chooses to retain for itself; and (ii) the Anchor Investor Entity shall have the right to participate in the stake offered to it by the Investment Manager (but not less than such stake) in the relevant Residential Property investment.

According to the subscription agreement entered into by the Anchor Investor in the context of the Issuer's IPO (the “**Anchor Investor Subscription Agreement**”), in any situation where a conflict of interest exists or may exist, regarding any Residential Property Co-Investment Opportunity between the Issuer and the Anchor Investor based on their relationships with the Investment Manager pursuant to the terms of the Investment Manager Agreement and the Anchor Investor Subscription Agreement, respectively, or otherwise, the relationship between the Issuer and the Investment Manager and the Investment Manager's obligations under the Investment Manager Agreement shall prevail over the relationship between the Anchor Investor and the Investment Manager and the Investment Manager's obligations under the Anchor Investor Subscription Agreement. Therefore, the Issuer's first offer or co-investment rights in connection with any Residential Property Investment under the Investment Manager Agreement may override any first offer or co-investment rights of the Anchor Investor under the Anchor Investor Subscription Agreement.

##### ***Reciprocity obligations of Anchor Investor and right of first offer of Investment Manager***

The Anchor Investor has agreed not to compete, directly or through any member of its group, with the Issuer or the Investment Manager in competitive processes (including offerings for sale or tenure through an expression of interest, public lot draws, public auctions, requests for offers to purchase or requests for proposals) in respect of Commercial Property investments and Residential Property investments in Spain, but rather partner with the Issuer and the Investment Manager, as applicable, subject to certain exceptions if the Anchor Investor believes in good faith that a co-investment with the Issuer or the Investment Manager is impossible or inadvisable.

In addition, the Anchor Investor has agreed to provide the Investment Manager with a right of first offer to participate together with the Anchor Investor or an Anchor Investor Entity in any co-

investment opportunity in respect of any Commercial Property investment or Residential Property investment (in each case only where management services of the type set out in the Investment Manager Agreement are expected to be provided in relation to such opportunity) which is being considered by the Anchor Investor group in Spain (an “**Anchor Investor Co-Investment Opportunity**”). The Anchor Investor has acknowledged and agreed that the Investment Manager may be required to offer all or part of the participation in any such Anchor Investor Co-Investment Opportunity to the Issuer pursuant to the terms of the Investment Manager Agreement, in which case the Issuer shall also have the right to participate in such investment opportunity in accordance with the terms of the Anchor Investor Subscription Agreement. In connection with each Anchor Investor Co-Investment Opportunity, the Anchor Investor shall offer to the Investment Manager the stake in respect of which it is seeking a co-investor, subject to certain exceptions if the Anchor Investor believes in good faith that a co-investment with the Investment Manager or the Issuer (if applicable) is not possible or not advisable. There is no requirement that any co-investment opportunity offered by the Anchor Investor to the Investment Manager will be consistent with the investment strategy of the Issuer.

#### **4.8 Dividend policy**

The Issuer intends to maintain a dividend policy which has due regard to sustainable levels of dividend distribution and reflects the Issuer’s view on the outlook for sustainable recurring earnings. The Issuer will not create reserves that are not available for distribution to its shareholders other than those required by law. The Issuer intends to pay dividends when the Board considers it appropriate. However, under the Spanish SOCIMI Regime, the Issuer is required to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement, to shareholders annually within the six months following the closing of the fiscal year of:

- (i) at least 50% of the profits derived from the transfer of real estate properties and shares in (a) Spanish SOCIMIs, (b) foreign entities with similar regime, corporate purpose and dividend distribution regime as a Spanish SOCIMI, and (c) Spanish and foreign entities which main corporate purpose is investing in real estate for developing rental activities and that shall be subject to equal dividend distribution regime and investment and income requirements as set out in the SOCIMI Act (jointly, “**Qualifying Subsidiaries**”) and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed;
- (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds; and
- (iii) at least 80% of all other profits obtained (i.e., profits derived from ancillary activities).

If the relevant dividend distribution resolution is not adopted in a timely manner, the Issuer would lose its SOCIMI status in respect of the year to which the dividends relate.

#### **4.9 Structure as a Spanish SOCIMI**

As a Spanish SOCIMI, the Issuer will have a tax efficient corporate structure with the consequences for shareholders described in section 10.1 of this Prospectus.

Provided that certain conditions and tests are satisfied, as a Spanish SOCIMI, the Issuer will not pay Spanish corporate taxes on most of the profits deriving from its activities. These conditions and tests are further discussed in section 10.1 of this Prospectus.

#### **4.10 Share Capital and Significant Shareholders**

At the date of this Prospectus, the issued share capital of the Issuer consists of €80,060,000 divided into a single series of 40,030,000 shares in registered book-entry form, with a nominal value of €2.00 each. All of these shares are fully paid.

The Issuer has no convertible or exchangeable debt securities in issue.

Insofar as the Issuer is aware, and according to the information included in the most recent mandatory significant shareholding reports filed by Issuer’s shareholders pursuant to the applicable regulations

and available at the website of the CNMV at the date of this Prospectus, the name of each person who, directly or indirectly, holds an interest in the Issuer's share capital of more than 3%, together with the amount of such person's interest, set out below:

<b>Name</b>	<b>No. of ordinary shares</b>	<b>% of share capital</b>
Ameriprise Financial, Inc.	1,500,000	3.747%
Bestinver Gestión, S.A., S.G.I.I.C.	1,674,681	4.184%
Cohen & Steers, Inc.	2,618,092	6.540%
Franklin Templeton Institutional, LLC	6.016.598	14.952%
PIMCO Bravo II Fund, L.P.	5,000,000	12.491%

The above listed shareholders do not have different voting rights than those corresponding to the Issuer's ordinary shares. The Issuer is not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over it as at the date of this Prospectus.

#### **4.11 Corporate Governance**

##### *4.11.1 Board of Directors*

###### **(A) Composition**

The business of the Issuer is managed by the Directors, each of whose business address is Rosario Pino 14-16, 28020 Madrid, Spain.

The members of the issuer's Board of Directors and their positions are as follows:

<b>Name</b>	<b>Position</b>	<b>Date appointed</b>	<b>Date of expiration</b>
Mr. Jose Luis del Valle	Non-Executive Independent Chairman	5 February 2014	5 February 2017
Mr. Pedro Luis Uriarte	Non-Executive Independent Director	5 February 2014	5 February 2017
Mr. Alec Emmott	Non-Executive Independent Director	5 February 2014	5 February 2017
Mr. Roger M. Cooke	Non-Executive Independent Director	5 February 2014	5 February 2017
Mr. Miguel Pereda	Non-Executive Proprietary Director	5 February 2014	5 February 2017

There are no Executive Directors of the Issuer. The (non-Director) Secretary of the Board of Directors is Mr. Juan Gómez-Acebo.

Brief biographical details of the Directors, all of whom are non-executive, are as follows:

###### *Mr. Jose Luis del Valle*

Mr. del Valle has a very wide career in the banking and energy sector. From 1988 until 2002, Mr. del Valle held different positions in Banco Santander, one of the largest banks in Spain. In 1999 he was appointed Executive Vice President and Chief Financial Officer of the bank (1999-2002). He subsequently served as Chief Strategy and Research Officer of Iberdrola, one of the leading energy companies in Spain (2008-2010), Chief Executive Officer of Scottish Power (2007-2008), Chief Strategy and Research Officer of Iberdrola (2008-2010) and Advisor to the Chairman of wind turbine manufacturer Gamesa (2011-2012). Mr. del Valle is currently Chairman of the Board of GES – Global Energy Services, a leading independent service provider of construction, operations and maintenance services to the global renewable energy industry and a member of the Accenture Global Energy Board. Mr. del Valle holds a Mining Engineering degree from Universidad Politécnica (Madrid, Spain), with no. 1 ranking of his class, and a Master of Science and Nuclear Engineering from the Massachusetts Institute of Technology (Boston, USA). He also holds an MBA with High Distinction from Harvard Business School (Boston, USA).

###### *Mr. Pedro Luis Uriarte*

Mr. Uriarte has a long professional career. From 1975 to 2001 he held different positions in BBVA, one of the largest banks in Spain such as ViceChairman both in BBV and BBVA. He was appointed

CEO of BBV in 1994. He served as Deputy Chairman of the board of Telefonica, the Spanish leading telecom company in the Spanish market. Mr. Uriarte was appointed Regional Minister of Economy and Finance of the Basque Government in 1980. In 2007 he founded and headed Innobasque, the Basque Innovation Agency. He is currently Executive Chairman of “Economía, Empresa, Estrategia”, a strategic consultancy firm, and sits on several different companies’ boards of directors or advisory boards. He is also Deputy Chairman of Bilbao Civil Council and was a member of the board of UNICEF Spain. Mr. Uriarte holds a Business and Law degree from Deusto University (Bilbao, Spain) and is a member of the Board and Executive Committee of Deusto Business School and has been honoured with many relevant professional accolades such as the “Gran Cruz al Mérito Civil” (Spanish Government) in 2002 or “Manager of the Year” (Spanish Confederation of Managers & Executives – CEDE) in 2011.

*Mr. Alec Emmott*

Mr. Emmott has a wide career in the listed and unlisted real estate sector in Europe, and is based in Paris. He served as CEO of Société Foncière Lyonnaise (SFL) from 1997 to 2007 and subsequently as senior advisor to SFL until 2012. He is currently the Principal of Europroperty Consulting, and since 2011, is a Director of CeGeREAL S.A. (representing Europroperty Consulting). He is also member of the advisory committee of Weinberg Real Estate Partners (WREP I and II), Cityhold AP and MITSUI FUDOSAN. He has been a member of the Royal Institution of Chartered Surveyors (MRICS) since 1971. Mr. Emmott holds an MA from Trinity College (Cambridge UK).

*Mr. Roger M. Cooke*

Mr. Cooke is an experienced professional with more than 30 years of experience in the real estate sector. Mr. Cooke joined Cushman & Wakefield in 1980 in London where he had a role in drafting valuation standards (Red Book). Since 1995 until the end of 2013, he served as General Director of Cushman & Wakefield Spain, leading the company to attain a leading position in the sector. Mr. Cooke holds an Urban Estate Surveying degree from Trent Polytechnic University (Nottingham, UK) and is currently President of the British Chamber of Commerce in Spain and a Fellow of the Royal Institution of Chartered Surveyors (FRICS). Since May 2014, Mr. Cooke is a Senior Advisor at Ernst & Young.

*Mr. Miguel Pereda*

Mr. Pereda is an experienced Director, with a long executive career, of over 25 years, in the real estate sector. Mr. Pereda was appointed Co-CEO of Grupo Lar in 2007. He was previously the CEO of Grupo Lar Grosvenor for six years. Mr. Pereda has a Business degree from Complutense University, an MBA from IE (Madrid), Breakthrough program for Senior Executives from IMD and a Real estate management program at Harvard University. Mr. Pereda is a member of the Pereda Family, which owns a controlling stake in the Investment Manager.

Under the By-Laws, Directors are appointed for a term of three years, which may be renewed by shareholders. However, Directors holding office for a consecutive period of more than 12 years cannot qualify as independent Directors.

There are no family relationships between any of the Directors or other relationships, as set out in the Ministerial Order ECC/461/2013 of 20 March, which could be perceived to compromise the independence of Mr. Jose Luis del Valle, Mr. Pedro Luis Uriarte, Mr. Alec Emmott and Mr. Roger M. Cooke. Mr. Miguel Pereda is the Investment Manager’s nominee pursuant to the Investment Manager Agreement.

**(B) Board regulations**

The Spanish Companies Act provides that a company’s board of directors is responsible for the management, administration and representation of a company in all matters concerning the business of the company, subject to the provisions of the company’s by-laws and the powers conferred by shareholders’ resolutions.

The By-Laws and the regulations of the Board of Directors provide for a Board of Directors consisting of between five and 15 members. Directors are elected by the shareholders to serve for a term of three years and may be re-elected to serve for an unlimited number of terms (this notwithstanding, Directors holding office for a consecutive period of more than 12 years cannot qualify as independent Directors). A Director may resign or be removed from office at the recommendation of the Board of Directors at a

general meeting of shareholders. However, the Board of Directors of the Issuer can only make such recommendation in the case of an independent Director if it is a “for cause dismissal” where, for example, a Director has breached an applicable corporate governance recommendation or has not fulfilled his or her duties or when he/she no longer complies with the definition of independent Director.

As at the date of this Prospectus, there are five Directors on the Board, all of whom are non-executive Directors. Mr. Jose Luis del Valle (the Chairman), Mr. Pedro Luis Uriarte, Mr. Alec Emmott and Mr. Roger M. Cooke are each considered independent pursuant to Ministerial Order ECC/461/2013. Mr. Miguel Pereda is not considered to be independent as he is the Investment Manager’s nominee pursuant to the Investment Manager Agreement. Pursuant to the Investment Manager Agreement, for so long as the Board of Directors of the Issuer is comprised of five or fewer Directors, the Investment Manager is entitled to nominate one person as a non-executive Director of the Issuer. For so long as the Board is comprised of six or more Directors, the Investment Manager is entitled to nominate up to two non-executive Directors.

The Board of Directors of the Issuer is responsible for the management and establishes the strategic, accounting, organizational and financing policies of the Issuer. The By-Laws provide that the Chairman of the Board of Directors shall be elected from among the members of the Board of Directors by the members of the Board. The Board of Directors appoints the senior management team and the authorized signatories and supervises the operations of the Issuer. Moreover, the Board of Directors is entrusted with preparing shareholders’ meetings and carrying out their resolutions.

The Directors are also responsible for the determination of the investment policy of the Issuer and have overall responsibility for overseeing the performance of the Investment Manager and the Issuer’s activities. The Issuer has entered into an Investment Manager Agreement with the Investment Manager, pursuant to which, among other things, the Investment Manager is required to produce a business execution plan, the Business Plan, each year for the Issuer setting forth the Investment Manager’s strategy for the provision of its services under the Investment Manager Agreement and the management of the properties held or acquired by the Issuer. The Investment Manager has full discretionary authority to enter into transactions for and on behalf of the Issuer subject to certain matters which require the consent of the Board.

The By-Laws provide that the Board of Directors of the Issuer meet as frequently as necessary to effectively execute its duties and whenever its Chairman deems appropriate. In addition, the Board of Directors must meet when required to do so by a Director representing at least one third of its members. The By-Laws provide that a majority of the members of the Board of Directors (represented in person or by proxy by another member of the Board of Directors) constitutes a quorum. Resolutions of the Board of Directors are passed by a majority of the Directors present or represented at a Board meeting unless otherwise indicated in applicable laws or the By-Laws or the regulations of the Board of Directors.

The Board’s intention is to meet at least four times in each calendar year and all Directors are to be given full and timely access to the information necessary to assist them in the performance of their duties. Since the listing of the Company on the Spanish Stock Exchanges, the Board has held 14 different meetings. As a general rule, an agenda and Board papers are circulated to the Directors in advance of Board meetings to allow them an adequate opportunity for review and preparation for Board meetings. The Issuer Secretary will be responsible for ensuring Board procedures are followed and all Directors have access to his advice and services. Where they judge it appropriate, all Directors shall have access to independent professional advice at the expense of the Issuer.

Any Director co-opted to the Board by the Directors will be subject to election by the shareholders at the first annual general meeting after his/her appointment and, pursuant to the By-Laws, all Directors will be subject to dismissal decision each year at the annual general meeting of the Issuer.

The Investment Manager is entitled to require the Board of Directors to propose to the general shareholder’s meeting to remove or replace any such person whom it has nominated as a member of the Board, provided that in the case of any such removal, the Investment Manager shall indemnify and hold harmless the Issuer (and any member of its group) against any and all costs, losses, liabilities and/or expenses suffered by the relevant company in connection with such removal. No Director appointed as a nominee of the Investment Manager to the Board shall be paid any fee or remuneration by the Issuer for his or her services as a non-executive Director.



In the performance of its duties, the Board is committed to maintaining a good understanding of the views of shareholders and considerable importance will be given to communicating with shareholders. Regular contact will be kept with institutional investors and presentations will be given by members of the Management Team on the release of the Issuer's annual and interim results.

Pursuant to the Investment Manager Agreement, the Chairman of the Board of Directors shall be entitled to request the attendance of the Chairman of the Investment Manager to meetings of the Board of Directors and the Investment Manager shall procure that the Chairman of the Investment Manager shall attend such meetings when so required, unless there is a material cause impeding such attendance. The Issuer's By-Laws and the Board of Directors' regulations shall permit and regulate such attendance commitment.

Directors are expected to attend all Board meetings and the general shareholders' meeting of the Issuer.

Details of the remuneration of Directors are set out at section 4.11.4 (*Remuneration Arrangements*).

#### (C) Board Committees of the Issuer

Pursuant to the By-Laws, the Board of Directors will establish an audit and control committee (the "**Audit and Control Committee**"), and a remuneration and nomination committee (the "**Remuneration and Nomination Committee**"). All members of the Audit and Control Committee and of the Remuneration and Nomination Committee must be non-executive Directors, but they are not required to be independent Directors except as described below.

##### Audit and Control Committee

The Audit and Control Committee is responsible for:

- supervising the calculation of the Performance Fee to be paid to the Investment Manager;
- responding to any questions that shareholders at general meetings may have in relation to the responsibilities of the Audit and Control Committee;
- overseeing the Issuer's and its group's internal risk control systems and risk management systems;
- liaising with the auditors on any matters of significance raised by an audit concerning internal control systems;
- overseeing the elaboration and presentation of all required financial information;
- requesting the Board of Directors to present to a general meeting of shareholders a resolution to appoint, re-elect or replace the auditors;
- supervising the internal audits;
- liaising with the auditors in order to become aware of any factor which may affect the auditor's independence, and any other factors arising out of the audit process, and any other communications with the auditors required by law or by relevant regulations. In any case, the Audit and Control Committee must receive an annual confirmation of independence from the Issuer's auditors and from the auditors of any related entities, as well as details of any services rendered by the auditors or any related parties to these entities;
- publishing an annual report before annual accounts are published setting out the committee's views on the auditor's independence, and commenting on any of the additional services detailed above;
- appointing and supervising the services provided by the external RICS accredited appraiser in connection with the valuation of the Issuer's real estate assets to be conducted as at 31 December and 30 June in each year; and
- performing any functions required by applicable laws and regulations.

The Audit and Control Committee must have a minimum of three and a maximum of five members, who are appointed by the Board of Directors following proposals from the Remuneration and Nomination Committee. Only external or non-executive Directors can form part of the Audit and Control Committee. At least one of its members must be an independent Director. Members of the

Audit and Control Committee serve for a term of up to three years and may be re-elected to serve for an unlimited number of terms of the same duration.

The chairman of the Audit and Control Committee can serve a term of up to three years, after which he or she may not be re-elected until a year after the end of that appointment. At least one member of the Audit and Control Committee must be appointed due to his or her knowledge and experience of accounting and audit matters. The role of secretary of the Audit and Control Committee will be carried out by the Secretary of the Board of Directors.

In accordance with the By-Laws and the regulations of the Board of Directors, the Audit and Control Committee will meet every three months to review periodic financial information to be submitted to the relevant regulatory authorities as well as any information which the Board of Directors must approve to include in the annual accounts. Any member of the Audit and Control Committee can also request that a meeting be held.

The chairman of the Audit and Control Committee may also call a meeting, and he or she must do so on request of the Board of Directors or its Chairman, anytime it is necessary to approve a proposal, or when required to perform its role. A meeting of the Audit and Control Committee will be quorate if a majority of the members are present or represented, and resolutions will also be passed by a majority vote. The chairman of the Audit and Control Committee will have a casting vote.

Minutes of the meetings of the committee must be prepared and passed on to the Board of Directors.

The members of the Audit and Control Committee are Mr. José Luis del Valle (Chairman of the Committee), Mr. Pedro Luis Uriarte and Mr. Miguel Pereda. Mr. Juan Gómez-Acebo is the Secretary of the Committee.

#### Remuneration and Nomination Committee

The Remuneration and Nomination Committee is responsible for:

- setting out criteria for the composition of the management team of the Issuer and the selection of Directors and informing the Board of Directors of the Issuer in relation to gender diversity and qualifications of candidates;
- informing the Board of Directors of the Issuer of the appointment or dismissal of senior managers and any associated compensation or indemnity payments relating to any eventual dismissal, following a request from the chief executive officer (if any);
- presenting to the Board of Directors of the Issuer, at the request of the chairman of the Remuneration and Nomination Committee, any proposals concerning remuneration policies affecting the senior management team and the basic conditions of their contracts; and
- any other tasks attributed to it under the By-Laws or the Internal Regulations or assigned to it by the Board of Directors of the Issuer.

The Remuneration and Nomination Committee must have a minimum of three and a maximum of five members. The members will be external or non-executive Directors, appointed by the Board of Directors following recommendations from the Chairman of the Board of Directors. The majority of its members must be independent Directors.

Directors who are members to the Remuneration and Nomination Committee will carry out their role while they still hold the position of Director, unless otherwise agreed by the Board of Directors. The re-appointment, re-election or termination of the appointment of a member of the Remuneration and Nomination Committee will be in accordance with what was agreed by the Board of Directors. At least one of the members of the Remuneration and Nomination Committee must have experience in remuneration matters. The Secretary of the Board of Directors, who will have no voting rights, will be the secretary of the Remuneration and Nomination Committee.

The Remuneration and Nomination Committee will meet at least once a year. The committee will also meet at the request of one of its members, and at the request of its Chairman. The chairman of the Remuneration and Nomination Committee must convene a meeting if so asked by the Board of Directors of the Issuer or if the Chairman requires a report or needs to adopt a proposal and as often as is necessary for the Remuneration and Nomination Committee to perform its role effectively.

A meeting of the Remuneration and Nomination Committee will be quorate if a majority of the members are present or represented, and resolutions will be passed by majority voting. The chairman

of the Remuneration and Nomination Committee will have a casting vote. The committee must keep minutes of its meetings and circulate them to the members of the Board of Directors.

The members of the Remuneration and Nomination Committee are Mr. Roger Cooke (Chairman of the Committee), Mr. Alec Emmott and Mr. Miguel Pereda. Mr. Juan Gómez-Acebo is the Secretary of the Committee.

#### (D) Internal controls

The Board acknowledges it is responsible for overseeing the efficiency of the system of internal control and risk management maintained by the Investment Manager on behalf of the Issuer, in order to safeguard the Issuer's assets. Such a system is designed to identify, manage and mitigate financial, operational and compliance risks inherent to the Issuer. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

#### *4.11.2 Officers*

Mr. Sergio Criado is the Chief Financial Officer of the Issuer. Mr. Sergio Criado was appointed Financial Director of Grupo Lar for Spain and Portugal in 2006, covering the areas of residential, second-home, industrial and office properties. Mr. Sergio Criado studied Business at UAH (Madrid), holds a MBA from Instituto de Estudios Bursátiles (IEB) and has over 14 years of experience in different positions in the financial and real estate sectors.

Mr. Jon Armentia is the Corporate Manager of the Issuer. Mr. Jon Armentia was appointed Financial Director of Grupo Lar in 2006, covering the area of retail properties. Previously he worked in Deloitte (formerly Arthur Andersen) for 4 years. Mr. Jon Armentia has a Bachelor Degree in Business Management and Administration from Universidad de Navarra and has over 12 years of experience in audit, finance and real estate.

Ms. Susana Guerrero is the Legal Manager of the Issuer. Ms. Susana Guerrero joined Lar España in November 2014. Previously she worked as a corporate and M&A lawyer at Uría Menéndez for 10 years. Ms. Susana Guerrero studied law at the Universidad Complutense de Madrid and has an LLM in business law from Instituto de Empresa (IE).

#### *4.11.3 Conflicts of interest*

Subject to certain exceptions, the Spanish Companies Act and the By-Laws generally prohibit Directors from voting at Board meetings or meetings of committees of the Board on any resolution concerning a matter in which they have a direct or indirect interest which is material, or a duty which conflicts or may conflict with the interests of the Issuer. Directors may not be counted in the quorum in relation to resolutions on which they are not entitled to vote.

The Investment Manager is effectively controlled by members of the Pereda Family, which includes two members of the Management Team, Mr. Luis Pereda and Mr. Miguel Pereda, who are also directors of the Investment Manager. In addition, Mr. Miguel Pereda is a member of the Issuer's Board of Directors.

The Issuer's Chairman (Mr. Jose Luis del Valle) and each of Mr. Pedro Luis Uriarte, Mr. Alec Emmott and Mr. Roger M. Cooke are independent in connection with both the Issuer and the Investment Manager.

#### *4.11.4 Remuneration arrangements*

Pursuant to the By-Laws and the regulations of the Board of Directors, Directors, as members of the Board of Directors of the Issuer, shall be entitled to receive per diem allowances for any meetings which they attend consisting of a fixed annual amount per Director to be set by the general meeting of shareholders. The shareholders can also decide when or for what reason such amount can be reviewed and/or updated periodically. The Investment Manager shall be responsible for remunerating the Issuer's officers and employees who are hired upon the proposal of the Investment Manager (whose remuneration shall be deducted from the Base Fee). No Director appointed as a nominee of the Investment Manager to the Board shall be paid any fee or remuneration by the Issuer for his or her services as a non-executive Director.

#### 4.11.5 Directors' letters of appointment

The Directors do not have service contracts. Each Director has the same general legal responsibilities to the Issuer as any other Director of the Issuer and the Board of Directors of the Issuer as a whole is collectively responsible for the overall success of the Issuer.

No compensation is payable to any of the Directors in the event of the lawful termination of his or her appointment.

#### 4.11.6 Other directorships and partnerships

Save as set out below and except (in the case of Mr. Miguel Pereda) for directorships in companies of the Investment Manager group, the Directors have not held any directorships of any company, other than the Issuer, or been a partner in a partnership, at any time in the five years prior to the date of this Prospectus.

Name	Current Directorship	Previous Directorship
Mr. Jose Luis del Valle	GES – Global Energy System	Essentium Grupo
Mr. Pedro Luis Uriarte	Técnicas Reunidas, S.A., La Rioja Alta, S.A., Panda Security, S.L., Nanotechnology Investment Group, S.L., Penja Strategy, S.L., Grupo Barceló, SARquavita, TRYO Technologies and Economía, Empresa, Estrategia, S.L.	Tubacex, S.A., Idom, S.A. and Sistemas Técnicos de Encofrados, S.A. (STEN)
Mr. Alec Emmott	Europroperty Consulting and CeGeREAL S.A.	Silic SA and Catella France
Mr. Roger M. Cooke	-	Cushman & Wakefield LLP
Mr. Miguel Pereda	Villamagna, S.A. (Chairman), Entagui, S.L. (Administrator) and Fomento del Entorno Natural, S.L. (CEO)	Gentalia 2006, S.L.

In addition, within the period of five years preceding the date of this Prospectus, Mr. Miguel Pereda has been a director of the following companies, which have gone into voluntary insolvency proceedings: Grupo Lar Imobiliare 3, SRL (Romania) and Grupo Lar Dritte GmbH (Germany). Within the period of five years preceding the date of this Prospectus, Mr. Miguel Pereda has been a director of the companies GLH ilka, Kft and GLH Saju, Kft (Hungary), which are being liquidated. All of the companies referred to in this paragraph are subsidiaries of Grupo Lar.

Within the period of five years preceding the date of this Prospectus, and save as disclosed below, none of the Directors:

- has had any convictions in relation to fraudulent offences;
- has been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a director or senior manager; or
- has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of a company.

Pursuant to the Investment Manager Agreement, for so long as the Board of Directors of the Issuer is comprised of five or fewer Directors, the Investment Manager is entitled to nominate one person as a non-executive Director of the Issuer. For so long as the Board is comprised of more than five persons, the Investment Manager is entitled to nominate up to two non-executive Directors. Mr. Miguel Pereda is the Investment Manager's nominee pursuant to the Investment Manager Agreement.

Pursuant to the Investment Manager Agreement, the Chairman of the Board of Directors shall be entitled to request the attendance of the Chairman of the Investment Manager to meetings of the Board of Directors and the Chairman of the Investment Manager shall attend such meetings when so

required, unless there is a material cause impeding such attendance. The Issuer's By-Laws and the Board of Directors' regulations shall permit and regulate such attendance commitment.

Save as discussed above, there are no arrangements or understandings with major shareholders, members, suppliers or others pursuant to which any Director was selected.

#### 4.11.7 Governance practices

The Board supports high standards of corporate governance and the development of corporate governance policies and procedures in compliance with the requirements of the Spanish Corporate Governance Code.

### 4.12 Issuer's financial information

#### LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND DEPENDENT COMPANY

Consolidated Financial Statement corresponding to the period of eight months and fourteen days ended at 30 September 2014

(Expressed in thousands of Euros)

<u>Assets</u>	<u>2014</u>
Investment property	216,302
Non-current financial assets	<u>2,532</u>
Total non-current assets	218,834
Inventory	2,639
Trade debtors and other receivables	1,331
Other current financial assets	135,315
Other current assets	333
Cash and other equivalent liquid assets	<u>38,386</u>
Total current assets	178,004
Total assets	<u><u>396,838</u></u>

<u>Liabilities and Net Worth</u>	<u>2014</u>
Capital	80,060
Share premium	320,000
Other reserves	(9,421)
Cumulative gains	1,474
Treasury shares	(1,937)
Other shareholder contributions	<u>240</u>
Total net equity	<u><u>390,416</u></u>
Other non-current liabilities	<u>3,696</u>
Total non-current liabilities	3,696
Trade creditors and other accounts payable	<u>2,726</u>
Total current liabilities	2,726
Total liabilities and equity	<u><u>396,838</u></u>

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND DEPENDENT COMPANY  
Consolidated Statement of Overall Result corresponding to the period of eight months and fourteen days ended  
at 30 September 2014

(Expressed in thousands of Euros)

<u>Consolidated Statement of Result</u>	<u>2014</u>
Ordinary revenue	3,822
Other revenue	355
Employee remuneration expenses	(36)
Other expenses	(4,665)
Operations Result	<u>(524)</u>
Financial revenue	1,998
Pre-tax profit from ongoing activities	<u>1,474</u>
Profit for the financial year ongoing activities	<u>1,474</u>
Tax on profit	<u>-</u>
Profit for the financial year	<u>1,474</u>
Basic result per share (in Euros)	0,000039
Result per diluted share (in Euros)	0,000039
<u>Consolidated Statement of Overall Result</u>	<u>2014</u>
Profit and loss account result (I)	1,474
Other Overall Result Attributed Directly to Net Equity (II)	-
Other Transfers to profit and loss account (III)	-
Total Overall Result (I+II+III)	<u>1,474</u>

LAR ESPAÑA REAL ESTATE SOCIMI, S.A. AND DEPENDENT COMPANY  
Consolidated Cash Flows Statement corresponding to the period of eight months and fourteen days ended at 30  
September 2014

(Expressed in thousands of Euros)

	<u>2014</u>
Cash flows from operating activities	
Profit for the financial year	1,474
<i>Adjustments for :</i>	
Losses through impairment of value of trade debtors	90
(Profits)/Losses through adjustments fair value of investment property	(187)
Financial revenue	(1,998)
Inventory	(2,639)
Trade debtors and other receivables	(1,421)
Trade creditors and other accounts payable	2,726
Other current assets	(333)
Other non-current liabilities	3,696
Net cash generated by operating activities	1,408
	<hr/>
Cash flows from investment activities	
Interest received	1,570
Payments for the acquisition of investment property	(216,115)
Payments for the acquisition of financial assets	(137,419)
Net cash generated by investment activities	<u>(351,964)</u>
	<hr/>
Cash flows from financing activities	
Collections derived from the capital issue	390,879
Payments derived from the acquisition issue of treasury shares and own equity instruments	(1,937)
Net cash generated by financing activities	<u>388,942</u>
	<hr/>
Net Increase (Reduction) of cash and other equivalent liquid resources	38,386
Equivalent	<hr/>
Cash and other equivalent liquid assets	<hr/>
Cash and cash equivalents at 30 September	<u>38,386</u>

## 5. RECENT DEVELOPMENTS AND FACTS WHICH MAY HAVE A MATERIAL EFFECT ON THE ISSUER'S PROSPECTS

### 5.1 Perimeter Reorganization

After the Closing Date the Issuer expects to implement a reorganization of its corporate perimeter structure, carrying out all corporate actions that may be necessary in order to subsidiarize certain real estate properties that at the date of this Prospectus are directly held by the Issuer, and which after implementation of said reorganization will be owned by fully owned subsidiaries of the Issuer (the “**Perimeter Reorganization**”).

According to Spanish law, subsidiarization is subject to approval by the General Shareholders' Meeting. The Issuer's ordinary general Shareholders' Meeting approving the subsidiarization is expected to be held during March.

The Issuer will incorporate as many Future Property Subsidiaries as real estate properties are currently directly held by the Issuer by transferring each real estate property into a different new subsidiary (unless, due to organizational and efficiency reasons, it is decided to accumulate more than one of those properties into one single subsidiary) subsequently after the approval of the subsidiarization by the General Shareholders' Meeting. The suitable legal form for the newly incorporated affiliates, which will be 100% held by the Issuer, shall be *sociedad anónima* unless at the time of their incorporation *sociedades de responsabilidad limitada* are allowed, pursuant to the applicable Spanish laws and regulations, to guarantee the Secured Obligations, as defined in the Terms and Conditions (in which case the Issuer will be allowed at its sole discretion to elect to incorporate the relevant Future Property Subsidiary either as *sociedad anónima* or as *sociedad de responsabilidad limitada*). An independent expert appointed by the Commercial Registry will make a report assessing the value of each asset transferred to each of the new subsidiaries. The minimum capital required to incorporate a *sociedad anónima* is €60,000.

### 5.2 Transformation

It is also expected that within 60 Business Days following the Closing Date, the Issuer will carry out all corporate actions that are necessary to complete the transformation of its Property Subsidiary Riverton Gestión, S.L. (“**Riverton Gestión**”) into a *sociedad anónima* (the “**Transformation**”).

The Transformation must be approved by the Issuer as Sole Shareholder of Riverton Gestión after the company's administrators have drafted and submitted a report with the main legal and economic features of the transaction and approved a transformation balance sheet. Since Riverton Gestión will be transformed into a *sociedad anónima* a valuation report from an independent expert appointed by the Commercial Registry will be mandatory.

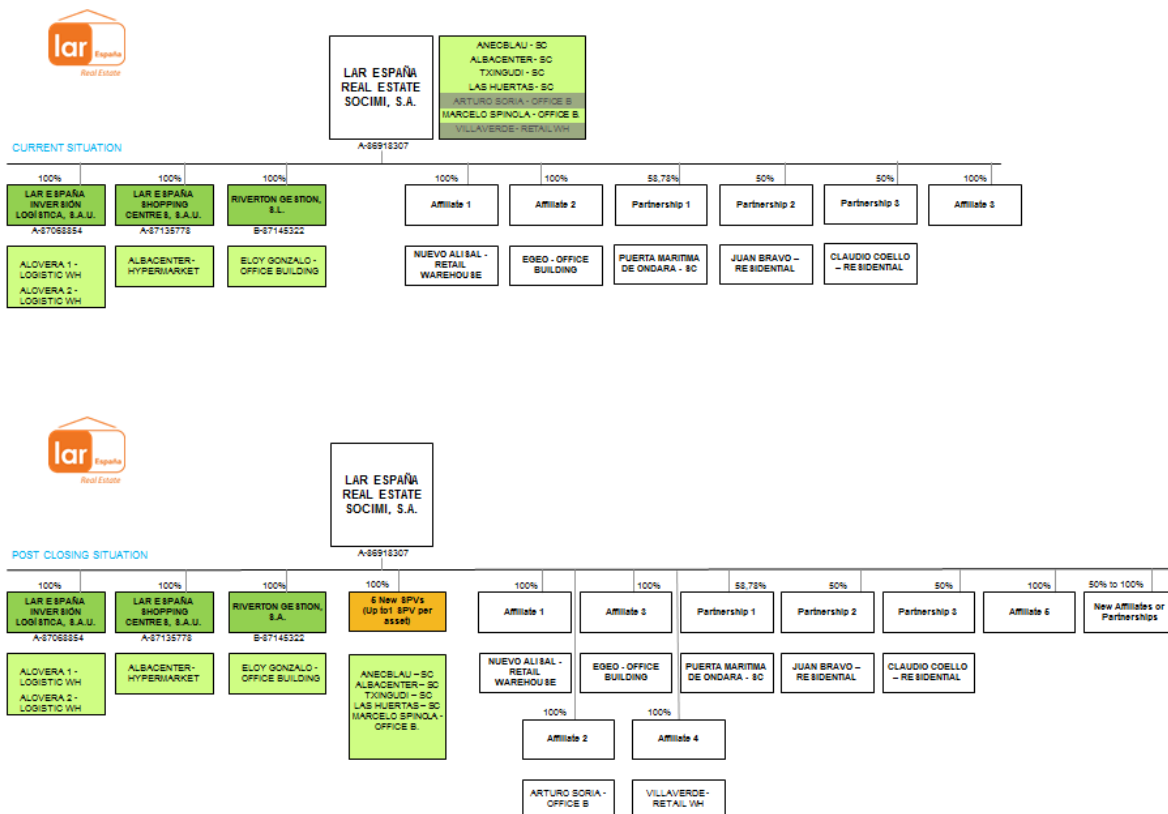
The Transformation approved by the Issuer as Sole Shareholder of Riverton Gestión will be published in the Official Gazette of the Commercial Registry and in a widely-circulated newspaper of the province in which Riverton Gestión has its registered address (Madrid).

Riverton Gestión will grant a deed of transformation before a Spanish public notary that will be filed with the Spanish Commercial Registry. The Transformation will be effective upon the deed of transformation being registered with the Commercial Registry.

### 5.3 Corporate chart after Perimeter Reorganization and Transformation

The charts below reflect (i) the current perimeter situation, and (ii) the perimeter situation to be implemented after the Closing Date pursuant to the execution of the Perimeter Reorganization and the Transformation.





The implementation of the Perimeter Reorganization and of the Transformation will not affect the validity of the mortgages perfected over Issuer's assets as a security in connection with the Notes (see condition 3 in section 6 ("*Terms and Conditions of the Notes*") and section 8 ("*Description of the Security*") of this Prospectus for further information).

Additionally, the Issuer has undertaken to pledge the shares of its fully-owned subsidiaries which are to be incorporated as a result of the Perimeter Reorganization (the Future Property Subsidiaries) concurrently with the acquisition by the relevant subsidiary of the title of the relevant properties in favour of the Noteholders as an additional security in connection with the Notes (see condition 3c) in section 6 ("*Terms and Conditions of the Notes*") and section 8.4 of this Prospectus for further information).

## 5.4 Recent investments

As indicated in section 4.6.15 of this Prospectus, on 30 January 2015, the Issuer, through two joint venture companies 50% owned with the Luxembourg entity LVS II LUX XIII S.à r.l. –advised by Pacific Investment Management Company LLC or its affiliates ("PIMCO")–, formalized the acquisition of the following real estate assets located in one of the prime areas of the city of Madrid:

- (i) The plot located in Calle Juan Bravo 3, which will be destined to residential development and has a surface available for building of 26,203 sqm, of which 19,453 sqm are buildable above ground according to the special urban plan and 6,750 sqm below ground distributed in three floors; and
- (ii) The residential building located in Calle Claudio Coello 108, with a GLA of, approximately 5,318 sqm, of which 4,479 sqm are above ground and 839 sqm below ground, which is already occupied and under a lease agreement.

This transaction, which has been primarily executed through the acquisition of credits granted by financial entities in relation to the mentioned assets, is the first co-investment project carried out between the Issuer and PIMCO as a result of the agreements concluded by both entities in the framework of the admission to trading of Lar España.

The acquisition was carried out for a total maximum amount (adjustments still pending as of the date of this Prospectus) of €120 million, which was paid by both partners and the joint ventures with a combination of equity and bank financing.

## 6. TERMS AND CONDITIONS OF THE NOTES

*The following, save for the paragraphs in italics, are the terms and conditions of the Notes which will be incorporated by reference into the global Notes and endorsed on the Notes in definitive form.*

The issue of the €40,000,000 2.90 per cent. Fixed Rate Senior Secured Notes due 21 February 2022 (the “**Notes**”) was approved by a resolution of the Board of Directors passed on 21 January 2015 pursuant to the shareholder’s authorization granted on 5 February 2014. A fiscal agency agreement dated the Closing Date (the “**Fiscal Agency Agreement**”) has been entered into in relation to the Notes between the Issuer, Citibank, N.A., London Branch as fiscal agent and the paying agents named therein. The fiscal agent and the paying agents for the time being are referred to below respectively as the “**Fiscal Agent**” and the “**Paying Agents**” (which expression shall include the Fiscal Agent). The Fiscal Agency Agreement includes the form of the Notes and the coupons relating to them (the “**Coupons**”).

On the Closing Date, the Issuer and the Current Property Subsidiaries (excluding Riverton Gestión) will enter into the Deeds of Mortgage with the Commissioner, and the Issuer will enter into the Deeds of Pledge with the Commissioner.

Copies of the Fiscal Agency Agreement (which contains these terms and conditions of the Notes (the “**Conditions**”)) and of the Security Documents (together with their translation into English for information purposes within 30 Business Days following the Closing Date) will be available for inspection during normal business hours at the Specified Offices (as defined in the Fiscal Agency Agreement) of the Paying Agents. The holders of the Notes (the “**Noteholders**”) and the holders of the Coupons (whether or not attached to the relevant Notes) (the “**Couponholders**”) are deemed to have notice of all the provisions of the Fiscal Agency Agreement applicable to them.

The Issuer, as required by Spanish law, has executed an *escritura pública* (the “**Public Deed**”) before a Spanish notary public in relation to the issue of the Notes and has registered the Public Deed with the Commercial Registry of Madrid. The Public Deed contains, among other information, these Conditions.

### 1. Form, Denomination and Title

- a) Form and denomination: The Notes are serially numbered and in bearer form in the denomination of €100,000, each with Coupons attached on issue.
- b) Title: Title to the Notes and Coupons passes by delivery. The holder of any Note or Coupon will (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

### 2. Status

The Notes and Coupons constitute direct, unconditional and unsubordinated obligations of the Issuer which are secured as provided in Condition 3 and the Security Documents. The Notes shall at all times rank *pari passu* without any preference among themselves and (save for any obligations preferred by law) at least equally with all other unsubordinated obligations of the Issuer, from time to time outstanding.

### 3. Security

#### a) Security

Once the Security is duly perfected according to Spanish law (as set out in Condition 5), the obligations of the Issuer under the Notes and Coupons together with (but without limitation) any costs and expenses that the Commissioner (acting in the name and on behalf of the Noteholders) may incur in connection with the enforcement of the Security (together, the “**Secured Obligations**”) will be secured by:

- (i) first ranking mortgages (*hipotecas inmobiliarias de primer rango*) over the Properties (the “**Mortgages**”) with a total aggregate and maximum secured amount (including all secured concepts) of 20 per cent. of the principal amount of the Notes (i.e.

€28,000,000) pursuant to mortgage deeds corresponding to each of the Properties governed by Spanish law between the Issuer and the Current Property Subsidiaries (as mortgagers) and the Commissioner (acting in the name and on behalf of the Noteholders) to be granted (a) on the Closing Date, in respect of the Initial Properties, and (b) within 5 Business Days from the registration of the Transformation with the commercial registry of Madrid, in respect of the Riverton Gestión Property (as set out in Condition 5f)) (the “**Deeds of Mortgage**”); The distribution of the maximum secured amount under the Mortgages (initially, and subject to condition 3b) below, 20 per cent. of the principal amount of the Notes) among the Properties will be in proportion to each Property’s value over the aggregated value of the Properties pursuant to the Initial Valuation; and

- (ii) first ranking pledges (*prendas ordinarias de primer rango*) over all the shares (*acciones*) or share quotas (*participaciones sociales*), as applicable, of the Current Property Subsidiaries pursuant to pledge deeds (*pólizas*) governed by Spanish law between the Issuer (as pledgor) and the Commissioner (acting in the name and on behalf of the Noteholders) to be granted on the Closing Date (the “**Deeds of Pledge**”).

The Deeds of Mortgage (including the Riverton Mortgage Deed to be granted pursuant to Condition 5f)) and the Deeds of Pledge, together with any Extension Deeds, any Additional Deeds of Pledge, any Substitution Deeds and any other security documents that can be granted pursuant to these Conditions, shall be jointly referred to in these Conditions as the “**Security Documents**”.

The properties, shares, share quotas and assets specified above in this Condition 3, together with any other property or assets held by and/or charged or pledged as Security for the Secured Obligations, in accordance with these Conditions and pursuant to and in accordance with the Security Documents and/or any deed or document supplemental thereto, is referred to in these Conditions as the “**Secured Property**” and the security to be created thereby is referred to as the “**Security**”. The Secured Property shall be free of any charges, liens or encumbrances, other than the Security, as applicable, and will not be transferred other than in accordance with the terms of these Conditions applicable to Disposals and the Perimeter Reorganization.

Each time any Security is granted, created or extended pursuant to the terms of these Conditions after the Closing Date, the Commissioner may request at the expense of the Issuer, the appointment of legal advisers of recognised standing in order to draft or review the relevant documentation and to issue a legal opinion in relation to such documentation.

Any taxes, costs, expenses and fees incurred as a result of the granting, creation, extension, enforcement and release, as applicable, of any Security and the execution or enforcement of any Security Documents pursuant to these Conditions shall be borne by the Issuer.

The Noteholders shall, by virtue of purchasing and/or holding Notes, be deemed to have (i) consented and agreed to the terms and conditions of the Security Documents (including the provisions providing for the enforcement and release of the Security), and (ii) granted to the Commissioner full power and authority to enter into the Security Documents and any other document related thereto in their name and their behalf and to perform their obligations and exercise their rights, powers and discretions (including without limitation any release from the Security as provided in these Conditions and the Security Documents) thereunder in accordance therewith.

b) Promissory Security in relation to a Mortgage Extension Event

- (i) In the event that as at any Reference Date:
  - the Interest Cover Ratio is below 1.75:1; or
  - the Loan to Value Ratio is above 60.00 per cent,

(a “**Mortgage Extension Event**”), the Issuer shall increase and procure that the Property Subsidiaries increase the total aggregate and maximum secured amount (including all secured concepts) of the Mortgages to 130 per cent. of the principal amount of the Notes (i.e. €182,000,000).

- (ii) Without prejudice to Condition 3f) and Condition 4, so long as any Note or Coupon remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer will not create, or have outstanding, any mortgage, charge, lien or other security interest (other than the Mortgages) upon the whole or any part of the Properties.
  - (iii) If a Mortgage Extension Event occurs, the Issuer will notify Noteholders of such event pursuant to Condition 5h) within no more than 10 Business Days from the date thereof, and will extend and procure that the Property Subsidiaries extend the Mortgages to secure an aggregate amount equal to 130 per cent. of the principal amount of the Notes through the granting of extension deeds governed by Spanish law between the Issuer and the Property Subsidiaries (as mortgagors) and the Commissioner (acting in the name and on behalf of the Noteholders) (the “**Extension Deeds**”) within ten (10) Business Days following such notification.
  - (iv) The Mortgages will be extended in connection with the same Properties which shall be free of any charge, lien or encumbrance other than the Mortgages.
- c) Perimeter Reorganization: Promissory Security in relation to the shares of the Future Property Subsidiaries
- (i) The Noteholders shall, by virtue of purchasing and/or holding the Notes, be deemed to have consented the Perimeter Reorganization.
  - (ii) In the event that as a result of the Perimeter Reorganization a Future Property Subsidiary acquired the ownership title over one or more of the Properties, the Issuer undertakes to grant as Security for the Secured Obligations a first ranking pledge over all the shares of such Future Property Subsidiary concurrently with the granting of the relevant public deeds by virtue of which such Future Property Subsidiary acquires direct ownership title over the relevant Property (a “**Property Acquisition Event**”).
  - (iii) At least ten (10) calendar days before a Property Acquisition Event occurs, the Issuer will notify the Noteholders of such event, and on the date of such Property Acquisition Event the Issuer (as pledgor) and the Commissioner (acting in the name and on behalf of the Noteholders) will appear before a Spanish notary public to grant a pledge deed (*póliza*) subject to Spanish law to create the said first ranking pledge over the shares of the relevant Future Property Subsidiary (each an “**Additional Deed of Pledge**”) which will have substantially the same terms as the Deeds of Pledge.
  - (iv) Any Future Property Subsidiaries will be wholly owned subsidiaries of the Issuer with the form of *sociedades anónimas*, unless at the time of their incorporation *sociedades de responsabilidad limitada* are allowed pursuant to the applicable Spanish laws and regulations to guarantee the Secured Obligations (in which case the Issuer will be allowed at its sole discretion to elect to incorporate the relevant Future Property Subsidiary either as *sociedad anónima* or as *sociedad de responsabilidad limitada*).
  - (v) The shares of the Future Property Subsidiaries shall be free of any charge, lien or encumbrance, other than the pledges to be created as Security for the Secured Obligations.
- d) Substitution of Security
- (i) The Issuer and the Property Subsidiaries may at any point after the granting of the Riverton Mortgage Deed and its registration with the relevant land registry, substitute (a “**Substitution**”) any or all of the Properties charged by the Mortgages (or Cash Collateral) for one or more additional non-residential real estate properties owned by them (each an “**Additional Property**”) plus any Cash Collateral pursuant to Condition 3e) provided that:
    - (x) the Additional Property Value plus any Cash Collateral, is equal to or greater than the value of the relevant Properties being substituted under the Mortgages (the “**Substituted Properties**”) as set out in the most recent Valuation;
    - (y) the (1) Note Cover Ratio post-Substitution is not greater than the (2) Note Cover Ratio pre-Substitution (both calculated as at the date of the Substitution Notice (as defined below); and

- (z) a Valuer provides a report confirming that the Net Operating Income corresponding to the Additional Properties is equal or greater than the Net Operating Income corresponding to the Substituted Properties.
- (ii) If the Issuer or a Property Subsidiary intends to carry out a Substitution, the Issuer will notify Noteholders of such intention (“**Substitution Notice**”), in writing in accordance with Condition 14 and evidencing compliance with the Substitution requirements set out above, and the Mortgages will be extended to include the Additional Properties (or, if applicable, new Mortgages will be created over the Additional Properties as security for the Secured Obligations substantially in the same terms as the Mortgages, to the satisfaction of the Commissioner) and released in connection with the Substituted Properties through the granting of the relevant deeds governed by Spanish law between the Issuer or the relevant Property Subsidiaries (as mortgagors) and the Commissioner (acting in the name and on behalf of the Noteholders) (the “**Substitution Deeds**”) within ten (10) calendar days following such notification.

The above notwithstanding, provided that the Additional Property to be mortgaged in Substitution for the relevant Property has not been acquired yet, the Issuer shall be entitled to carry out the Substitution constituting a Cash Collateral in the amount of the value of the substituted Property for a maximum term of 90 calendar days. Such Cash Collateral shall be released at the time of the granting of the Mortgage over the newly acquired Additional Property upon its purchase by the Issuer.

- (iii) The Issuer will only be allowed to substitute the Marcelo Spínola Property if the Marcelo Spínola's Occupancy Rate is above 75% on the date of the substitution.
- (iv) The Additional Properties shall be free of any charge, lien or encumbrance other than the Mortgages.

e) Cash Collateral

Any Cash Collateral contributed pursuant to these Conditions as security for the Secured Obligations shall be held in an escrow account subject to a first ranking pledge without transfer of possession (*prenda sin desplazamiento*) as security for the Secured Obligations pursuant to a pledge deed (*póliza*) governed by Spanish law between the Issuer (as pledgor), the credit entity in which the account is opened and the Commissioner (acting in the name and on behalf of the Noteholders) to be granted and filed for registration with the corresponding chattel registry no later than 5 Business Days after the date of the first contribution of Cash Collateral and registered within 25 Business Days following such filing.

f) Further Security

As soon as reasonably practicable following any changes in the composition of the Secured Property and/or any other property that is, or is required to be, the subject of the Security (other than the release of any Secured Property from the Security as provided in Condition 3d)) or either of the Security Documents, including any Additional Properties and Cash Collateral pursuant to a Substitution as provided in Condition 3d), the Issuer will procure that security interests in a form reasonably satisfactory to the Commissioner (acting in the name and on behalf of the Noteholders) are created over any such property which is not already, to the satisfaction of the Commissioner (acting in the name and on behalf of the Noteholders), secured by or pursuant to the Security Documents, in each case in favour of the Commissioner (acting in the name and on behalf of the Noteholders) as security for the Secured Obligations.

g) Irrevocable Power of Attorney

The Issuer shall procure that so long as any Note or Coupon remains outstanding (as defined in the Fiscal Agency Agreement) irrevocable powers of attorney granted by the Issuer and the Current Property Subsidiaries in favour of the Commissioner on the Closing Date and by the relevant Future Property Subsidiary in favour of the Commissioner on the relevant Property Acquisition Event date (the “**Irrevocable Powers of Attorney**”) with express powers to self-contract (“*autocontratación*”) and substitute (“*sustitución*”) shall be in force. The Irrevocable Powers of Attorney will be used by the Commissioner to grant, create or extend, as applicable, any Security or to carry out a Substitution pursuant to the terms of these Conditions on behalf

of the Issuer and the Property Subsidiaries, as applicable, in the event that the Issuer or the Property Subsidiaries, as the case may be, fail to do.

h) Release from Security

The Security Documents contain provisions for the release from the Security of the Secured Property. Secured Property shall be released from the Security under any of the following circumstances and for such purposes the Commissioner (acting in the name and on behalf of the Noteholders), within no more than 10 Business Days from the materialisation of the relevant circumstances, will execute the appropriate documentation at the request of the Issuer, subject to and in the manner provided in the Security Documents:

- (i) upon the full and final payment and performance of all Secured Obligations under these Conditions and the Security Documents;
- (ii) in connection with any Disposal, provided such Disposal is compliant with Condition 7d) hereof; and
- (iii) in connection with any Substitution which occurs in accordance with the requirements of Condition 3d) above and which will be subject to the concurrent extension of the Mortgages to the corresponding Additional Properties and to any Cash Collateral contributed pursuant to such Substitution in accordance with Condition 3d).

i) Enforcement of Security

- (i) Subject to any mandatory provisions of Spanish law, the Security may be enforced by the Commissioner (acting in the name and on behalf of the Noteholders) upon all the Notes becoming immediately due and payable in accordance with these Conditions.
- (ii) If the Security becomes capable of enforcement under paragraph (i) above, the Commissioner (acting in the name and on behalf of the Noteholders) may, if so directed by a resolution of the Syndicate of Noteholders, enforce all or any of the Security, subject to and in the manner provided in the Security Documents.

j) Application

The moneys received in connection with the realisation or enforcement of the Secured Property shall be applied as follows:

- (i) first, in payment or satisfaction of the fees, costs, charges, expenses and liabilities due to or properly incurred by the Commissioner or any receiver or agent of the Commissioner in carrying out or exercising its rights, powers, duties, discretions and authorities under these Conditions and/or the Security Documents (including holding and enforcing the Security and including any taxes required to be paid, the costs of realising any Secured Property and the remuneration and expenses of the Commissioner and any receiver or any agent appointed by it);
- (ii) secondly, in or towards payment or discharge or satisfaction, *pari passu* of all amounts due and payable to each the Fiscal Agent and the Paying Agents under the Fiscal Agency Agreement, including in any such case any fees, costs, charges, expenses and liabilities then due and payable to them or any of them under the Fiscal Agency Agreement;
- (iii) thirdly, in or towards payment or discharge or satisfaction *pari passu* of all amounts due and payable to the Noteholders in respect of the Notes; and
- (iv) fourthly, in payment of any balance to the Issuer for itself.

**4. Negative Pledge**

So long as any Note or Coupon remains outstanding (as defined in the Fiscal Agency Agreement) the Issuer will not, and will ensure that (i) none of the Issuer or the Property Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest other than the Securities, upon the whole or any part of the Properties, the shares or share quotas, as applicable, of the Property Subsidiaries, or, in general, of any Secured Property charged as Security for the Secured Obligations and (ii) none of the Property Subsidiaries will create, or have outstanding any mortgage, charge, lien, pledge or other security interest other than the Securities upon the whole or any part of its

present or future undertaking, assets or revenues (including any uncalled capital), to secure any Financial Indebtedness or to secure any guarantee or indemnity in respect of any Financial Indebtedness, without at the same time or prior thereto the same security as is created or subsisting to secure any such Financial Indebtedness, guarantee or indemnity is created as security for the Secured Obligations or such other security is approved by an Extraordinary Resolution (as defined in the Fiscal Agency Agreement) of the Syndicate of Noteholders.

## 5. Covenants

For so long as any Note or Coupon remains outstanding (as defined in the Fiscal Agency Agreement):

- a) Maintenance of Interest Cover Ratio: the Issuer shall ensure that as at each Reference Date, the Interest Cover Ratio shall not be below 1.25:1.
- b) Maintenance of Loan to Value Ratio: the Issuer shall ensure that as at each Reference Date, the Loan to Value Ratio shall not be above 65.00 per cent.
- c) Creation of Security on the Closing Date:
  - (i) The Issuer has undertaken to grant the Deeds of Mortgage in respect of the Initial Properties and the Deeds of Pledge in order to secure the Secured Obligations on the Closing Date and to have the Deeds of Mortgage in respect of the Initial Properties registered with the land registries where the Initial Properties are registered (so that the Mortgages are duly created under Spanish law in respect of the Initial Properties) no later than 45 Business Days after the Closing Date. For the avoidance of doubt, non-registration of any particular clause included in a Deed of Mortgage (*inscripción parcial*) which is not registrable under applicable Spanish law will not be construed in any event as a breach by the Issuer of its obligations under this Condition.

The Issuer may, on one occasion only in connection with each Deed of Mortgage, extend the 45-Business Day term set out in the previous paragraph by 15 additional Business Days by giving to the Commissioner at least 5 Business Days prior notice. Such notice must include a detailed description of the reasons for extending the registration process. In the event that the Deeds of Mortgage were not registered within this additional 15 Business Days term, the Issuer shall contribute Cash Collateral as security for the Secured Obligations (pursuant to Condition 3e)) in an amount equal to the amount to be secured by the Properties in connection with which the Deeds of Mortgage have not been registered (under the relevant Deeds of Mortgage).
  - (ii) The Issuer undertakes to file the Deeds of Mortgage in respect of the Initial Properties for registration with the corresponding Spanish land registries where the Initial Properties are registered. In particular, the Issuer undertakes to file all appropriate land registry forms ("*Anotación en el Libro Diario del Registro de la Propiedad*") in relation to the Initial Properties together with all the relevant documents for the registration of the Deeds of Mortgage in connection with all the Initial Properties with the land registries where the Initial Properties are recorded no later than 5 Business Days from the Closing Date.
  - (iii) The Issuer undertakes to provide a certificate in relation to the filing and registration of the Deeds of Mortgage in respect of the Initial Properties with the corresponding Spanish land registries where the Initial Properties are registered, in particular the Issuer shall make available for inspection by any Noteholder or Couponholder, free of charge at its own registered office and at the Specified Office of each Paying Agent a certificate signed by an Authorised Officer of the Issuer, certifying the satisfaction of the obligations under paragraph (i) and (ii) above promptly after the end of the periods set out therein.
- d) Transformation of Riverton Gestión and creation of the first ranking Mortgage over the Riverton Gestión Property
  - (i) The Issuer undertakes to complete the transformation of its Property Subsidiary Riverton Gestión into a *sociedad anónima* within 60 Business Days following the Closing Date (the "**Transformation**").



- (ii) The Issuer undertakes to procure that within 5 Business Days from the registration of the Transformation with the Commercial Registry of Madrid, Riverton Gestión will create a first ranking mortgage deed over the Riverton Gestión Property as security for the Secured Obligations as set out in Condition 3a), through the granting of a mortgage deed governed by Spanish law between Riverton Gestión (as mortgagor) and the Commissioner (acting in the name and on behalf of the Noteholders) (the “**Riverton Mortgage Deed**”). For the avoidance of doubt, if before the Transformation is completed a Mortgage Extension Event has occurred, the Riverton Mortgage Deed will be granted on the terms provided in Condition 3b). If Riverton Gestión fails to do so the Commissioner shall be entitled to do so on behalf of Riverton Gestión by virtue of the Irrevocable Powers of Attorney.
- (iii) The Issuer undertakes to procure that Riverton Gestión files the Riverton Mortgage Deed for registration with the corresponding Spanish land registry, and in particular the Issuer undertakes to procure that Riverton Gestión files all appropriate land registry forms (“*Anotación en el Libro Diario del Registro de la Propiedad*”) in relation to the Riverton Gestión Property together with all the relevant documents for the registration of the Riverton Mortgage Deed in connection with the Riverton Gestión Property with the land registry where the Riverton Gestión Property is recorded no later than 5 Business Days from the date of the Riverton Mortgage Deed and have the Riverton Mortgage Deed registered with the relevant land registry no later than 45 Business Days from the date of the Riverton Mortgage Deed. For the avoidance of doubt, non-registration of any particular clause included in the Riverton Mortgage Deed (*inscripción parcial*) which is not registrable under applicable Spanish law will not be construed in any event as a breach by the Issuer of its obligations under this Condition.  
  
The Issuer may, on one occasion only, extend the 45-Business Day term set out in the previous paragraph by 15 additional Business Days by giving to the Commissioner at least 5 Business Days prior notice. Such notice must include a detailed description of the reasons for extending the registration process. In the event that the Riverton Mortgage Deed was not registered within this additional 15 Business Days term, the Issuer shall contribute Cash Collateral as security for the Secured Obligations (pursuant to Condition 3e)) in an amount equal to the amount to be secured by the Riverton Gestión Property (under the Riverton Mortgage Deed).
- (iv) The Issuer undertakes to procure that Riverton Gestión provides a certificate in relation to the filing and registration of the Riverton Mortgage Deed with the corresponding Spanish public registry, in particular the Issuer shall make available for inspection by any Noteholder or Couponholder, free of charge at its own registered office and at the Specified Office of each Paying Agent a certificate signed by an Authorised Officer of the Issuer, certifying the satisfaction of the obligations under paragraphs (i), (ii) and (iii) above promptly after the end of the periods set out therein.

e) Amendment of the Mortgages upon the occurrence of a Substitution

- (i) Substitutions will have to comply with the requirements set out in Condition 3d). Following a Substitution Notice and the granting of the relevant Substitution Deeds pursuant to Condition 3d), the Issuer undertakes to file the Substitution Deeds for registration with the corresponding Spanish public registries, and in particular the Issuer undertakes to file all appropriate land registry forms (“*Anotación en el Libro Diario del Registro de la Propiedad*”) in relation to all Properties together with all the relevant documents for the registration of the Substitution Deeds in connection with all the Properties with the land registries where the Properties are recorded no later than 5 Business Days from the date of the Substitution Deeds and have the Substitution Deeds registered with the relevant land registries no later than 45 Business Days after the date of the Substitution Deeds. For the avoidance of doubt, non-registration of any particular clause included in a Substitution Deed (*inscripción parcial*) which is not registrable under applicable Spanish law will not be construed in any event as a breach by the Issuer of its obligations under this Condition.

The Issuer may, on one occasion only in connection with each Substitution, extend the 45-Business Day term set out in the previous paragraph by 15 additional Business Days by giving to the Commissioner at least 5 Business Days prior notice. Such notice must include a detailed description of the reasons for extending the registration process. In the event that the Substitution Deeds were not registered within this additional 15 Business Days term, the Issuer shall contribute Cash Collateral as security for the Secured Obligations (pursuant to Condition 3e)) in an amount equal to the amount to be secured by the Properties in connection with which the Substitution Deeds have not been registered (under the relevant Substitution Deeds).

- (ii) The Issuer undertakes to provide a certificate in relation to the filing and registration of the Substitution Deeds with the corresponding Spanish public registries, in particular the Issuer shall make available for inspection by any Noteholder or Couponholder, free of charge at its own registered office and at the Specified Office of each Paying Agent a certificate signed by an Authorised Officer of the Issuer, certifying the satisfaction of the obligations under paragraph (i) above promptly after the end of the periods set out therein.

f) Extension of the Mortgages upon the occurrence of a Mortgage Extension Event

- (i) If a Mortgage Extension Event occurs the Issuer undertakes to increase and procure that the Property Subsidiaries increase the secured amount (including all secured concepts) of the Mortgages pursuant to Condition 3b) and this Condition 5h). If the Issuer or the Property Subsidiaries fail to do so the Commissioner shall be entitled to do so on behalf of the Issuer by virtue of the Irrevocable Powers of Attorney.
- (ii) The Issuer undertakes to file the Extension Deeds for registration with the corresponding Spanish public registries, and in particular the Issuer undertakes to file all appropriate land registry forms (“*Anotación en el Libro Diario del Registro de la Propiedad*”) in relation to all Properties together with all the relevant documents for the registration of the Extension Deeds in connection with all the Properties with the land registries where the Properties are recorded no later than 5 Business Days from the date of the Extension Deeds and have the Extension Deeds registered with the relevant land registries no later than 45 Business days after the date of the Extension Deeds. For the avoidance of doubt, non-registration of any particular clause included in an Extension Deed (*inscripción parcial*) which is not registrable under applicable Spanish law will not be construed in any event as a breach by the Issuer of its obligations under this Condition.

The Issuer may, on one occasion only in connection with each Extension Deed, extend the 45-Business Day term set out in the previous paragraph by 15 additional Business Days by giving to the Commissioner at least 5 Business Days prior notice. Such notice must include a detailed description of the reasons for extending the registration process. In the event that the Extension Deeds were not registered within this additional 15 Business Days term, the Issuer shall contribute Cash Collateral as security for the Secured Obligations (pursuant to Condition 3e)) in an amount equal to the amount to be secured by the Properties in connection with which the Extension Deeds have not been registered (under the relevant Extension Deeds).

- (iii) The Issuer undertakes to provide a certificate in relation to the filing and registration of the Extension Deeds with the corresponding Spanish public registries, in particular the Issuer shall make available for inspection by any Noteholder or Couponholder, free of charge at its own registered office and at the Specified Office of each Paying Agent a certificate signed by an Authorised Officer of the Issuer, certifying the satisfaction of the obligations under paragraph (ii) above promptly after the end of the periods set out therein.

g) Creation of the Pledges of shares of the Future Property Subsidiaries

If a Property Acquisition Event occurs, the Issuer undertakes to grant the relevant Additional Deeds of Pledge in accordance with Condition 3c), concurrently with such Property Acquisition Event, in order to pledge the shares of the Future Property Subsidiaries as security for the Secured Obligations as set out therein. If the Issuer fails to do so the Commissioner

shall be entitled to do so on behalf of the Issuer by virtue of the Irrevocable Power of Attorney.

h) Cash collateral and creation of a Pledge of an Escrow Account

In the event that any Cash Collateral is contributed pursuant to these Conditions as security for the Secured Obligations, it shall be held in an escrow account opened by the Issuer which will be pledged as security for the Secured Obligations in accordance with Condition 3e). The Issuer undertakes to grant and register the relevant deed of pledge as set out in such Condition. If the Issuer fails to do so the Commissioner shall be entitled to do so on behalf of the Issuer by virtue of the Irrevocable Power of Attorney.

i) Certificates: the Issuer shall make available for inspection by any Noteholder or Couponholder, free of charge at its own registered office and at the Specified Office of each Paying Agent a certificate dated:

- (i) each Reporting Date signed by an Authorised Officer of the Issuer, certifying that the Issuer is in compliance with the covenants set out in this Condition 5 at the relevant Reference Date. This certificate will be accompanied by the corresponding Relevant Financial Statements and a Valuation of the Properties; and
- (ii) the date of the Substitution Notice signed by an Authorised Officer of the Issuer, certifying that the Issuer is in compliance with 3d)(i) and that a Valuer has provided the necessary report referred to therein. This certificate will be accompanied by such report, the relevant Valuation and the relevant Substitution Valuation.

j) Notifications: In addition to Condition 5j) above, in the event that as at any Reference Date any of the ratios in Conditions 5a) and 5b) are breached or a Mortgage Extension Event or a Property Acquisition Event occurs or a Substitution is intended under Condition 3d) and when the Transformation is completed, the Issuer will promptly (and in the case of a breach of the ratios in Conditions 5a) and 5b) in any event no later than the following relevant Reporting Date) notify the Noteholders in writing in accordance with Condition 14.

**6. Interest**

a) Interest Rate: Subject to Condition 6b), the Notes bear interest from and including the Closing Date at the rate of 2.90 per cent. per annum payable annually in arrears on 21 February in each year (each an “**Interest Payment Date**”) until the Maturity Date, except that the first payment of interest, to be made on 21 February 2016, will be in respect of the period from (and including) the Closing Date to (but excluding) 21 February 2016 and will amount to €2,915.89 per €100,000 principal amount of the Notes.

In these Conditions, the period beginning on and including the Closing Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an “**Interest Period**”.

Where interest is to be calculated in respect of a period which is shorter than an Interest Period, the day-count fraction used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

Interest in respect of any Note shall be calculated per €100,000 in principal amount of the Notes (the “**Calculation Amount**”). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the corresponding rate of interest set out above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

b) Accrual of Interest: Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant holder, and (b) the day seven days after the Fiscal Agent has notified Noteholders of receipt of all sums due in respect of all the Notes up

to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

## 7. **Redemption and Purchase**

- a) **Maturity:** Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on the Maturity Date. The Notes may not be redeemed at the option of the Issuer other than in accordance with this Condition 7.
- b) **Redemption for taxation reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Spain or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 7b), the Issuer shall deliver to the Fiscal Agent a certificate signed by an Authorised Officer of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.
- c) **Redemption at the option of the Issuer:** The Issuer may at any time prior to the Maturity Date, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")), redeem all, but not some only, of the Notes at a redemption price per Note equal to the Make Whole Amount together with interest accrued to but excluding the Optional Redemption Date.

Any notice of redemption given under this Condition 7c) will override any notice of redemption given (whether previously, on the same date or subsequently) under Condition 7b).

- d) **Mandatory redemption upon the occurrence of a Disposal:** If following a Disposal, the Pro Forma Notes Loan to Value Ratio is above 60.00 per cent. the Issuer shall redeem Notes, on giving not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 14 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Disposal Redemption Date**")), at a redemption price per Note equal to the Make Whole Amount together with interest accrued to but excluding the Disposal Redemption Date, in a principal amount as is necessary for the Issuer to ensure the Pro Forma Notes Loan to Value Ratio is lowered to at least 60.00 per cent. (unless the total amount required to be paid in respect thereof exceeds the Net Proceeds, in which case the Issuer will only redeem such principal amount of Notes - at the price stipulated herein together with interests – which permits the total amount to be paid by the Issuer to be equal to the Net Proceeds).

Within 5 Business Days following any Disposal, the Issuer shall deliver to the Commissioner and the Fiscal Agent a certificate signed by an Authorised Officer of the Issuer stating the Pro Forma Notes Loan to Value Ratio and if applicable the principal amount of Notes to be redeemed according to this Condition 7d) and will notify the Noteholders as stipulated above.

- e) **Redemption at the option of the Noteholders:** Upon the occurrence of a Change of Control or a Tender Offer Triggering Event, each Noteholder may, during the Relevant Event Period, notify the Issuer, as further provided below, that it requires the early redemption of some or all of its Notes. The Issuer will redeem in whole (but not in part) the Notes subject of the notice on the Relevant Event Redemption Date at their principal amount, (together with interest accrued to the Relevant Event Redemption Date).

A Change of Control or Tender Offer Triggering Event shall be notified to the Noteholders in accordance with Condition 14 by the Issuer within 14 calendar days of its occurrence (a “**Change of Control Notice**” or “**Tender Offer Triggering Event Notice**”, as applicable). Any such notification will indicate the Relevant Event Period and the Relevant Event Redemption Date. In order to exercise the option contained in this Condition 7e), the holder of a Note must, on any Business Day during the Relevant Event Period, deposit with any Paying Agent such Note together with all unmatured Coupons relating thereto and a duly completed put option notice (a “**Put Option Notice**”) in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed receipt for such Note (a “**Put Option Receipt**”) to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 7e), may be withdrawn; provided, however, that if, prior to the Relevant Event Redemption Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Relevant Event Redemption Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall give notification thereof to the depositing Noteholder in such manner and/or at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 7e), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- f) Notice of redemption and drawings: All Notes in respect of which any notice of redemption is given under this Condition 7 shall be redeemed on the date specified in such notice in accordance with this Condition 7. In the case of a partial redemption, the notice shall also contain the serial numbers of the Notes to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.
- g) Purchase: The Issuer may at any time purchase Notes in the open market or otherwise at any price (provided that, if they should be cancelled under Condition 7h) below, they are purchased together with all unmatured Coupons relating to them). The Notes so purchased may be held, re-issued or re-sold or, at the option of the Issuer, surrendered to the Fiscal Agent for cancellation, but while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meetings of the Syndicate of Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Syndicate of Noteholders or for the purposes of Condition 13.
- h) Cancellation: All Notes so redeemed or purchased and any unmatured Coupons attached to or surrendered with them will be cancelled and may not be re-issued or resold. Notes purchased by the Issuer and any unmatured Coupons attached to or surrendered with them may be surrendered to the Fiscal Agent for cancellation and, if so surrendered, shall be cancelled.

## 8. **Payments**

- a) Method of Payment: Payments of principal and interest will be made against presentation and surrender (or, in the case of a partial payment, endorsement) of Notes or the appropriate Coupons (as the case may be) at the Specified Office of any Paying Agent by transfer to a euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System. Payments of interest due in respect of any Note other than on presentation and surrender of matured Coupons shall be made only against presentation and either surrender or endorsement (as appropriate) of the relevant Note.
- b) Payments subject to fiscal laws: All payments are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law

implementing an intergovernmental approach thereto. No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- c) Surrender of unmatured Coupons: Each Note should be presented for redemption together with all unmatured Coupons relating to it, failing which the amount of any such missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon which the sum of principal so paid bears to the total principal amount due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relevant missing Coupon not later than 10 years after the Relevant Date for the relevant payment of principal.
- d) Payments on Business Days: A Note or Coupon may only be presented for payment on a day which is a Business Day in the place of presentation. No further interest or other payment will be made as a consequence of the day on which the relevant Note or Coupon may be presented for payment under this Condition 8 falling after the due date.
- e) Paying Agents: The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and appoint additional or other Paying Agents, provided that it will maintain (i) a Fiscal Agent, (ii) a Paying Agent having its specified office in at least two major European cities and (iii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. Notice of any change in the Paying Agents or their specified offices will promptly be given to the Noteholders in accordance with Condition 14.

## **9. Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Spain or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event the Issuer shall pay such additional amounts as will result in receipt by the Noteholders and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note or Coupon presented for payment:

- a) Other connection: by or on behalf of a holder or Beneficial Owner who is liable to such taxes, duties, assessments or governmental charges in respect of such Note or Coupon by reason of his having some connection with Spain other than the mere holding of the Note or Coupon; or
- b) Presentation more than 30 days after the Relevant Date: more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting such Note or Coupon for payment on the last day of such period of 30 days; or
- c) Payment to individuals: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive (including the Amending Directive); or
- d) Payment by another Paying Agent: by or on behalf of a Noteholder or a Couponholder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a European Union member state; or
- e) Where taxes are imposed by Spain or any political subdivision or any authority thereof or therein having power to tax that are (a) any estate, inheritance, gift, sales, transfer, personal property or similar taxes imposed by Spain or any political subdivision or any authority thereof or therein having power to tax; or (b) solely due to the appointment by an investor in the Notes, or any person through which an investor holds Notes, of a custodian, collection

agent, person or entity acting on behalf of the investor of the Notes or similar person in relation to such Notes; or

- f) Information requested by Spanish tax authorities: in respect of which the Issuer has not received such information as may be necessary to allow payments on such Note to be made free and clear of Spanish withholding tax or deduction on account of Spanish taxes, including a duly executed and completed Payment Statement from the Paying Agent, pursuant to Law 10/2014, as amended, and Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, and any implementing legislation or regulation, or pursuant to any other law or regulation substituting or amending such law or regulation (see “*Compliance with Certain Requirements in Connection with Income Payments*”); or
- g) Any combination of items a) through f) above.

For the avoidance of doubt, payments will be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any amended or successor version of such sections that is substantively comparable and not materially more onerous to comply with), any regulations or agreements thereunder, any official interpretations thereof, and any law implementing an intergovernmental approach thereto, as provided in Condition 8. No additional amounts will be paid on the Notes with respect to any such withholding or deduction.

“**Relevant Date**” means whichever is the later of (i) the date on which such payment first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Noteholders. Any reference in these Conditions to principal and/or interest shall be deemed to include any additional amounts which may be payable under this Condition 9.

## 10. Events of Default

If any of the following events (each an “**Event of Default**”) occurs and is continuing, the Commissioner may (i) acting upon a resolution of the Syndicate of Noteholders, in respect of all Notes, or (ii) unless there has been a resolution to the contrary by the Syndicate of Noteholders, acting under the instruction of any Noteholder in respect of such Note give written notice to the Issuer and the Fiscal Agent at its specified office that such Notes are immediately repayable, whereupon they shall become immediately due and payable at their principal amount together with accrued interest:

- a) Non-Payment: the Issuer fails to pay the principal of or any interest on any of the Notes when due and such failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- b) Breach of Obligations: the Issuer does not perform or comply with any one or more of its obligations under the Notes (other than any obligation for the payment of principal and interest in respect of the Notes as referred to in subparagraph (a) above and other than as referred to in subparagraph (c) below) or under the Security Documents which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Issuer and to the Fiscal Agent at its Specified Office by the Commissioner (failing whom, any Noteholder); or
- c) Breach of Covenant: the Issuer does not perform or observe any provision of Conditions 4 or 5 which default is incapable of remedy or is not remedied within 30 days after notice of such default shall have been given to the Issuer and to Fiscal Agent at its Specified Office by the Commissioner (failing whom, any Noteholder); or
- d) Cross-Acceleration: any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised (i) becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described but subject to any applicable grace period), or (ii) is not paid when due or, as the case may be, within any originally applicable grace period, provided that the amount of indebtedness referred to in (i) and/or in (ii), individually or in aggregate, exceeds €10 million; or
- e) Enforcement Proceedings: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer,

and is not discharged or stayed within 30 days, provided that the amount levied, enforced or sued on such distress, attachment or execution, individually or in aggregate with any other amount levied, enforced or sued, exceeds €20 million; or

- f) Security Enforced: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person), provided that the individual or aggregate value of all assets subject to the enforcement exceeds €20 million; or
- g) Insolvency: the Issuer is (or is deemed by law or a court to be) insolvent or bankrupt (*concurso*) or unable to pay its debts when due, or is declared or a voluntary request has been submitted to a relevant court for the declaration of insolvency or bankruptcy, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Subsidiaries; or
- h) Winding-up: an order is made or an effective resolution passed for the winding-up (*liquidación*) or dissolution (*disolución*) of the Issuer or any of its Subsidiaries, or the Issuer ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Syndicate of Noteholders, or (ii) in the case of Subsidiary, whereby the undertaking and assets of the Subsidiary are transferred to or otherwise vested in the Issuer or other of its Subsidiaries; or
- i) Authorisation and Consents: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, license, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of England is not taken, fulfilled or done; or
- j) Unlawfulness: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under or in respect of any of the Notes.
- k) Analogous Events: any event occurs which under the laws of Spain has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 10.

## **11. Prescription**

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 8 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date.

## **12. Replacement of Notes and Coupons**

If any Note or Coupon is lost, stolen, mutilated, defaced or destroyed it may be replaced at the Specified Office of the Fiscal Agent subject to all applicable laws and stock exchange or other relevant authority requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may require (provided that the requirement is reasonable in the light of prevailing market practice). Mutilated or defaced Notes or Coupons must be surrendered before replacements will be issued.

## **13. Syndicate of Noteholders and Modifications**

- a) Syndicate of Noteholders: The Noteholders shall meet in accordance with the regulations governing the Syndicate of Noteholders (the “**Regulations**”). The Regulations, which contain the rules governing the Syndicate of Noteholders and the rules governing its relationship with



the Issuer, are attached to the Public Deed and included in section 7 of this Prospectus and the Fiscal Agency Agreement.

Bondholders, S.L. will be appointed as a temporary Commissioner for the Noteholders. In addition to the matters set forth in the last paragraph of Condition 3a), Noteholders shall, by virtue of purchasing and/or holding Notes, be deemed to have agreed to: (i) the appointment of the temporary Commissioner; and (ii) become a member of the Syndicate of Noteholders. Upon the subscription of the Notes, the temporary Commissioner will call a general meeting of the Syndicate of Noteholders to ratify or oppose the acts of the temporary Commissioner, confirm its appointment or appoint a substitute Commissioner for it and ratify the Regulations. Noteholders shall, by virtue of purchasing and/or holding Notes, be deemed to have granted to the Fiscal Agent full power and authority to take any action and/or to execute and deliver any document or notices for the purposes of attending on behalf of the Noteholders the first meeting of the relevant Syndicate of Noteholders called to confirm the appointment of the relevant temporary Commissioner, approve its actions and ratify the Regulations contained in the Fiscal Agency Agreement and the relevant Public Deed, and vote in favour of each of those resolutions.

Provisions for meetings of Syndicates of Noteholders are contained in the Regulations and in the Fiscal Agency Agreement. Such Regulations shall have effect as if incorporated by reference herein.

The Issuer may, with the consent of the Commissioner, but without the consent of the Noteholders and the Couponholders, amend these Conditions insofar as they may apply to the Notes to correct a manifest error or which amendments are of a formal, minor or technical nature or to comply with mandatory provisions of law.

In addition to the above, the Issuer and the Noteholders, the latter with the sanction of a resolution of the Syndicate of Noteholders, may agree any modification, whether material or not, to these Conditions and any waiver of any breach or proposed breach of these Conditions.

*In accordance with Spanish law, a general meeting of the Syndicate of Noteholders shall be quorate upon first being convened provided that Noteholders holding or representing two-thirds of the Notes outstanding attend. If the necessary quorum is not achieved at the first meeting, a second general meeting may be convened to meet one month after the first general meeting and shall be quorate regardless of the number of Noteholders who attend. A resolution shall be passed by holders holding an absolute majority in principal amount of the Notes held by Noteholders present or duly represented at any properly constituted meeting and shall be binding on all holders whether or not present or represented at such meeting.*

- b) Modification of Fiscal Agency Agreement: The Issuer shall only permit any modification of, or any waiver or authorisation of any breach or proposed breach of or any failure to comply with, the Fiscal Agency Agreement, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders.
- c) Notification to the Noteholders: Any modification, waiver or authorisation in accordance with this Condition 13 shall be binding on the Noteholders and the Couponholders and shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14.

#### **14. Notices**

Notices to Noteholders will be valid if published in a leading newspaper having general circulation in London (which is expected to be the *Financial Times*), and, for as long as the Notes are admitted to the Official List and admitted to trading on the Main Securities Market of the Irish Stock Exchange, a leading newspaper having general circulation in the Republic of Ireland or published on the website of the Irish Stock Exchange ([www.ise.ie](http://www.ise.ie)) or, in either case, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

Copies of any notice given to any Noteholders will also be given to the Commissioner of the Syndicate of Noteholders.

Until such time as any definitive Notes are issued, there may, so long as any global Note is held in its entirety on behalf of Euroclear and/or Clearstream, Luxembourg be substituted for such publication as aforesaid the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Noteholders in accordance with their respective rules and operating procedures. Any such notice shall be deemed to have been given to the Noteholders on the day on which the notice was given to Euroclear and/or Clearstream, Luxembourg, as appropriate.

Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Noteholders in accordance with this Condition 14.

## **15. Contracts (Rights of Third Parties) Act 1999**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## **16. Governing Law**

- a) Governing Law: The Fiscal Agency Agreement, the Notes and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by and shall be construed in accordance with English law. Condition 2 and the provisions of Condition 13 relating to the appointment of the Commissioner and the Syndicate of Noteholders are governed by, and shall be construed in accordance with, Spanish law.
- b) Jurisdiction: The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes or the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Notes or the Coupons (“**Proceedings**”) may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This Condition 16b) is for the benefit of each of the Noteholders and Couponholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).
- c) Agent for Service of Process: The Issuer irrevocably appoints Intertrust (UK) Limited as its agent in England to receive service of process in any Proceedings in England based on any of the Notes or the Coupons. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Noteholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

## **17. Definitions**

In these Conditions, unless otherwise provided:

“**Additional Deed of Pledge**” has the meaning given to it in Condition 3c);

“**Additional Property**” has the meaning given to it in Condition 3d);

“**Additional Property Value**” means the aggregate of the market value of the relevant Additional Properties as set out in the Substitution Valuation;

“**Authorised Officer**” means any director of the Issuer (or, in each case, any signatory authorised to act on its behalf);

“**Board of Directors**” means either the board of directors, or the equivalent body, of the Issuer, as the case may be, or any duly authorised committee of that board or body;

“**Business Day**” means a day (other than a Saturday or Sunday) which is a TARGET Business Day on which commercial banks and foreign exchange markets are open in the relevant city;

“**Calculation Amount**” has the meaning given to it in Condition 6a);

“**Cash Collateral**” means any monies provided by the Issuer as collateral for the Notes pursuant to Condition 3(d) in the context of a Substitution, which in no event shall be a currency other than euro or should exceed €35 million;

a **“Change of Control”** shall occur if a person or persons acting together acquire Control of the Issuer;

**“Change of Control Notice”** has the meaning given to it in Condition 7e);

**“Change of Control Period”** means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change or Control, or if later, 60 calendar days following the date on which a Change of Control Notice is given to Noteholders as required by Condition 7e);

**“Clearstream, Luxembourg”** means Clearstream Banking, Société Anonyme;

**“Closing Date”** means 19 February 2015;

**“CNMV”** means Spain’s Comisión Nacional del Mercado de Valores;

**“Code”** has the meaning given to it in Condition 8b);

**“Commissioner”** means the commissioner (*comisario*) as this term is defined under the Spanish Mercantile Companies Law (*Ley de Sociedades de Capital*) of the Syndicate of Noteholders;

**“Control”** means:

- a) the acquisition or control of more than 50 per cent. of the Voting Rights; or
- b) the right to appoint and/or remove all or the majority of the members of the Issuer’s Board of Directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of Voting Rights, contract or otherwise and “controlled” shall be construed accordingly;

**“Current Property Subsidiaries”** means LAR España Inversión Logística, S.A.U., LAR España Shopping Centres, S.A.U., and Riverton Gestión, S.L.U.;

**“Deeds of Mortgage”** has the meaning given to it in Condition 3a);

**“Deeds of Pledge”** has the meaning given to it in Condition 3a);

**“Disposal”** means the sale, transfer or other disposition by the Issuer of any of the Properties;

**“Disposal Redemption Date”** has the meaning given to it in Condition 7d);

**“EBITDA Net of Tax”** means, in respect of any Relevant Period, the consolidated or pro forma consolidated operating profit of the Issuer for that Relevant Period calculated in accordance with GAAP, but before:

- a) any Interest Charges; and
- b) any amount attributable to amortisation of goodwill or other intangible assets or the amortisation or the writing off of acquisition or refinancing costs and any deduction for depreciation or impairment of assets;

and excluding:

- (i) any amounts attributable to the disposal of any Properties or other assets during such Relevant Period;
- (ii) other Exceptional Items;
- (iii) fair value adjustments, or the mark-to-market of any derivative transaction, or impairment charges (to the extent they involve no payment of cash);
- (iv) any amount attributable to the writing up or writing down of any assets of the Issuer as a result of a revaluation of such assets after the Issue Date;
- (v) any non-cash amount attributed to share-based payments; and
- (vi) all amounts of corporation tax paid net of any tax rebate or refund for corporation tax during the Relevant Period ending on (and including) the relevant Reference Date;

**“€”** or **“euro”** means the currency of the economic and monetary union established pursuant to the Treaty on the Functioning of the European Union, as amended;

**“Euroclear”** means Euroclear Bank SA/NV;

**“Event of Default”** has the meaning given to it in Condition 10;

**“Exceptional Items”** means any exceptional, one off, non-recurring or extraordinary items;

**“Extension Deeds”** has the meaning given to it in Condition 3b);

**“Financial Indebtedness”** means any indebtedness for or in respect of:

- a) moneys borrowed;
- b) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- c) any amount raised pursuant to any note purchase facility or the issue of Notes, notes, debentures, loan stock or any similar instrument;
- d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- f) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- g) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- h) shares which are expressed to be redeemable;
- i) without double counting, any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- j) without double counting, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (i) above;

**“Future Property Subsidiaries”** means any Subsidiary (excluding the Current Property Subsidiaries) which at any time holds or acquires direct ownership title over one or more of the Properties as a result of the Perimeter Reorganization;

**“GAAP”** means generally accepted accounting principles (including IFRS), standards and practices in Spain, in relation to the Issuer;

**“IFRS”** refer to International Financial Reporting Standards as adopted by the European Union;

**“Initial Properties”** means the following:

- a) L'Anec Blau; Plot registered with the Land Registry of Castelldefels with the following registration details Volume 1,412, book 950, sheet 27 and plot number 41,216.
- b) Albacenter: Plots registered with the Land Registry number 3 of Albacete with the following registration details:
  - Volume 2,064, book 241, sheet 137 and plot number 14,244.
  - Volume 1,975, book 214, sheet 93 and plot number 14,245.
  - Volume 1,975, book 214, sheet 97 and plot number 14,246.
  - Volume 2,320, book 339, sheet 137 and plot number 14,247.
  - Volume 1,975, book 214, sheet 104 and plot number 14,248.
  - Volume 1,975, book 214, sheet 115 and plot number 14,252.
  - Volume 2,446, book 390, sheet 34 and plot number 21,615.
  - Volume 2,446, book 390, sheet 41 and plot number 21,616.
  - Volume 2,446, book 390, sheet 46 and plot number 21,617.
  - Volume 2,658, book 484, sheet 66 and plot number 25,433.

- Volume 2,658, book 484, sheet 56 and plot number 25,431.
  - Volume 2,658, book 484, sheet 61 and plot number 25,432.
  - Volume 1,975, book 214, sheet 111 and plot number 14,251 (a share of 4.84% of this plot).
  - Volume 2,469, book 400, sheet 222 and plot number 22,054.
  - Volume 1,975, book 214, sheet 106 and plot number 14,249.
  - Volume 1,975, book 214, sheet 109 and plot number 14,250.
- c) Txingudi: Plots registered with the Land Registry of Irún with the following registration details:
- Volume 1,292, book 978, sheet 183 and plot number 48,078.
  - Volume 1,292, book 978, sheet 187 and plot number 48,079.
  - Volume 1,292, book 978, sheet 175 and plot number 48,076.
  - Volume 1,292, book 978, sheet 172 and plot number 48,075 entry 2.
  - Volume 1,098, book 827, sheet 185 and plot number 14,024 entry 5.
- d) Las Huertas: Plots registered with the Land Registry number 3 of Palencia with the following registration details:
- Volume 2,500, book 867, sheet 144, plot number 55,402 and entry 7.
  - Volume 2,500, book 867, sheet 147 and plot number 55,404.
  - Volume 2,500, book 867, sheet 151 and plot number 55,406.
  - Volume 2,500, book 867, sheet 155 and plot number 55,408.
  - Volume 2,500, book 867, sheet 159 and plot number 55,410.
  - Volume 2,500, book 867, sheet 163 and plot number 55,412.
  - Volume 2,500, book 867, sheet 167 and plot number 55,414.
  - Volume 2,500, book 867, sheet 171 and plot number 55,416.
- e) Albacenter Hypermarket: Plots registered with the Land Registry number 3 of Albacete with the following registration details:
- Volume 1,975, book 214, sheet 85 and plot number 14,243.
  - Volume 1,975, book 214, sheet 113 and plot number 14,251 (a share of 95.16% of this plot).
- f) Alovera - J. Santos: Plots registered with the Land Registry of number 3 of Guadalajara with the following registration details:
- Volume 1,624, book 52, sheet 8 and plot number 3,064.
  - Volume 2,283, book 153, sheet 168 and plot number 10,738.
- g) Alovera: Plots registered with the Land Registry of number 3 of Guadalajara with the following registration details:
- Volume 1,853, book 88, sheet 123 and plot number 6,773.
  - Volume 1,758, book 73, sheet 180 and plot number 6,774.
- h) Marcelo Spinola: Plot registered with the Land Registry number 28 of Madrid with the following registration details: Volume 1,265, book 294, sheet 213 and plot of section 8 number 6,118 (“**Marcelo Spínola Property**”).

“**Initial Valuation**” means the valuation of the Properties at market value (net of acquisition costs), as of the Closing Date according to the Valuation Reports;

“**Interest Charges**” means, in relation to a Relevant Period:

- i) without double-counting, the accrued cost of interest on Financial Indebtedness of the Issuer for such Relevant Period; less
- j) without double-counting, any interest receivable by the Issuer from a third party over the Relevant Period;

“**Interest Cover Ratio**” means the ratio of EBITDA Net of Tax to the Interest Charges as at each Reference Date, calculated in respect of the most recent Relevant Period;

“**Interest Payment Date**” has the meaning given to it in Condition 6a);

“**Interest Period**” has the meaning given to it in Condition 6a);

“**Interpolated Mid-Swap Rate**” means the interpolation between the two Reference Mid-Swap Rates for a term equal to the Remaining Life taken at 3.00pm (London time) on the date which is two Business Days prior to the dispatch of the notice of redemption to Noteholders under Condition 7c) or 7d);

“**Irrevocable Powers of Attorney**” has the meaning given to it in Condition 3b);

“**Loan to Value Ratio**” means L expressed as a percentage of V as at each Reference Date, where:

- a) L is equal to Total Debt; and
- b) V is equal to the Total Assets;

“**Make Whole Amount**” means the higher of:

- a) 100.00 per cent. of the principal amount of the Note; and
- b) the sum of the present values of the remaining scheduled payments of principal and interest (not including any interest accrued on the Notes to, but excluding, the Optional Redemption Date or the Disposal Redemption Date, as applicable) discounted to the Optional Redemption Date or the Disposal Redemption Date, as applicable, on an annual basis (based on the Actual/Actual ICMA day count fraction) at a rate equal to the Interpolated Mid-Swap Rate in respect of the number of years to the Maturity Date of the Notes calculated by the Issuer;

“**Marcelo Spínola Occupancy Ratio**” means leased area in square metres (excluding parking spaces) over total gross leasable area.

“**Maturity Date**” means 21 February 2022;

“**Mortgage Extension Event**” has the meaning given to it in Condition 3b);

“**Net Operating Income**” (NOI) means the annual income generated by an income-producing property after taking into account all income collected from operations, and deducting all expenses incurred from operations. The NOI is calculated as follows<sup>2</sup>:

+ Minimun Guaranteed Rent (100%)  
 - Vacancy  
 - Rent free  
 - Rent discounts  
 GROSS RENT  
 + Turnover Rent  
 + Mall Income  
 GROSS INCOME  
 - Non-recoverable service charge&property tax  
 - Bad debt  
 - Property fees  
 NET OPERATING INCOME

<sup>2</sup> Capitalised letters in this formula shall have the same meaning as in the Interim consolidated financial statements corresponding to the period of eight months and fourteen days ended September 30, 2014.

**“Net Proceeds”** means, in relation to a Disposal, the cash or cash equivalent proceeds (including, when received, the cash or cash equivalent proceeds of any deferred consideration, whether by way of adjustment to the purchase price or otherwise, and taking into account the cash value of any apportionment of any rental income or other amount given or made to any purchaser or third person upon that sale, transfer or disposal) received by the Issuer in connection with the sale, transfer or other disposal by the Issuer of any Property, after deducting all reasonable fees and transaction costs in connection with that sale, transfer or disposal and taxes paid or reasonably estimated by the Issuer to be payable as a result of that sale, transfer or disposal, rounded downwards to the nearest €100,000;

**“Note Cover Ratio post-Substitution”** means the ratio of the principal amount of the Notes outstanding to the sum of the Property Value following the Substitution and any Cash Collateral;

**“Note Cover Ratio pre-Substitution”** means the ratio of the principal amount of the Notes outstanding, as at the date of the Substitution Notice, to the aggregate of the market value of the Properties set out in the most recent Valuation;

**“Optional Redemption Date”** has the meaning given to it in Condition 7c);

**“Perimeter Reorganization”** means the reorganization of the corporate perimeter of the Issuer by means of which it is expected that the following Initial Properties: l’Anec Blau, Albacenter, Txingudi, Las Huertas and Marcelo Spínola; are transferred by the Issuer to fully owned Future Property Subsidiaries. For further information regarding the Perimeter Reorganization see section 5 of the Prospectus;

**“Pro Forma Notes Loan to Value Ratio”** means, in relation to a Disposal,  $L$  expressed as a percentage of  $V$ , where:

- a)  $L$  is equal to the principal amount of the Notes outstanding, as at the most recent Reference Date preceding such Disposal; and
- b)  $V$  is equal to the aggregate of the market value of the Properties excluding the market value corresponding to the Property subject to the Disposal set out in both cases in the most recent Valuation (and the market value of any other Properties which have been subject to previous Disposals from the most recent Reference Date set out in such Valuation);

**“Proceedings”** has the meaning given to it in Condition 16b);

**“Properties”** means (i) as at the Closing Date, the Initial Properties and the Riverton Gestión Property only and (ii) thereafter the Initial Properties and the Riverton Gestión Property, excluding any Substituted Properties but including any Additional Properties pursuant to Condition 3d);

**“Property Acquisition Event”** has the meaning given to it in Condition 3c);

**“Property Subsidiaries”** means as at the Closing Date the Current Property Subsidiaries and, thereafter, the Current Property Subsidiaries and any Future Property Subsidiaries;

**“Property Value following the Substitution”** means (i) for the purposes of Condition 3(d) other than Condition 3(d)(iv), the aggregate of the market value of the Properties set out in the most recent Valuation, excluding the Substituted Properties but including the Additional Properties, pursuant to the most recent Valuation and the Substitution Valuation, as applicable and (ii) for the purposes of Condition 3(d)(iv) the aggregate of the market value of the Properties pursuant to the most recent Valuation;

**“Put Option Notice”** has the meaning given to it in Condition 7e);

**“Put Option Receipt”** has the meaning given to it in Condition 7e);

**“Reference Date”** means 30 June and 31 December of each year as the context requires provided that the first Reference Date shall be 30 June 2015;

**“Reference Mid-Swap Rates”** means two rates each calculated as the average of the bid and ask reported by Intercapital Brokers (now ICAP plc) as published on the Thomson Reuters screen ICAPEURO (or such other page or service as may replace such page for the purposes of displaying such rate) for a 6 month Euribor swapped to fixed rate, one with a tenor rounding down and one with a tenor rounding up to the nearest whole year remaining until the Maturity Date of the Notes;

**“Regulations”** has the meaning given to it in Condition 13a);

**“Relevant Date”** has the meaning given to it in Condition 9;

**“Relevant Event Redemption Date”** means the date specified by the Issuer in the Change of Control Notice or the Tender Offer Triggering Event Notice, as applicable, being a date not earlier than five nor later than 10 Business Days after expiry of the Relevant Event Period;

**“Relevant Event Period”** means in relation to a Change of Control, the Change of Control Period and, in relation to a Tender Offer Triggering Event, the Tender Offer Triggering Event Period;

**“Relevant Financial Statements”** means the most recent annual or semi-annual, as applicable, financial statements of the Issuer prepared as of and for the Relevant Period ending on each Reference Date;

**“Relevant Period”** means the most recent 12-month period ending on each Reference Date falling on 31 December or the most recent 6-month period ending on each Reference Date falling on 30 June, as applicable, for which Relevant Financial Statements are available;

**“Remaining Life”** means from any date the number of years remaining until the Maturity Date, rounded down to three decimal places;

**“Reporting Date”** means a date falling no later than 30 days after (i) the approval by the Issuer’s general shareholders’ meeting of the Issuer’s audited financial statements, with respect to a Reference Date falling on 31 December, or (ii) the approval by the Issuer’s board of directors of the Issuer’s semi-annual financial statements, with respect to a Reference Date falling on 30 June, provided that the first Reporting Date shall be the date falling no later than 30 days after the approval by the Issuer’s board of directors of the Issuer’s semi-annual financial statements as of and for the period ended 30 June 2015;

**“RICS”** means the Royal Institution of Chartered Surveyors;

**“Riverton Gestión”** means Riverton Gestión, S.L.U.

**“Riverton Gestión Property”** means the plot registered with the Land Registry number 28 of Madrid with the following registration details: Volume 929, book 233, sheet 222, plot number 499.

**“Riverton Mortgage Deed”** has the meaning given to it in Condition 5f)

**“Secured Property”** has the meaning given to it in Condition 3a);

**“Security”** has the meaning given to it in Condition 3a);

**“Security Documents”** has the meaning given to it in Condition 3a);

**“Secured Obligations”** has the meaning given to it in Condition 3a);

**“Specified Office”** has the meaning ascribed to it in the Fiscal Agency Agreement;

**“Subsidiary”** means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer;

**“Substituted Properties”** has the meaning given to it in Condition 3d);

**“Substitution”** has the meaning given to it in Condition 3d);

**“Substitution Deeds”** has the meaning given to it in Condition 3d);

**“Substitution Notice”** has the meaning given to it in Condition 3d);

**“Substitution Valuation”** a valuation of the Additional Properties (which will include a breakdown on a property by property basis) at market value (net of acquisition costs), as at a date not more than 60 days prior to the date of the relevant Substitution Notice, in accordance with the rules of the RICS, by a Valuer, and addressed to or capable of being relied upon by the Commissioner and the Noteholders;

**“Syndicate of Noteholders”** means the syndicate (*sindicato*) as this term is described under the Spanish Mercantile Companies Law (Ley de Sociedades de Capital);

**“TARGET Business Day”** means, a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are open for general business (including dealing in



foreign exchange and foreign currency deposits) in London, Madrid and Dublin and on which the TARGET System is operating;

**“TARGET System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System or any successor thereto;

**“Tender Offer”** means a tender offer (including a competing tender offer) made in accordance with applicable Spanish laws and regulations;

**“Tender Offer Triggering Event”** means the approval by the CNMV of a Tender Offer which could result, immediately following completion of the Tender Offer, in the offeror and/or any person acting together with the offeror having Control of the Issuer;

**“Tender Offer Triggering Event Notice”** has the meaning given to it in Condition 7e);

**“Tender Offer Triggering Event Period”** shall mean the period commencing on and including the date the Tender Offer Triggering Event occurs and ending on and including the last date on which the Tender Offer is open for acceptance;

**“Total Assets”** means, as at each Reference Date, the total assets of the Issuer as determined by reference to its audited annual consolidated financial statements or its semi-annual consolidated financial statements, as applicable, prepared as of such Reference Date and adjusted to exclude any intangible assets;

**“Total Debt”** means the aggregate outstanding Financial Indebtedness of the Issuer, being, as at each Reference Date, the aggregate outstanding Financial Indebtedness of the Issuer as set out in the “creditors” section of the Relevant Financial Statements;

**“Transformation”** has the meaning given to it in Condition 5f)

**“Valuation”** means (i) the Initial Valuation and (ii) any other valuation of the Properties (which will include a breakdown on a property by property basis) at market value (net of acquisition costs) as at each Reference Date performed in accordance with the rules of the RICS, by a Valuer, and addressed to, or capable of being relied upon by the Commissioner and the Noteholders;

**“Valuation Reports”** means the valuations reports produced by Cushman & Wakefield and Jones Lang LaSalle dated 28 January 2015 and 27 January 2015 respectively, in relation to the properties of the Issuer as of 31 December 2014, including the Properties. For further information see Annexes I and II of the Prospectus;

**“Valuer”** means a suitable qualified RICS accredited appraiser; and

**“Voting Rights”** means, in respect of any person, the right generally to vote at a general meeting of shareholders of such person (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency).

## 7. REGULATIONS OF THE SYNDICATE OF NOTEHOLDERS

### ESTATUTOS DEL SINDICATO DE BONISTAS EMISIÓN DE BONOS SENIOR GARANTIZADOS

En caso de discrepancia, la versión española prevalecerá

#### **TÍTULO I: CONSTITUCIÓN, DENOMINACIÓN, OBJETO, DOMICILIO, DURACIÓN Y GOBIERNO DEL SINDICATO BONISTAS**

Artículo 1.- Constitución. El Sindicato de Bonistas de la emisión de Bonos Senior Garantizados por importe de 140.000.000 de euros con vencimiento el 21 de febrero de 2022 emitidos por Lar España Real Estate SOCIMI, S.A. (en adelante, respectivamente el “**Emisor**” y los “**Bonos**”) quedará constituido una vez se suscriban y desembolsen los Bonos.

Este Sindicato se registrará por los presentes Estatutos y por el Texto Refundido de la Ley de Sociedades de Capital y demás disposiciones legales vigentes en cada momento.

Artículo 2.- Denominación. El Sindicato se denominará “Sindicato de Bonistas de la Emisión de Bonos Senior Garantizados con vencimiento el 21 de febrero de 2022 de Lar España Real Estate SOCIMI, S.A.”.

Artículo 3.- Objeto. El Sindicato de Bonistas tendrá por objeto la defensa de los legítimos intereses de los titulares de Bonos (los “**Bonistas**”) en relación con el Emisor, mediante el ejercicio de los derechos que se les reconoce en la ley por la que se rigen y en estos Estatutos.

Artículo 4.- Domicilio. El domicilio del Sindicato se fija en Madrid, Calle Rosario Pino, número 14-16. La Asamblea General de Bonistas podrá, sin embargo, reunirse en cualquier otro lugar, siempre que así se exprese en la correspondiente convocatoria.

Artículo 5.- Duración. El Sindicato de Bonistas estará vigente hasta que se haya producido la amortización de todos los Bonos o su extinción por cualquier otro motivo.

Artículo 6.- Órganos del sindicato. El gobierno del Sindicato de Bonistas corresponderá:

- a) A la Asamblea General de Bonistas; y
- b) Al Comisario.

#### **Título II: LA ASAMBLEA GENERAL DE BONISTAS**

Artículo 7.- Naturaleza jurídica. La Asamblea General de Bonistas, debidamente convocada y constituida, es el órgano de expresión de la voluntad de los Bonistas y sus acuerdos vinculan a todos los Bonistas en la forma establecida en la ley.

Artículo 8.- Legitimación para convocatoria. La

### REGULATIONS OF THE SYNDICATE OF NOTEHOLDERS

#### ISSUE OF SENIOR SECURED NOTES

In case of discrepancy, the Spanish version shall prevail.

#### **TITLE I: INCORPORATION, NAME, PURPOSE, ADDRESS, DURATION AND GOVERNANCE OF THE SYNDICATE OF NOTEHOLDERS**

Article 1.- Incorporation The syndicate of noteholders of the issue of the €140,000,000 Senior Secured Notes due 21 February 2022 issued by Lar España Real Estate SOCIMI, S.A. (hereinafter, respectively, the “**Issuer**” and the “**Notes**”) shall be incorporated once the Notes have been fully subscribed and paid.

This Syndicate shall be governed by these regulations and by the Spanish Companies Act and other applicable legislation from time to time.

Article 2.- Name. The Syndicate shall be named “Syndicate of Noteholders of the Issue of Senior Secured Notes due 21 February 2022 of Lar España Real Estate SOCIMI, S.A.”.

Article 3.- Purpose. This Syndicate of Noteholders is formed for the purpose of protecting the lawful interest of the holders of the Notes (the “**Noteholders**”) vis-à-vis the Issuer, by means of the exercise of the rights granted by the applicable laws and the present regulations.

Article 4.- Address. The address of the Syndicate shall be located in Madrid, Calle Rosario Pino, number 14-16. However, the Noteholders General Meeting is also authorized to hold a meeting in any other place, provided that it is specified in the notice convening the meeting.

Article 5.- Duration. This Syndicate of Noteholders shall exist until all of the Notes have been redeemed, or until its cancellation for any other reason.

Article 6.- Syndicate management bodies. The Management bodies of the Syndicate of Noteholders are:

- a) The General Meeting of Noteholders; and
- b) The Commissioner.

#### **Title II: THE NOTEHOLDERS GENERAL MEETING**

Article 7.- Legal nature. The Noteholders General Meeting, duly called and constituted, is the body of expression of the Noteholders’ will and its resolutions are binding for all the Noteholders in the way legally stated.

Article 8.- Standing for convening meetings. The

Asamblea General de Bonistas será convocada por el Consejo de Administración del Emisor o por el Comisario, siempre que lo estimen conveniente. No obstante lo anterior, el Comisario deberá convocarla cuando lo soliciten por escrito, con indicación del objeto de la convocatoria, un número de Bonistas que represente, al menos, la vigésima parte del importe total de los Bonos emitidos y no amortizados o, de ser distinto, aquel otro porcentaje establecido al efecto en la ley. En tal caso, la Asamblea deberá ser convocada para su celebración dentro de los cuarenta y cinco días siguientes a aquél en que el Comisario hubiere recibido la solicitud.

Artículo 9.- Forma de convocatoria. La convocatoria de la Asamblea General se hará, por lo menos quince días antes de la fecha fijada para su celebración, mediante (i) anuncio que se publicará en la página web del emisor y (ii) envío del anuncio a Euroclear y/o Clearstream, Luxemburgo. El anuncio deberá expresar el lugar y la fecha de la reunión, los asuntos que hayan de tratarse, la forma de acreditar la titularidad de los Bonos para tener derecho de asistencia a la misma y cualesquiera otros aspectos exigidos en su caso en la normativa vigente.

En los supuestos previstos en el artículo 423.2 de la Ley de Sociedades de Capital, la convocatoria de la Asamblea General de Bonistas se hará de acuerdo con los requisitos previstos en dicho artículo y en la forma establecida en dicho cuerpo legal para la junta general de accionistas.

Artículo 10.- Derecho de asistencia. Tendrán derecho de asistencia a la Asamblea los Bonistas que hayan adquirido dicha condición con al menos cinco días hábiles de antelación a aquel en que haya de celebrarse la reunión. Los miembros del Consejo de Administración del Emisor podrán asistir a la Asamblea aunque no hubieren sido convocados.

Artículo 11.- Derecho de representación. Todo Bonista que tenga derecho de asistencia a la Asamblea podrá hacerse representar por medio de otra persona. La representación deberá conferirse por escrito y con carácter especial para cada Asamblea.

Artículo 12.- Quórum de asistencia y adopción de acuerdos. La Asamblea podrá adoptar acuerdos siempre que los asistentes representen a las dos terceras partes del importe total de los Bonos en circulación o aquel otro porcentaje inferior que en su caso se fije en la normativa vigente en cada momento para la adopción de acuerdos. Los acuerdos se adoptarán por mayoría absoluta calculada sobre los votos correspondientes a dicho importe, salvo aquellas materias para las que la normativa vigente en su caso exija un porcentaje superior. Cuando no se lograra la concurrencia de titulares de Bonos necesaria para la celebración en primera convocatoria, la Asamblea podrá celebrarse en segunda convocatoria según lo previsto al efecto por la normativa vigente, pudiéndose entonces tomarse los acuerdos por mayoría absoluta calculada sobre los votos correspondientes a los asistentes. No obstante lo anterior, la Asamblea se entenderá convocada y

Noteholders General Meeting shall be convened by the Board of Directors of the Issuer or by the Commissioner, whenever they may deem it convenient. Nevertheless, the Commissioner shall convene a General Meeting, expressly indicating the purpose of the calling, when Noteholders holding at least the twentieth part of the outstanding amount of the Notes issued and not redeemed or, if different, any other percentage set forth in the applicable law, request it in writing. In such case, the General Meeting shall be convened to be held within the forty-five days following the receipt of the written notice by the Commissioner.

Article 9.- Procedure for convening meetings. The Noteholders General Meeting shall be convened at least fifteen days before the date set for the meeting, by (i) notice published on the website of the Issuer and (ii) delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg. The notice shall state the place and the date for the meeting, the agenda for the meeting, the way in which ownership of the Notes shall be proved in order to have the right to attend the General Meeting and any other aspects that may be required by the applicable legislation.

In the events established in article 423.2 of the Spanish Companies Act, the convening of the Noteholders General Meeting shall be made in accordance with the requirements set out in the abovementioned article and in the manner set out in the abovementioned legal text regarding the shareholders general meeting.

Article 10.- Right to attend meetings. Noteholders who have been so at least five days prior to the date on which the General Meeting is scheduled, shall have the right to attend the meeting. The members of the Board of Directors of the Issuer shall have the right to attend the Meeting even if they have not been requested to attend.

Article 11.- Right to be represented. All Noteholders having the right to attend the Meeting also have the right to be represented by another person. Appointment of a proxy must be in writing and only for each particular Meeting.

Article 12.- Quorum for meetings and to pass resolutions. The Meeting shall be entitled to pass resolutions if Noteholders representing at least two thirds of the principal amount of the outstanding Notes, or any other lower percentage that the applicable legislation may establish to pass resolutions, are present or represented. The resolutions shall be approved by an absolute majority of the votes corresponding to such amount, except for those decisions in which the applicable legislation requires a higher percentage. If the quorum of Noteholders to celebrate the first meeting is not reached, the Meeting may be held at second call in accordance to the applicable legislation, and the resolutions may be passed by an absolute majority of the Noteholders present or represented. Nevertheless, the Meeting shall be deemed called and validly constituted to pass any resolution if Noteholders representing all outstanding Notes are present and

quedará válidamente constituida para tratar de cualquier asunto siempre que estén presentes o debidamente representados todos los Bonistas y acepten por unanimidad la celebración de la Asamblea.

Artículo 13.- Derecho de voto. En las reuniones de la Asamblea, cada Bono conferirá derecho a un voto, salvo que de acuerdo con la normativa vigente se prevea una fórmula de cálculo distinta.

Artículo 14.- Presidencia de la Asamblea. La Asamblea estará presidida por el Comisario, quien dirigirá los debates, dará por terminadas las discusiones cuando lo estime conveniente y someterá los asuntos a votación.

Artículo 15.- Lista de asistencia. El Comisario elaborará, antes de entrar en el orden del día, la lista de los asistentes, expresando la representación de cada uno de ellos, en su caso, y el número de Bonos propios o ajenos con que concurren.

Artículo 16.- Facultades de la Asamblea General.

La Asamblea General de Bonistas podrá acordar lo necesario para:

- a) la mejor defensa de los legítimos intereses de los Bonistas respecto del Emisor;
- b) destituir o nombrar al Comisario y, en su caso, al Comisario suplente;
- c) ejercer, cuando proceda, las acciones judiciales correspondientes;
- d) aprobar los gastos ocasionados por la defensa de los intereses comunes;
- e) modificar, de acuerdo con el Emisor, los términos y condiciones de los Bonos u otorgar cualquier dispensa o consentimiento en relación con éstos; y
- f) cualesquiera otras que le confiera la normativa vigente.

Asimismo, de acuerdo con los términos y condiciones de los Bonos, la Asamblea General de Bonistas quedará facultada para acordar la ejecución de cualesquiera garantías, incluyendo garantías reales, otorgada a favor de los titulares de los Bonos.

Artículo 17.- Actas. El acta de las reuniones de la Asamblea General de Bonistas será aprobada por la propia Asamblea tras su celebración o, en su defecto, dentro del plazo de los 15 días siguientes, por el Comisario y dos Bonistas designados al efecto por la Asamblea General.

Artículo 18.- Certificaciones. Las certificaciones de las actas serán expedidas por el Comisario.

Artículo 19.- Ejercicio individual de acciones. Los Bonistas solo podrán ejercitar individualmente las acciones judiciales o extrajudiciales que les correspondan cuando no contradigan los acuerdos del Sindicato dentro de su competencia y sean compatibles con las facultades que al mismo se le hayan conferido.

Artículo 20.- Ejercicio colectivo de acciones. Los

provided that the Noteholders present unanimously approve the holding of such Meeting.

Article 13.- Voting rights. In Meeting, each Note shall have the right to one vote, unless a different calculation methodology is established by applicable law.

Article 14.- President of the Meeting. The Commissioner shall be the president of the Meeting, shall chair the discussions and shall have the right to bring the discussions to an end when he considers it convenient and shall put the matters to vote.

Article 15.- Attendance list. Before discussing the agenda for the meeting, the Commissioner shall form the attendance list, stating the nature and representation of each of the Noteholders present and the number of Notes at the meeting, both directly owned and/or represented.

Article 16.- Power of the General Meeting.

The Noteholders General Meeting may pass resolutions necessary for:

- a) the best protection of Noteholders' lawful interest vis-à-vis the Issuer;
- b) the dismissal or appointment of the Commissioner and, if applicable, the provisional Commissioner;
- c) the exercise, if appropriate, of corresponding legal claims;
- d) the approval of expenses relating to the defence of the Noteholders' interests;
- e) the modification, as agreed with the Issuer, of the terms and conditions of the Notes or the granting of any waiver or consent in relation thereto; and
- f) any other that may be established by the applicable legislation.

In addition, in accordance with the terms and conditions of the Notes, the General Meeting of Noteholders shall have the power to approve the enforcement of any security, including in rem security, granted in favour of the holders of the Notes.

Article 17.- Minutes. The minutes of the meetings of the Noteholders General Meeting shall be approved by the Meeting after the meeting has been held, or, if not, within 15 days, by the Commissioner and, two Noteholders appointed for such purpose by the General Meeting.

Article 18.- Certificates. Certified copies of the minutes shall be issued by the Commissioner.

Article 19.- Individual exercise of actions. The Noteholders will only be entitled to individually exercise judicial or extra judicial claims in each case when such claims do not contradict the resolutions previously adopted by the Syndicate, are within their powers, and are compatible with the competencies conferred upon the Syndicate.

Article 20.- Collective exercise of actions. The

procedimientos o actuaciones que afecten al interés general o colectivo de los Bonistas solo podrán ser dirigidos en nombre del Sindicato en virtud de la autorización de la Asamblea General de Bonistas, y obligarán a todos ellos, sin distinción, quedando a salvo el derecho de impugnación de los acuerdos de la Asamblea establecido por la Ley.

Todo Bonista que quiera promover el ejercicio de una acción de esta naturaleza, deberá someterla al Comisario del Sindicato, quien, si la estima fundada, convocará la reunión de la Asamblea General.

Si la Asamblea General rechazara la proposición del Bonista, ningún tenedor de Bonos podrá reproducirla en interés particular ante los Tribunales de Justicia, a no ser que hubiese contradicción clara con los acuerdos y la reglamentación del Sindicato.

### **Título III: EL COMISARIO**

Artículo 21.- Naturaleza jurídica del Comisario. El Comisario ostentará la representación legal del Sindicato de Bonistas y actuará de órgano de relación entre este y el Emisor.

Artículo 22.- Nombramiento y duración del cargo. Sin perjuicio del nombramiento contenido en el acuerdo de emisión de los Bonos adoptado por el Consejo de Administración del Emisor, el cual deberá ser ratificado por la Asamblea General de Bonistas, corresponderá a esta última la facultad de nombrar al Comisario, quien deberá ejercer el cargo en tanto dure el Sindicato y no sea sustituido por la Asamblea.

Artículo 23.- Facultades. Serán facultades del Comisario:

- a) Concurrir al otorgamiento del contrato de emisión y suscripción en nombre de los Bonistas y tutelar sus intereses comunes;
- b) convocar y presidir las Asambleas Generales de Bonistas;
- c) informar al Emisor de los acuerdos del Sindicato;
- d) llevar a cabo todas las actuaciones que estén previstas realice o pueda llevar a cabo el Comisario de conformidad con los términos y condiciones de los Bonos.
- e) vigilar el pago del principal, intereses así como de cualesquiera otros pagos que deban realizarse a los Bonistas por cualquier concepto;
- f) ejecutar los acuerdos de la Asamblea General de Bonistas;
- g) ejercitar las acciones que correspondan al Sindicato;
- h) aceptar, en nombre y representación de los titulares de los Bonos, cualesquiera garantías, incluyendo garantías reales, otorgadas a favor de los mismo y firmar cualesquiera documentos públicos o privados relacionados con dichas garantías que sean necesarias para su buen fin; y
- i) en general, las que le confieran la ley y los presentes Estatutos.

Artículo 24.- Comisario suplente. La Asamblea

proceedings or actions that affect the general or collective interest of the Noteholders shall only be made on behalf of the Syndicate in accordance to the authorization of the Noteholders General Meeting, and will be binding to all of them, without exception. Nevertheless, the right to impugn the resolutions of the Meeting established by law is not altered.

Any Noteholder who wants to exercise a right of such nature shall submit it to the Commissioner, who, if appropriate, will convene the General Meeting.

In the event the General Meeting refuses the proposal of the Noteholder, no holder of Notes may reproduce it in its particular interest before the Courts of Justice, provided there is no clear contradiction with the resolutions and regulations of the Syndicate.

### **Title III: THE COMMISSIONER**

Article 21.- Nature of the Commissioner. The Commissioner shall bear the legal representation of the Noteholders Syndicate and shall be the body for liaison between the Syndicate and the Issuer.

Article 22.- Appointment and duration of the office. Notwithstanding the appointment established in the issue agreement of the Notes adopted by the Board of Directors of the Issuer, which will require the ratification of the Noteholders General Meeting, the latter shall have the faculty to appoint the Commissioner, who shall exercise his office while the Syndicate exists and the General Meeting does not dismiss him.

Article 23.- Faculties. The Commissioner shall have the following faculties:

- a) Be present at the execution of the issue agreement and subscribe on behalf of the Noteholders and protect their common interests;
- b) to call and act as president of the Noteholders General Meeting;
- c) to inform the Issuer of the resolutions passed by the Syndicate;
- d) carry out all actions provided to be carried out by the Commissioner in accordance with the terms and conditions of the Notes;
- e) to control the payment of principal, interest and any other payments that shall be made to Noteholders by any concept;
- f) to execute the resolutions of the Noteholders General Meeting;
- g) to exercise the actions corresponding to the Syndicate;
- h) accept, in the name and on behalf of the holders of the Notes, any security, including any in rem security, granted in favour of the holders of the Notes and execute any public or private documents related to such securities that are deemed necessary; and
- i) in general, the ones granted to him in the Law and the present regulations.

Article 24.- Substitute Commissioner. The General

General podrá nombrar un comisario suplente que sustituirá al Comisario en caso de ausencia en el desempeño de tal función.

El Emisor podrá nombrar con carácter provisional un comisario suplente en el momento de adopción del acuerdo de emisión de los Bonos, el cual deberá ser ratificado por la Asamblea General de Bonistas.

#### **Título IV: JURISDICCIÓN**

Artículo 25.- Sumisión a fuero. Para cuantas cuestiones relacionadas con el Sindicato pudieran suscitarse, los Bonistas se someten, con renuncia expresa a cualquier otro fuero, a la jurisdicción de los Juzgados y Tribunales de la ciudad de Madrid. Esta sumisión se entenderá sin perjuicio de los fueros imperativos que pudieran ser de aplicación de acuerdo con la legislación vigente.

Meeting shall appoint a substitute commissioner which will substitute the Commissioner in the event of absence in the performance of such position.

The Issuer may provisionally appoint a substitute commissioner when adopting the issue agreement of the Notes, which shall be ratified by the Noteholders General Meeting.

#### **Title IV: JURISDICTION**

Article 25.- Jurisdiction. For any disputes that may arise regarding the Syndicate, the Noteholders shall submit, with express waiver of their own forum, to the jurisdiction of the Courts and Tribunals of the city of Madrid. This submission is subject to the existing forums that may apply according to the current legislation.

## 8. DESCRIPTION OF THE SECURITY

All capitalised terms herein not otherwise defined shall have the meaning ascribed to them in the Conditions.

### 8.1 General

The Notes and Coupons will constitute direct, unconditional and unsubordinated obligations of the Issuer which will be secured as provided in Condition 3 and the Security Documents (as defined therein) and as described below. The Notes shall at all times rank *pari passu* without any preference among themselves and (save for any obligations preferred by law) at least equally with all other unsubordinated obligations of the Issuer, from time to time outstanding.

In order to secure the full performance of the obligations of the Issuer under the Notes and Coupons together with (but without limitation) any costs and expenses that the Commissioner (acting in the name and on behalf of the Noteholders) may incur in connection with the enforcement of the Security (as defined below) (together, the “**Secured Obligations**”), the Issuer will create and procure that Property Subsidiaries create, as applicable, the following security interests:

- (i) a first ranking mortgage (*hipotecas inmobiliarias de primer rango*) over the Properties with a total aggregate and maximum secured amount of 20 per cent. of the principal amount of the Notes to be granted by the Issuer and the Property Subsidiaries (as defined in the Conditions) (as mortgagers) in favour of the Commissioner (acting in the name and on behalf of the Noteholders) (the “**Mortgages**”); The distribution of the maximum secured amount under the Mortgages (initially, and subject to Condition 3b), 20 per cent. of the principal amount of the Notes) among the Properties will be in proportion to each Property’s value over the aggregated value of the Properties pursuant to the Initial Valuation; and
- (ii) a first ranking pledge (*prendas ordinarias de primer rango*) over the shares (*acciones*) or share quotas (*participaciones sociales*), as applicable, of the Property Subsidiaries to be granted by the Issuer in favour of the Commissioner (acting in the name and on behalf of the Noteholders) (the “**Pledges**”).

The Mortgages, Pledges, and any other security that can be created pursuant to the Conditions will be hereinafter jointly referred to as the “**Security**”.

### 8.2 Creation of the Security

The Security Documents pursuant to which the Security will be created will be governed by Spanish law and executed by means of a Spanish public documents (“*escritura pública*” or “*póliza*”, as applicable). For these purposes:

- (i) on the Closing Date (i) the Issuer, the Current Property Subsidiaries (except Riverton Gestión) and the Commissioner (acting in the name and on behalf of the Noteholders) will execute before a Spanish public notary Spanish notarial deeds drafted in Spanish in the form of *escritura pública*, in relation to the Mortgages in respect of the Initial Properties (the “**Deeds of Mortgage**”); and (ii) the Issuer, the Current Property Subsidiaries and the Commissioner (acting in the name and on behalf of the Noteholders) will execute before a Spanish public notary Spanish notarial deeds drafted in Spanish in the form of *póliza* in relation to the pledges over the shares or share quotas of the Current Property Subsidiaries, as applicable, (the “**Deeds of Pledge**”); and
- (ii) within 5 Business Days from the registration with the commercial registry of Madrid of the transformation of Riverton Gestión into a *sociedad anónima*, Riverton Gestión (as mortgagor) and the Commissioner (acting in the name and on behalf of the Noteholders) will execute before a Spanish public notary a Spanish notarial deed drafted in Spanish in the form of *escritura pública*, in relation to the Mortgage in respect of the Riverton Gestión Property (the “**Riverton Mortgage Deed**”). The Issuer has undertaken to transform Riverton Gestión into a *sociedad anónima* within 60 Business Days from the Closing Date;

According to Spanish law, real estate mortgages (such as the Mortgages) are only duly created as valid security interests in the relevant assets, constituting an effective security interest exercisable vis-à-vis third parties, when they are formalised in a Spanish public document (in the form of a “*escritura*”

*pública*” in the case of mortgages only or in the form of a “*póliza*” or “*escritura pública*” in the case of pledges) and recorded at the relevant land registries (those registries where the relevant properties are recorded), in the case of the mortgages.

For the above purposes, in respect of the Initial Properties, the Issuer has undertaken in the Conditions, to have the relevant mortgages registered with the land registries where the Initial Properties are registered no later than 45 Business Days after the Closing Date (which, on one occasion only in connection with each Deed of Mortgage, can be extended for 15 additional Business Days as described in the Conditions). For the avoidance of doubt, non-registration of any particular clause included in a Deed of Mortgage (*inscripción parcial*) which is not registrable under applicable Spanish law will not be construed in any event as a breach by the Issuer of its obligations under the Conditions.

With respect to the mortgage in relation to the Riverton Gestión Property, the Issuer has undertaken in the Conditions to have the Riverton Mortgage Deed registered with the relevant land registry no later than 45 Business Days from the date of the Riverton Mortgage Deed (which, on one occasion only, can be extended for 15 additional Business Days as described in the Conditions). See the risk factor “*The Issuer may not be able to get the mortgage over the Properties registered resulting in the Notes may being no secured by real estate mortgages*”, for the risks associated with this.

The Issuer has undertaken in the Conditions to make available to the Noteholders the relevant certificates upon the Deeds of Mortgage and the Riverton Mortgage Deed being registered with the relevant registries.

### **8.3 Initial secured amount by the Mortgages and Promissory Security in relation to a Mortgage Extension Event**

The initial secured amount under the Mortgages will be 20 per cent. of the principal amount of the Notes. See the risk factor “*The Mortgage will not secure 100 per cent. of the principal amount of the Notes*”, for the risks associated with this.

In addition, the Issuer has undertaken to extend the Mortgages in order to secure up to 130 per cent. of the principal amount of the Notes in the event that as at any Reference Date:

- (i) the Interest Cover Ratio is below 1.75:1; or
- (ii) the Loan to Value Ratio is above 60.00 per cent,

If a Mortgage Extension Event occurs, the Issuer will notify Noteholders of such event pursuant to the Conditions and will extend the Mortgage created over the Properties to secure 130 per cent. of the principal amount of the Notes through the granting of an extension deed governed by Spanish law between the Issuer and the Property Subsidiaries (as mortgagors) and the Commissioner (acting in the name and on behalf of the Noteholders) (the “**Extension Deed**”) within 10 Business Days following such notification.

The Issuer has undertaken in the Conditions to have the Extension Deeds registered with the relevant land registries no later than 45 Business Days after the date of the Extension Deeds (which, on one occasion only in connection with each Extension Deed, can be extended for 15 additional Business Days as described in the Conditions). For the avoidance of doubt, non-registration of any particular clause included in an Extension Deed (*inscripción parcial*) which is not registrable under applicable Spanish law will not be construed in any event as a breach by the Issuer of its obligations under the Conditions.

In the event that the Issuer or the Property Subsidiaries, as the case may be, fail to grant the Extension Deeds, the Commissioner may use the Irrevocable Powers of Attorney granted by the Issuer and the Property Subsidiaries in favour of the Commissioner in order to grant such Extension Deeds.

### **8.4 Promissory Security in relation to the shares of the Future Property Subsidiaries**

In the event that as a result of the Perimeter Reorganization a Future Property Subsidiary acquires the ownership title over one or more of the Properties, the Issuer undertakes to grant a first ranking pledge over the shares of such Future Property Subsidiary concurrently with the granting of the relevant public deeds by virtue of which such Future Property Subsidiary acquires direct ownership title over the relevant Property (the “**Additional Deeds of Pledge**”).



In the event that the Issuer fails to grant any of the Additional Deeds of Pledge, the Commissioner may use the Irrevocable Powers of Attorney granted by the Issuer in its favour in order to grant such Additional Deeds of Pledge.

## **8.5 Substitution of Security**

As set forth in Condition 3(d) the Issuer and the Property Subsidiaries may at any point after the granting of the Riverton Mortgage Deed and its registration with the commercial registry of Madrid carry out a Substitution of any or all of the Properties charged by the Mortgages (or Cash Collateral) for one or more Additional Property plus any Cash Collateral provided that:

- the Additional Property Value plus any Cash Collateral, is equal to or greater than the value of the Substituted Properties as set out in the most recent Valuation;
- the Note Cover Ratio post-Substitution is not greater than the Note Cover Ratio pre-Substitution (both calculated as at the date of the Substitution Notice); and
- a Valuer provides a report confirming that the Net Operating Income corresponding to the Additional Properties is equal or greater than the Net Operating Income corresponding to the Substituted Properties.

If the Issuer or a Property Subsidiary intends to carry out a Substitution, the Issuer will notify Noteholders of such intention and evidencing compliance with the Substitution requirements set out above, and the Mortgages will be extended to include the Additional Properties and released in connection with the Substituted Properties through the granting of the relevant deeds (the “**Substitution Deeds**”) within 10 calendar days following such notification.

The above notwithstanding, provided that the Additional Property to be mortgaged in Substitution for the relevant Property has not been acquired yet, the Issuer shall be entitled to carry out the Substitution constituting a Cash Collateral in the amount of the value of the substituted Property for a maximum term of 90 calendar days. Such Cash Collateral shall be released at the time of the granting of the Mortgage over the newly acquired Additional Property upon its purchase by the Issuer.

The Issuer has undertaken in the Conditions to have the Substitution Deeds registered with the relevant land registries no later than 45 Business Days after the date of the Substitution Deeds (which, on one occasion only in connection with each Substitution, can be extended for 15 additional Business Days as described in the Conditions). For the avoidance of doubt, non-registration of any particular clause included in a Substitution Deed (*inscripción parcial*) which is not registrable under applicable Spanish law will not be construed in any event as a breach by the Issuer of its obligations under the Conditions.

## **8.6 Cash Collateral**

Any Cash Collateral contributed pursuant to the Conditions shall be held in an escrow account subject to a first ranking pledge without transfer of possession (*prenda sin desplazamiento*). Such pledge will be granted by the Issuer and filed for registration with the corresponding chattel registry no later than 5 Business Days after the date of the first contribution of Cash Collateral and registered within 25 Business Days following such filing.

## **8.7 Enforcement of the Security**

The Security can be enforced by the Noteholders through the Commissioner upon all the Notes becoming immediately due and payable in accordance with the Conditions.

With respect to the Mortgages, the Spanish law enforcement proceedings generally available to enforce security interests are as follows:

- (i) the special foreclosure proceeding included in articles 681 et seq. of the Act 1/2000, of 7 January, on Civil Proceeding (the “**Spanish Civil Proceeding Act**”) (the “**Special Foreclosure Proceeding**”);
- (ii) the standard enforcement proceeding under articles 571 et seq. of the Spanish Civil Proceeding Act (the “**Standard Enforcement Proceeding**”); and
- (iii) the notarial enforcement proceeding (the “**Notarial Enforcement Proceeding**”).

In the context of real estate mortgages, in order to have access to the Special Foreclosure Proceeding and to the Notarial Enforcement Proceeding, valuations which are compliant with the requirements set out in the Order of the Spanish Ministry of Economy ECO/805/2003, of 27 March (as amended) the “**ECO Valuation**”) need to be included in the relevant deed of creation of mortgage.

The Deeds of Mortgage will not include an ECO Valuation in respect of the Properties and therefore the Noteholders will not have access to the Special Foreclosure Proceeding nor to the Notarial Enforcement Proceeding in an eventual enforcement of the Mortgages. Notwithstanding this, the Standard Enforcement Proceeding will still be available in order for the Noteholders to enforce the Mortgages. See the risk factor “*The Mortgage will not benefit from all enforcement proceedings available under Spanish law*”, for the risks associated with this.

The main difference between the Special Foreclosure Proceeding and the Standard Enforcement Proceeding is that the former would be quicker. In the Standard Enforcement Proceeding, the Court will need to appoint an expert who is to conduct a valuation of the foreclosed properties (in order to determine a starting price for auction purposes). This would add time and value uncertainty to the enforcement process, which would be avoided in the Special Foreclosure Proceeding (precisely, through the inclusion of the ECO valuation in the Deeds of Mortgage).

Upon enforcement of the Mortgages prior to a Mortgage Extension Event, Noteholders would be entitled to claim, from the proceeds obtained from any sale or liquidation of the Properties, a maximum amount equal to 20 per cent. of the principal of the Notes. Accordingly, in the event of a foreclosure, liquidation, bankruptcy or similar proceedings before the Mortgages are extended pursuant to the terms of the Extension Deeds, the proceeds from any sale or liquidation of the Mortgages may not be sufficient to pay the Issuer’s obligations under the Notes. See the risk factor “*The Mortgage will not secure 100 per cent. of the principal amount of the Notes*”.

Upon enforcement of the Mortgages after these are extended pursuant to the terms of the Extension Deeds, Noteholders would be entitled to claim, from the proceeds obtained from any sale or liquidation of the Properties, a maximum amount equal to 130 per cent. of the principal of the Notes.

With respect to the enforcement of the Pledges over shares, the Spanish law enforcement proceedings generally available to enforce security interests are as follows:

- (i) the Special Foreclosure Proceeding;
- (ii) the Notarial Enforcement Proceeding; and
- (iii) the enforcement proceeding provided in Royal Decree Law 5/2005, of 11 march 2005, on urgent measures to promote productivity, which implements the terms of the EU Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial, collateral arrangements (the Collateral Directive) (the “**RDL 5/2005 Enforcement Proceeding**”).

With regards to the RDL 5/2005 Enforcement Proceeding, see the risk factor “*The Deed of Pledges over shares may not benefit from all enforcement proceedings available under Spanish law*”.

Upon enforcement of the Pledges, Noteholders would be entitled to claim, from the proceeds obtained from any sale or liquidation of the pledged shares, the amount necessary to satisfy any amounts due under the principal of the Notes, as well as from any unpaid interests, delayed interest and/or any other costs incurred as a consequence of such enforcement.

## **9. USE OF PROCEEDS**

The proceeds of the issue of the Notes will be used by the Issuer to acquire additional real estate properties in accordance with its Investment Strategy as defined in the IPO Prospectus.

## **10. TAXATION**

The following summary is a general description of certain tax considerations relating to the Notes. It does not constitute tax advice and does not purport to be a complete analysis of all tax considerations relating to the Notes, as applicable, whether in Spain or elsewhere, and does not deal with the tax consequences applicable to all categories of investors (such as look-through entities), some of which might be subject to special rules. Prospective investors should consult their own tax advisors as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes.

This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date. As a result, this description is subject to any changes in such laws or interpretations occurring after the date hereof, including changes having retroactive effect.

References in this section to Holders include the beneficial owners of the Notes. Investors should also note that the appointment by an investor in the Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisors in relation to the tax consequences for them of any such appointment.

### **10.1 Spanish SOCIMI Regime**

The following paragraphs are intended as a general guide only and constitute a high-level summary of the Issuer's understanding of current Spanish law in respect of the current SOCIMI Regime. The SOCIMI Regime was enacted originally in October 2009 and that has been amended at the end of 2012. The amendments introduced in 2012 have improved the regime and have facilitated the incorporation of the first SOCIMI during the second semester of 2013. Accordingly interpretation of the rules is likely to develop as participants gain exposure to the regime. This summary is based on the key aspects of the Spanish SOCIMI Regime as they apply to the Issuer. The Issuer filed a request with the Spanish General Directorate of Taxes (DGT) for the DGT to clarify certain aspects of the SOCIMI Act. The resultant ruling was issued on 10 February 2014. Investors should seek their own advice in relation to taxation matters.

#### *10.1.1 Overview*

The SOCIMI Regime is intended to facilitate attracting new sources of capital to the Spanish real estate rental market; it follows similar legislation adopted in the UK and other European countries, as well as a long-established real estate investment trusts regime in the United States. One of the primary aims of these type of regimes is to minimize tax inefficiency of holding real estate through corporate ownership by removing corporate taxation at the level of the SOCIMI, promote rental activities and professional management of these type of business.

Provided certain conditions and tests are satisfied (see "Qualification as Spanish SOCIMI" below), a SOCIMI does not generally pay Spanish corporate tax on the profits deriving from its activities – technically, it is subject to a 0% Corporate Income Tax rate-. Instead, profits must be distributed and such income could be subject to taxation.

Under the Spanish SOCIMI Regime, a SOCIMI will be required to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement, to shareholders annually within the six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds; and (iii) at least 80% of all other profits obtained (i.e., profits derived from ancillary activities). If the relevant dividend distribution resolution was not adopted in a timely manner, the SOCIMI would lose its SOCIMI status in respect of the year to which the dividends relate.

### 10.1.2 Qualification as Spanish SOCIMI

In order to qualify for the Spanish SOCIMI Regime, a SOCIMI must satisfy certain conditions. A summary of the material conditions is set out below.

#### **Trading requirement**

SOCIMIs must be listed on a regulated market or alternative investment market in Spain or in other European Union or European Economic Area member state uninterruptedly for the entire tax period. This trading requirement must be met during the whole fiscal year (without interruption) in which the special SOCIMI Regime is applicable.

#### **Purpose of the SOCIMI / Minimum share capital**

SOCIMIs must take the form of a listed joint stock corporation, such a *sociedad anónima*, with a minimum share capital of € million. Furthermore, the SOCIMI's shares must be in registered form, nominative and only one single class of shares is permitted. Since the Ordinary Shares are represented in nominative book entry form, this requirement is met.

A SOCIMI must have as their main corporate purpose:

- The acquisition, development and refurbishment of urban real estate for rental purposes;
- The holding of shares of other SOCIMIs or Qualifying Subsidiaries; and/or
- The holding of shares in real estate collective investment funds.

Qualifying Subsidiaries that are non-resident entities must be resident in countries with which Spain has a treaty or agreement providing for an exchange of tax information.

SOCIMIs are allowed to carry out other ancillary activities that do not fall under the scope of their main corporate purpose. However, such ancillary activities must not exceed 20% of the assets or 20% of the revenues of the SOCIMI in each tax year, in accordance with the minimum qualifying assets and qualifying income tests described below.

#### **Restrictions on investments**

At least 80% of the SOCIMI's assets must be invested in:

- Urban real property to be leased;
- Land plots acquired for the development of urban real property to be leased afterwards, provided that the development of such property starts within three years as from the acquisition date;
- Participations in Qualifying Subsidiaries (see "Purpose of the SOCIMI / Minimum share capital" above); and/or
- Participations in real estate collective investment funds.

The DGT has confirmed that the assets should be measured on a gross basis, disregarding depreciation or impairments, in accordance with Royal Decree of November 16, 2007, approving the Spanish General Accounting Plan (*Plan General de Contabilidad*), which sets forth the Spanish generally accepted accounting principles ("**Spanish GAAP**").

In the event the SOCIMI has subsidiaries that are deemed to be a part of the same group of companies for Spanish corporate law purposes, the calculation of this 80% threshold will be made on a consolidated basis according to Spanish GAAP. For these purposes, the group of companies would be integrated exclusively by SOCIMIs and other Qualifying Subsidiaries described in "Purpose of the SOCIMI / Minimum share capital" above.

There are no asset diversification requirements.

#### **Restrictions on income**

At least 80% of a SOCIMI's net annual income must derive from the lease of qualifying assets (as described in "Restrictions on investments" above), or from dividends distributed by Qualifying Subsidiaries and real estate collective investment funds and companies.

The DGT considers that the annual income should be measured on a net basis, taking into consideration direct income expenses and a pro rata portion of general expenses. These concepts should be calculated in accordance with Spanish GAAP.

Lease agreements between related entities would not be deemed a qualifying activity and therefore, the rent deriving from such agreements cannot exceed 20% of the SOCIMI's income.

Capital gains derived from the sale of qualifying assets are in principle excluded from the 80%/20% net income test. However, if a qualifying asset is sold before the minimum holding period (as described below) is achieved, then (i) such capital gain would compute as non-qualifying revenue; and (ii) such gain would be taxed at the standard Corporate Income Tax rate (28% for fiscal year 2015 and 25% for 2016 onwards); furthermore, the entire income, including rental income, derived from such asset also would be subject to the standard Corporate Income Tax rate.

#### ***Minimum holding period***

Qualifying assets must be held by the SOCIMI for a three-year period since (i) the acquisition of the asset by the SOCIMI, or (ii) the first day of the financial year when the company became a SOCIMI if the asset was held by the company before becoming a SOCIMI. In case of urban real estate, the holding period requires that these assets are actually rented for at least a couple of years; the period of time during which the asset is on the market for rent (even if vacant) is taken into account up to one year.

#### ***Mandatory dividend distribution***

Under the Spanish SOCIMI Regime, a SOCIMI is required to adopt resolutions for the distribution of dividends, after fulfilling any relevant Spanish Companies Act requirement, to shareholders annually within the six months following the closing of the fiscal year of: (i) at least 50% of the profits derived from the transfer of real estate properties and shares in Qualifying Subsidiaries and real estate collective investment funds; provided that the remaining profits must be reinvested in other real estate properties or participations within a maximum period of three years from the date of the transfer or, if not, 100% of the profits must be distributed as dividends once such period has elapsed; (ii) 100% of the profits derived from dividends paid by Qualifying Subsidiaries and real estate collective investment funds; and (iii) at least 80% of all other profits obtained (e.g., profits derived from ancillary activities). If the relevant dividend distribution resolution was not adopted in a timely manner, a SOCIMI would lose its SOCIMI status in respect of the year to which the dividends relate.

The SOCIMIs must agree the dividend distributions of a given fiscal year within the six months following the closing of the fiscal year; those dividends must be due within the month following the distribution agreement.

#### ***Leverage***

SOCIMI has no specific limitation on indebtedness.

Recently approved tax limitations by the Spanish Government (tax deduction of financial expenses and annual depreciation, carrying-forward of tax losses, and tax credits) should have no practical impact provided that the SOCIMI is taxed at a 0% Corporate Income Tax rate.

#### ***Sanctions***

The loss of the SOCIMI status triggers adverse consequences for the SOCIMI. Causes for such loss of status are:

- Delisting.
- Substantial failure to comply with its information and reporting obligations, unless such failure is remedied by preparing fully compliant annual accounts which contain certain required information in the following year.
- Failure to adopt dividend distribution resolution or to effectively satisfy the dividends within the deadlines described under “Mandatory dividend distribution” above. In this case, the loss of SOCIMI status would have effects in the tax year in which the profits not distributed were obtained.
- Waiver of the SOCIMI Regime by the company.

- Failure to meet the requirements established in the SOCIMI Act unless such failure is remedied within the following fiscal year. However, the failure to observe the minimum holding period of the assets would not give rise to the loss of SOCIMI status, but (i) the assets would be deemed non-qualifying assets; and (ii) income derived from such assets would be taxed at the standard Corporate Income Tax rate (28% for fiscal year 2015 and 25% for 2016 onwards).

Should the SOCIMI falls into any of the above scenarios, the SOCIMI Regime will be lost and it will not be eligible for the special tax regime for three years. In such case, the Issuer must pay Corporate Income Tax at the regular rate (28% for fiscal year 2015 and 25% for 2016 onwards), and will not be able to elect for the SOCIMI Regime for the following three fiscal years. The shareholders in a company that loses its SOCIMI status are expected to be taxable as if the SOCIMI Regime had not been applicable to the company.

Furthermore, in the event of non-compliance with information obligations, penalties between €1,500 and €30,000 are established depending on the kind of information not provided.

## **10.2 Spanish tax considerations**

### **Spanish tax considerations**

The information provided below has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

- of general application, Additional Provision One of Law 10/2014, along with Royal Decree 1065/2007, of 27 July 2007, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011, of 29 July 2011;
- for individuals with tax residency in Spain who are individual income tax (**IIT**) tax payers, Law 35/2006, of 28 November 2006, on IIT and on the partial amendment of the Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law, as well as Royal Decree 439/2007, of 30 March 2007, promulgating the IIT Regulations, along with Law 19/1991, of 6 June 1991, on the Net Wealth Tax and Law 29/1987, of 18 December 1987, on the Inheritance and Gift Tax (**IGT**);
- for legal entities resident for tax purposes in Spain which are subject to the Spanish Corporate Income Tax (**CIT**), Law 27/2014, of 27 November 2014, on CIT, and Royal Decree 1777/2004 of 30 July promulgating the CIT Regulations; and
- for individuals and entities who are not resident for tax purposes in Spain which are subject to the Spanish Non-Resident Income Tax (**NRIT**), Royal Legislative Decree 5/2004, of 5 March 2004, promulgating the Consolidated Text of the NRIT Law, as amended, and Royal Decree 1776/2004, of 30 July 2004, promulgating the NRIT Regulations, along with Law 19/1991, of 6 June 1991, on the Net Wealth Tax and Law 29/1987, of 18 December 1987, on IGT.

This analysis is a general description of the tax treatment under the Spanish common legislation, currently in force, and does not include a description of the regional tax regimes in the Historical Territories of the Basque Country and the Community of Navarre, nor the provisions passed by Autonomous Communities which may apply to investors for certain taxes.

### ***Indirect taxation***

Whatever the nature and residence of the beneficial owners of the Notes, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from transfer tax and stamp duty, in accordance with the Consolidated Text of such taxes promulgated by Royal Legislative Decree 1/1993, of 24 September 1993, and exempt from VAT, in accordance with Law 37/1992, of 28 December 1992, regulating such tax.

### ***Individuals with Tax Residency in Spain***

#### ***Individual Income Tax (Impuesto sobre la Renta de las Personas Físicas)***

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute financial income in accordance with the provisions of Section 25.2 of the IIT

Law, and must be included in the investor's IIT savings taxable base and taxed, during the tax period 2015, at a flat rate of 20% on the first €6,000; 22% for taxable income between €6,000.01 to €50,000 and 24% for taxable income in excess of €50,000. As of 1 January 2016, each investor's savings income tax base will be taxed at 19% for taxable income up to €6,000; 21% for taxable income between €6,000.01 to €50,000 and 23% for taxable income in excess of €50,000.

No withholding on account of IIT will be imposed by the Issuer on interest or on income derived from the redemption or repayment of the Notes, obtained by individual investors subject to IIT provided that certain requirements are met, including that the Fiscal Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement (as defined below). See “—*Compliance with Certain Requirements in Connection with Income Payments*”—. However, income derived from the transfer of the Notes may be subject, under certain circumstances, to a withholding on account of IIT that may have to be deducted by other entities (such as depositaries or financial entities) provided that such entities are resident for tax purposes in Spain or have a permanent establishment in the Spanish territory at the rate of 20% (19% as of 1 January 2016). In that event, the individual holder may credit the withholding against his or her final IIT liability for the relevant tax year.

### *Reporting Obligations*

The Issuer will comply with the reporting obligations set out in the Spanish tax laws with respect to beneficial owners of the Notes who are individuals resident in Spain for tax purposes.

### *Net Wealth Tax (Impuesto sobre el Patrimonio)*

For tax year 2015, individuals resident in Spain are subject to Spanish Net Wealth Tax (Law 19/1991), which imposes a tax on property and rights in excess of €700,000 held on the last day of any year (subject to the provisions set forth in the relevant legislation in an autonomous region). Individuals resident in Spain whose net worth is above €700,000 and who hold Notes on the last day of any year would therefore be subject to Spanish Net Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Notes during the last quarter of such year; final tax varies depending on the autonomous region of residency of the Holder.

From 2016 onwards, a general 100% tax relief applies (set forth by article 61 of Law 36/2014 approving the General State Budget for 2015).

### *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals who are resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with applicable Spanish regional and state rules. The applicable tax rates range between 7.65% and 81.6% for 2015, depending on relevant factors, although the final tax varies depending on applicable autonomous region laws.

### *Legal Entities with Tax Residency in Spain*

#### *Corporate Income Tax (Impuesto sobre Sociedades)*

Both interest periodically accrued and income derived from the transfer, redemption or repayment of the Notes are subject to CIT (at the current general flat tax rate of 28% for 2015) in accordance with the rules for this tax. The general rate will be reduced to 25% for tax periods beginning as of 1 January 2016 and onwards.

No withholding on account of CIT will be imposed by the Issuer on interest as well as on income derived from the redemption or repayment of the Notes, obtained by Spanish CIT taxpayers provided that certain requirements are met, including that the Fiscal Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement. See “—*Compliance with Certain Requirements in Connection with Income Payments*”—.

With regard to income derived from the transfer of the Notes, in accordance with article 59.s of the CIT regulations, there is no obligation to withhold on income obtained by Spanish CIT taxpayers



(which include Spanish tax resident investment funds and Spanish tax resident pension funds) from financial assets traded on organised markets in OECD countries. We have made or will make an application for the Notes to be listed on the Irish Stock Exchange. Upon admission to trading on Irish Stock Exchange, the Notes should fulfill the requirements set forth in the legislation for exemption from withholding.

The DGT, on July 27, 2004, issued a ruling indicating that in the case of issues made by entities resident in Spain, as in the case of the Issuer, application of the exemption requires that, in addition to being traded on an organized market in an OECD country, the Notes be placed outside Spain in another OECD country. We believe that the issue of the Notes will fall within this exemption as the Notes are to be sold outside Spain and in the international capital markets. Consequently, no withholding on account of CIT should be made on income derived from the transfer of the Notes by CIT taxpayers that are resident in Spain and that provide relevant information to qualify for such exemption.

#### *Reporting Obligations*

The Issuer will comply with the reporting obligations set out in the Spanish tax laws with respect to beneficial owners of the Notes who are legal persons or entities resident in Spain for tax purposes.

#### *Net Wealth Tax (Impuesto sobre el Patrimonio)*

Entities subject to CIT in Spain are not subject to Net Wealth Tax.

#### *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Notes in their taxable income for CIT purposes.

#### ***Individuals and Legal Entities that are not Tax Resident in Spain***

##### *Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)*

###### **(i) Non-Spanish tax resident investors acting through a permanent establishment in Spain**

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set out above for Spanish CIT taxpayers. See “*Legal Entities with Tax Residency in Spain—Corporate Income Tax (Impuesto sobre Sociedades)*”. Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

The Issuer will comply with the reporting obligations set out in the Spanish tax laws with respect to beneficial owners of the Notes who are individuals or legal entities not resident in Spain for tax purposes who act with respect to the Notes through a permanent establishment in Spain.

###### **(ii) Non-Spanish tax resident investors not acting through a permanent establishment in Spain**

Both interest payments periodically received and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and do not act, with respect to the Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met, including that the Fiscal Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement. See “*—Compliance with Certain Requirements in Connection with Income Payments*”.

If the Fiscal Agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, the Issuer will withhold Spanish withholding tax at the then-applicable rate, currently 20% (19% as of 1 January 2016) on such payment of income on the Notes and the Issuer will not pay additional amounts with respect to any such withholding tax.

beneficial owners not resident in Spain for tax purposes and entitled to exemption from NRIT, but the payment to whom was not exempt from Spanish withholding tax due to the failure by the Fiscal Agent to deliver a duly executed and completed Payment Statement, will receive a refund of the amount withheld, with no need for action on their part, if the Fiscal Agent provides the Issuer with a duly executed and completed Payment Statement no later than the 10th calendar day of the month immediately following the relevant payment date.

Beneficial owners entitled to receive income payments in respect of the Notes free of Spanish withholding taxes but in respect of whom income payments have been made net of Spanish withholding tax may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Beneficial owners may claim the amount withheld from the Spanish Treasury after 1 February of the calendar year following the year when the relevant payment date falls and within the first four years following the last day on which the Issuer may pay any amount so withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date), by filing with the Spanish tax authorities (i) the relevant Spanish tax form and (ii) the original nominative document evidencing the amount withheld to the taxpayer asking for the refund; and (iii) a certificate of residence issued by the tax authorities of the country of tax residence of such Beneficial Owner, among other documents (the “**Direct Refund from Spanish Tax Authorities Procedures**”).

#### *Net Wealth Tax (Impuesto sobre el Patrimonio)*

For tax year 2015 Spanish non-resident tax individuals are subject to Spanish Net Wealth Tax (Law 19/1991), which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

However, to the extent that income derived from the Notes is exempt from NRIT, individual beneficial owners not resident in Spain for tax purposes that hold Notes on the last day of any year will be exempt from Spanish Net Wealth Tax. Furthermore, beneficial owners who benefit from a convention for the avoidance of double taxation with respect to wealth tax that provides for taxation only in the Beneficial Owner’s country of residence will not be subject to Spanish Net Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above €700,000 and who hold Notes on the last day of any year would therefore be subject to Spanish Net Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Notes during the last quarter of such year, although some reductions may apply.

Non-Spanish tax resident individuals who are resident in an EU or European Economic Area member State may apply the rules approved by the autonomous region where the assets and rights with more value are situated. As such, prospective investors should consult their tax advisers.

From 2016 onwards, a general 100% tax relief applies (set forth by article 61 of Law 36/2014 approving the General State Budget for 2015).

#### *Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)*

Individuals not resident in Spain for tax purposes who acquire ownership or other rights over the Notes by inheritance, gift or legacy, will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and state rules, unless they are resident in a country for tax purposes with which Spain has entered into a convention for the avoidance of double taxation in relation to Inheritance and Gift Tax. In such case, the provisions of the relevant convention for the avoidance of double taxation will apply. If no treaty for the avoidance of double taxation in relation to Spanish Inheritance and Gift Tax applies, applicable Spanish Inheritance and Gift Tax rates would range between 7.65% and 81.6% (although some reductions may apply) for 2015, depending on relevant factors.

Generally, non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax according to the rules set forth in the state law. However, if the deceased or the donee are resident in an EU or European Economic Area member State, the applicable rules will be those corresponding to

the relevant autonomous regions according to the law. As such, prospective investors should consult their tax advisers.

Non-Spanish tax resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax. Such acquisitions will be subject to NRIT (as described above), without prejudice to the provisions of any applicable convention for the avoidance of double taxation entered into by Spain. In general, conventions for the avoidance of double taxation provide for the taxation of this type of income in the country of tax residence of the beneficiary.

### **Tax Rules for Notes not listed on a regulated market, multilateral trading facility or other organized market**

#### *Withholding on Account of IIT, NRIT and CIT*

As of the issue date of the Notes, the Notes are listed on the Regulated Unofficial Market (Open Market) of the Irish Stock Exchange. If the Notes cease to be listed on a regulated market, multilateral trading facility or other organized market on any date on which income in respect of the Notes will be paid (i.e., either an Interest Payment Date or a redemption date), payments of income to beneficial owners in respect of the Notes will be subject to Spanish withholding tax at the then applicable rate (currently 20%; and 19% as of 1 January 2016) except in the case of beneficial owners which are: (A) residents of a European Union member state other than Spain and obtain such income either directly or through a permanent establishment located in another European Union member state, provided that such beneficial owners (i) do not obtain such income on the Notes through a permanent establishment in Spain and (ii) are not resident of, are not located in, nor obtain income through, a tax haven (as currently defined by Royal Decree 1080/1991 of July 5 as amended); or (B) resident for tax purposes in a country which has entered into a convention for the avoidance of double taxation with Spain which provides for an exemption from Spanish tax or a reduced withholding tax rate with respect to income payable to any Beneficial Owner. Individuals and entities that may benefit from such exemptions or reduced tax rates should apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the Direct Refund from Spanish Tax Authorities Procedures.

#### *Tax havens*

Under Spanish law, the following countries and jurisdictions are considered tax havens: Anguilla, Antigua and Barbuda, Bermuda, British Virgin Islands, Cayman Islands, Channel Islands (Jersey and Guernsey), Falkland Islands, Fiji, Gibraltar, Grenada, Hashemite Kingdom of Jordan, Isle of Man, Kingdom of Bahrain, Macau, Marianas Islands, Mauritius, Montserrat, Principality of Liechtenstein, Principality of Monaco, Republic of Dominica, Republic of Lebanon, Republic of Liberia, Republic of Nauru, Republic of Seychelles, Republic of Vanuatu, Saint Lucia, Saint Vincent & the Grenadines, Solomon Islands, Sultanate of Brunei, Sultanate of Oman, The Cook Islands, Turks and Caicos Islands and United States Virgin Islands.

### ***Compliance with Certain Requirements in Connection with Income Payments***

As described under “—Individual and Legal Entities that are not Tax Residents in Spain”, “—Legal Entities with Tax Residency in Spain—Corporate Income Tax (*Impuesto sobre Sociedades*)” and “—Individuals with Tax Residency in Spain—Individual Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)”, provided the conditions set forth in Law 10/2014, of June 26 are met (including that the Fiscal Agent provides the Issuer, in a timely manner, with a duly executed and completed Payment Statement), income paid in respect of the Notes for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish CIT or IIT taxpayers, will not be subject to Spanish withholding tax. For these purposes, “income” means interest paid on an Interest Payment Date or the amount of the difference, if any, between the aggregate redemption price paid upon the redemption of the Notes of a series (or a portion thereof) and the aggregate principal amount of such Notes.

In accordance with sub-section 5 of article 44 of Royal Decree 1065/2007, as amended by Royal Decree 1145/2011, a duly executed and completed Payment Statement must be submitted to the Issuer by the Fiscal Agent at the time of each relevant payment date. In accordance with the form attached as Annex to Royal Decree 1145/2011, the Payment Statement shall include the following information:

- (a) identification of the Notes;
- (b) income payment date;
- (c) total amount of income to be paid on the relevant payment date; and
- (d) total amount of income corresponding to Notes held through each clearing system located outside Spain (including Euroclear and Clearstream).

In light of the above, the Issuer and the Fiscal Agent will enter into an agency agreement which, among other things, will provide for the timely provision by the Fiscal Agent of a duly executed and completed payment statement in connection with each interest payment under the Notes (the “**Payment Statement**”) and set forth certain procedures agreed by the Issuer and the Fiscal Agent which aim to facilitate such process, along with a form of the Payment Statement to be used by the Fiscal Agent.

Prospective investors should note that the Issuer does not accept any responsibility relating to the procedures established for the timely provision by the Fiscal Agent of a duly executed and completed Payment Statement in connection with each income payment under the Notes.

Accordingly, Issuer will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because these procedures prove ineffective. Moreover, the Issuer will not pay any additional amounts with respect to any such withholding tax.

If the Fiscal Agent fails or for any reason is unable to deliver a duly executed and completed Payment Statement to the Issuer in a timely manner in respect of a payment of income under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 20% (19% as of 1 January 2016). If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Fiscal Agent submits a duly executed and completed Payment Statement to the Issuer no later than the 10th calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled pursuant to the Direct Refund from Spanish Tax Authorities Procedures.

In addition to the timely provision of a duly executed and completed Payment Statement, the Notes must be admitted to listing on a regulated market, multilateral trading facility or other organized market in order to allow payments on Notes to be made free and clear of Spanish withholding tax. To the best of our knowledge believe the Notes will comply with this requirement as long as they are listed on the Irish Stock Exchange.

## **11. SUBSCRIPTION AND SALE**

### **11.1 Subscription Agreement**

The Sole Lead Manager has, pursuant to a subscription agreement dated 12 February 2015 (the “Subscription Agreement”), agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe for the Notes at 100 per cent. of their principal amount plus accrued interest, if any. The Issuer has agreed to reimburse the Sole Manager for certain of its expenses in connection with the issue of the Notes. The Subscription Agreement entitles the Sole Lead Manager to terminate it in certain limited circumstances prior to payment being made to the Issuer.

### **11.2 Selling Restrictions**

#### *General*

The Sole Lead Manager has undertaken to the Issuer that it will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes the Prospectus or any related offering material, in all cases at its own expense.

Persons into whose hands this Prospectus comes are required by the Issuer and the Sole Lead Manager to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

#### *United States*

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

The Sole Lead Manager has represented, warranted and undertaken to the Issuer that it has offered and sold the Notes and will offer and sell the Notes (a) as part of their distribution, at any time; and (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date, only in accordance with Rule 903 of Regulation S under the Securities Act and, accordingly, that (i) neither it nor any of its affiliates (including any person acting on behalf of the Sole Lead Manager or any of its affiliates) has engaged or will engage in any directed selling efforts with respect to the Notes; and (ii) it and its affiliates have complied and will comply with the offering restrictions requirement of Regulation S under the Securities Act.

The Sole Lead Manager has further undertaken to the Issuer that, at or prior to confirmation of sale, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration which purchase Notes from it during the distribution compliance period a confirmation or notice substantially in the following form: *“The securities covered hereby have not been registered under the United States Securities Act of 1933 (the Securities Act) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons, (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the closing date, except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S.”*

The terms used above have the meanings given to them by Regulation S.

#### *United Kingdom*

The Sole Lead Manager has represented, warranted and undertaken to the Issuer that:

- it has only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services Markets Act 2000 —**FSMA**) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## France

The Sole Lead Manager has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, the Prospectus, or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, other than individuals, as defined in, and in accordance with, articles L.411-1, L.411-2 and D.411-1 L.533-20 of the French *Code monétaire et financier*.

## Italy

The Offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- to qualified investors (*investitori qualificati*), as defined in Article 100 of Legislative Decree No. 58 of 24th February, 1998, as amended from time to time (the **Financial Services Act**), as implemented by Article 26, paragraph 1(d) of CONSOB regulation No. 16190 of 29 October 2007, as amended from time to time (the **Regulation No. 16190**), pursuant to Article 34-ter, first paragraph, letter b) of CONSOB regulation No. 11971 of 14th May, 1999, as amended from time to time (the **Regulation No. 11971**); or
- in other circumstances which are exempted from the rules on public offerings pursuant to Article 100 of the Financial Services Act and Regulation No. 11971.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under paragraphs above must be:

- made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 16190 and Legislative Decree No. 385 of 1st September 1993, as amended from time to time (the **Banking Act**); and
- in compliance with Article 129 of the Banking Act, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of the securities in the Republic of Italy; and
- in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or other Italian authority.

## 12. SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

The Fiscal Agency Agreement, the Temporary Global Note and the Global Note contain provisions which apply to the Notes while they are in global form, some of which modify the effect of the terms and conditions of the Notes set out in this document. The following is a summary of certain of those provisions:

### 12.1 Nominal Amount and Exchange

The nominal amount of the Notes shall be the aggregate amount from time to time entered in the records of Euroclear and Clearstream, Luxembourg or any permitted alternative clearing system (the “**Alternative Clearing System**”) (each a “**relevant Clearing System**”). The records of such relevant Clearing System shall be conclusive evidence of the nominal amount of Notes represented by the Temporary Global Note and the Global Note and a statement issued by such relevant Clearing System at any time shall be conclusive evidence of the records of that relevant Clearing System at that time.

The Temporary Global Note is exchangeable in whole or in part for interests recorded in the records of the relevant Clearing Systems in the Global Note on or after a date which is expected to be 31 March 2015, upon certification as to non-U.S. beneficial ownership in the form set out in the Temporary Global Note. The Global Note is exchangeable in whole but not, except as provided in the next paragraph, in part (free of charge to the holder) for the Definitive Notes described below (i) if the Global Note is held on behalf of a relevant Clearing System and such relevant Clearing System is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so or (ii) if principal in respect of any Notes is not paid when due and payable. Thereupon, the holder may give notice to the Fiscal Agent of its intention to exchange the Global Note for Definitive Notes on or after the Exchange Date specified in the notice.

If principal in respect of any Notes is not paid when due and payable the holder of the Global Note may, by notice to the Fiscal Agent (which may but need not be the default notice referred to in “— Default” below), require the exchange of a specified principal amount of the Global Note (which may be equal to or (provided that, if the Global Note is held by or on behalf of a relevant Clearing System, that relevant Clearing System agrees) less than the outstanding principal amount of Notes represented thereby) for Definitive Notes on or after the Exchange Date (as defined below) specified in such notice.

On or after any Exchange Date the holder of the Global Note may surrender the Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent. In exchange for the Global Note, or on endorsement in respect of the part thereof to be exchanged, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes (having attached to them all Coupons in respect of interest which has not already been paid on the Global Note), security printed in accordance with any applicable legal and stock exchange requirements and in or substantially in the form set out in Schedule 1 to the Fiscal Agency Agreement. On exchange in full of the Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with any relevant Definitive Notes.

“**Exchange Date**” means a day falling not less than 60 days or, in the case of exchange pursuant to (ii) above, 30 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent is located and, except in the case of exchange pursuant to (i) above, in the cities in which the relevant Clearing System is located.

### 12.2 Payments

No payment will be made on the Temporary Global Note unless exchange for an interest in the Global Note is improperly withheld or refused. Payments of principal and interest in respect of Notes represented by the Global Note will be made to its holder. The Issuer shall procure that details of each such payment shall be entered pro rata in the records of the relevant Clearing System and, in the case of payments of principal, the nominal amount of the Notes will be reduced accordingly. Each payment so made will discharge the Issuer’s obligations in respect thereof. Any failure to make the entries in the records of the relevant Clearing System shall not affect such discharge. Condition 8(e)(iii) and

Condition 9(d) will apply to the Definitive Notes only. For the purpose of any payments made in respect of a Global Note, Condition 8(d) (Payments on business days shall not apply, and all such payments shall be made on a day on which commercial banks and foreign exchange markets are open in the financial centre of the currency of the Notes).

### **12.3 Notices**

So long as the Notes are represented by the Global Note and the Global Note is held on behalf of a relevant Clearing System, notices to Noteholders may be given by delivery of the relevant notice to that relevant Clearing System for communication by it to entitled accountholders in substitution for publication as required by the Conditions.

### **12.4 Prescription**

Claims against the Issuer in respect of principal and interest on the Notes while the Notes are represented by the Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 9).

### **12.5 Purchase and Cancellation**

On cancellation of any Note required by the Conditions to be cancelled following its purchase, the Issuer shall procure that details of such cancellation shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so cancelled.

### **12.6 Default**

The Global Note provides that the holder may cause the Global Note or a portion of it to become due and payable in the circumstances described in Condition 10 by stating in the notice to the Issuer and to the Fiscal Agent the principal amount of Notes which is being declared due and payable. If principal in respect of any Note is not paid when due and payable, the holder of the Global Note may elect that the Global Note becomes void as to a specified portion and that the persons entitled to such portion, as accountholders with a relevant Clearing System, acquire direct enforcement rights against the Issuer under further provisions of the Global Note executed by the Issuer as a deed poll.

### **12.7 Mandatory Call Option upon a Disposal**

No drawing of Notes will be required under Condition 7(f) in the event that the Issuer exercises its call option in Condition 7(d) while the Notes are represented by the Global Note in respect of less than the aggregate principal amount of Notes outstanding, but shall comply with the rules and procedures of the relevant Clearing Systems (to be reflected in the records of the relevant Clearing Systems as either a pool factor or a reduction in principal amount, at their discretion).

### **12.8 Put Option**

The Noteholders' put option in Condition 7(e) may be exercised by the holder of the Global Note, giving notice to the Fiscal Agent of the principal amount of Notes in respect of which the option is exercised within the time limits specified in Condition 7(e). The Issuer shall procure that any exercise of any option or any right under the Notes, as the case may be, shall be entered in the records of the relevant Clearing Systems and upon any such entry being made, the nominal amount of the Notes represented by such Global Note shall be adjusted accordingly.



## **13. GENERAL INFORMATION**

### **13.1 Listing**

Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and to be admitted to trading on its Main Securities Market.

The Issuer has appointed Arthur Cox Listing Services Limited as Irish listing agent with its address at Earlsfort Centre, Earlsfort Terrace, Dublin 2, Ireland.

The estimated expenses related to admission to trading will be approximately €5,000.

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the Main Securities Market of the Irish Stock Exchange.

### **13.2 Authorisation**

The Issuer has obtained all necessary consents, approvals and authorisations in connection with, as applicable, the issue and performance of the Notes. The issue of the Notes was approved by a resolution of the Board of Directors passed on 21 January 2015 pursuant to the shareholder's authorization granted on 5 February 2014.

### **13.3 Conflicts of Interest**

There are no potential conflicts of interest between any duties of the managers and directors of the Issuer, and their private interests and/or other duties.

### **13.4 Significant/Material Change**

There has been no significant change in the financial or trading position of the Issuer since 30 September 2014 and no material adverse change in the financial position or prospects of the Issuer since 30 September 2014.

### **13.5 Legal and Arbitration Proceedings**

Neither the Issuer nor any of its subsidiaries is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer.

### **13.6 Legend Concerning US Persons**

Each Note and Coupon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

### **13.7 Clearing Systems**

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) with Common Code 119131472. The International Securities Identification Number (ISIN) for the Notes is XS1191314720.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy L-1855 Luxembourg.

### **13.8 Material Contracts**

There are no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Issuer's group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to noteholders in respect of the Notes being issued.

### **13.9 Documents on Display**

For the life of the Prospectus and the Notes, physical copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer, at Rosario Pino 14-16, 28020 Madrid, Spain:

- the Fiscal Agency Agreement (which includes the form of the Global Notes, the definitive

Notes, and the Coupons);

- the Articles of Association (“*estatutos sociales*”) of the Issuer;
- the interim consolidated financial statements for the nine months ended 30 September 2014;
- a copy of this Prospectus together with any supplement to this Prospectus; and
- all valuation reports and statements by any expert any part of which is extracted or referred to in this Prospectus.

#### **13.10 Auditors**

Deloitte, S.L., whose registered office is at Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid, Spain (Independent Auditors) has audited the accounts of the Issuer since its incorporation. Deloitte, S.L. is registered with the *Registro Oficial de Auditores de Cuentas de Espana* (Official Registry of Auditors in Spain) under number S0692.

#### **13.11 Other Relationships**

The Sole Lead Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer, and/or their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Sole Lead Manager and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for its own account and for the accounts of its customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer’s affiliates. The Sole Lead Manager or its affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, the Sole Lead Manager and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of Notes. The Sole Lead Manager and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **ANNEX I - CUSHMAN & WAKEFIELD VALUATION REPORT**



José Ortega & Gasset, 29 – 6  
28006 Madrid, Spain  
Tel 34 917 810 010  
Fax 34 917 818 050  
[www.cushmanwakefield.es](http://www.cushmanwakefield.es)

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A.**

C/ Rosario Pino 14-16  
CP 28020, Madrid  
España

Madrid, 11 February 2015

We refer to our valuation report dated 28 January 2015 by virtue of which we provide you with our valuation in respect of a portfolio of properties owned by Lar España Real Estate SOCIMI, S.A. (the “**Company**”) as of 31 December 2014 (the “**Valuation Report**”).

We hereby authorise the Company to include the Valuation Report in full in the prospectus to be approved by the Central Bank of Ireland in connection with the proposed offering of senior secured notes by the Company (the “**Prospectus**”) and the admission of the notes to listing on the Main Securities Market of the Irish Stock Exchange. We understand that investors will rely on the information in the Prospectus in making their decision as to whether or not to invest in the notes.

We also accept responsibility for the contents of our Valuation Report on the terms set out in it vis-à-vis the Company and we confirm that, to the best of our knowledge, information and belief (having taken all reasonable care to ensure that such is the case), the information contained in the Valuation Report is in accordance with the facts as presented to us and does not omit anything which is likely to affect its accuracy.

Yours sincerely,

Mr. Tony Loughran  
For and on behalf of **Cushman & Wakefield Sucursal en España**

VALUATION REPORT OF  
A PORTFOLIO OF SIX PROPERTIES  
LOCATED ACROSS SPAIN

PREPARED FOR



DECEMBER 2014



Sr. Jon Armentia

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A.**

C/Rosario Pino, 14-16 8ª planta

28020 Madrid

Our Ref: ctg2107

28 January 2014

Dear Sirs,

**VALUATION OF A PORTFOLIO OF 6 PROPERTIES ACROSS SPAIN ("THE PROPERTIES") FOR AND ON BEHALF OF LAR ESPAÑA ("THE OWNER")  
AS AT 31 DECEMBER 2014**

We are pleased to submit our valuation report, which has been prepared for financial reporting purposes as at 31 December 2014 in accordance with our Engagement Letter and Terms and Conditions dated 18 November 2014 (see Appendix I). We point out that in accordance with your additional instructions we also report on the office building at Eloy Gonzalo.

We confirm that we have sufficient knowledge, skills and understanding to undertake the valuation competently.

**I SCOPE OF INSTRUCTIONS**

**I.1** The properties comprise the following:

Property	Location	Property Type	Area (m2) (excl. parking)	Parking Spaces
Txingudi SC	Irún	Shopping Centre	9,861	2,600
Portal de la Marina SC	Ondara	Shopping Centre	30,094	1,700
Las Huertas SC	Palencia	Shopping Centre	6,226	1,051
C/ Cardenal Marcelo Spinola 42	Madrid	Office Building	8,586	154
Logistics Warehouse	Alovera	Logistics Warehouse	35,195	
C/ Eloy Gonzalo 27	Madrid	Office Building	6,062	

1.2 We are instructed by the Owner (Lar España) to prepare this valuation for financial reporting purposes.

1.3 The effective date of the valuation is 31 December 2014.

1.4 The valuation has been prepared in accordance with the RICS Valuation Standards 8th Edition, as amended, ("the Red Book") by a valuer acting as an External valuer, as defined within the Red Book. Furthermore, the valuation and report has been prepared in accordance with the IVSC International Valuation Application 1 (IVA I)

1.5 The valuation has been prepared by an appropriate valuer who conforms to the requirements as set out in the Red Book, acting in the capacity of external valuer.

1.6 We confirm that we have not identified any conflict of interest that prevents us from accepting this instruction.

1.7 We confirm that this valuation has been undertaken as a Regulated Purpose valuation as defined in the Red Book.

## 2 BASIS OF VALUATION

2.1 It is our understanding that you require us to report in accordance with the Red Book. In the absence of instructions to the contrary (e.g. requesting a valuation on the basis of Fair Value), the valuation has been prepared on the basis as set out subsequently. The basis of valuation of properties classified as investments is Market Value. Valuations based on Market Value shall adopt the definition and the conceptual framework settled by the International Valuation Standards Council (IVSC), defined in the Red Book as follows:

### MARKET VALUE

*"The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."*

As instructed and in accordance with the requirements of the Red Book, the valuation has been prepared on the above basis.

## 3 ASSUMPTIONS, DEPARTURES AND RESERVATIONS.

3.1 For the internal management purposes of Lar España, we have agreed with the Owner the Special Assumption that acquisition costs should be 2.50% for all shopping centres in the portfolio. In the case of Offices and industrial properties, we have considered market acquisition costs, thus the Special Assumption does not apply.

3.2 We can confirm that our valuation is not made on the basis of any specific departures from the Practice Statements contained in the Red Book, except for the Special Assumptions that we make, as set out in paragraph 3.1 above.

3.3 The Glossary within the Red Book defines a Special Assumption as an assumption that assumes facts that differ from the actual facts existing as at the valuation date.

3.4 You should note that if the Special Assumptions above were not adopted there could be a material difference in value.

### RESERVATION

The valuation is not subject to any reservations in relation to restricted information or property inspection (except for that referred to in paragraph 9 below, regarding floor areas).



## 4 TENURE AND TENANCIES

4.1 Our valuation has been based on the information that you have supplied to us as to tenure, tenancies and statutory notices.

4.2 Unless disclosed to us to the contrary, our valuation is on the basis that:-

- a) The properties possess a good and marketable title, free from any unusually onerous restrictions, covenants or other encumbrances;
- b) The properties valued exclude mineral rights, if any; and
- c) Vacant possession can be given of all accommodation which is unlet, or occupied either by the Owner or by its employees on service occupancies.

4.3 You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

## 5 TOWN PLANNING

5.1 We have not made formal searches, but have generally relied on verbal enquiries and any informal information received from the Local Planning Authority.

5.2 In the absence of information to the contrary, our valuation is on the basis that the properties are not affected by proposals for road widening or Compulsory Purchase.

5.3 Our valuation is on the basis that the properties have been erected either prior to planning control or in accordance with a valid planning permission and are being occupied and used without any breach. Unless advised to the contrary we further assume that the properties comply with other regulations, such as those relating to defective premises (edificios en "Estado de Ruina") or disabled access issues.

5.4 From our enquiries, and on the basis of information supplied to us, we are unaware of any additional value that may be attributable to the leased investment properties of the portfolio in relation to unutilised building rights.

## 6 STRUCTURE

6.1 We have neither carried out a structural survey of the Properties, nor tested any services or other plant or machinery. We are therefore unable to give any opinion on the condition of the structure and services. However, our valuation takes into account any information supplied to us and any defects noted during our inspection. Otherwise, our valuation is on the basis that there are no latent defects, wants of repair or other matters which would materially affect our valuation.

6.2 We have not inspected those parts of the Properties which are covered, unexposed or inaccessible and our valuation is on the basis that they are in good repair and condition.

6.3 We have not investigated the presence or absence of High Alumina Cement, Calcium Chloride, Asbestos and other deleterious materials. In the absence of information to the contrary, we have taken into account any information which you have supplied to us on these aspects, but otherwise our valuation is on the basis that no hazardous or suspect materials and techniques have been used in the construction of the Properties. You may wish to arrange for investigations to be carried out to verify this.

## 7 SITE AND CONTAMINATION

7.1 We have not investigated ground conditions/stability and, unless advised to the contrary, our valuation is on the basis that such conditions are not abnormal and would not adversely impact on build costs.

7.2 We have not carried out any investigations or tests, nor been supplied with any information from you or from any relevant expert that determines the presence or otherwise of pollution or contaminative substances in the subject or any other land (including any ground water). Accordingly, our valuation has been



prepared on the basis that there are no such matters that would materially affect our valuation. Should this basis be unacceptable to you or should you wish to verify that this basis is correct, you should have appropriate investigations made and refer the results to us so that we can review our valuation.

**7.3** In respect of any high voltage electrical supply equipment close to any property, the possible effects of electromagnetic fields have been the subject of media coverage. Studies have revealed that there may be a risk, in specified circumstances, to the health of certain categories of people. The perception of this risk may affect the marketability and value of property close to such equipment. Unless noted to the contrary we have neither noted nor been advised of equipment close to the property and therefore our valuation assumes that there is no material effect on value.

## **8 PLANT AND MACHINERY**

**8.1** In respect of the freehold Properties, usual landlord's fixtures such as heating installations, lifts, water sprinklers and central air handling have been treated as an integral part of each building and are included within the asset valued.

**8.2** Process related plant/machinery and tenants' fixtures/trade fittings have been excluded from our valuation.

## **9 INSPECTIONS**

In accordance with normal market practice in Spain we have not measured the properties and, for the purpose of this valuation, we have relied on areas provided to us by yourselves, which we rely upon as being an accurate and correct estimation of the Gross Lettable Area of each property.

We internally and externally inspected the properties at the following dates and by the following people:

PROPERTY	DATE	INSPECTED BY
Txingudi SC	01/12/2014	Tony Loughran
Portal de la Marina SC	03/12/2014	Tony Loughran and Ana Flores
Las Huertas SC	15/12/2014	Eduardo Díaz
C/ Cardenal Marcelo Spinola 42	11/12/2014	Cristina Treceño and Eduardo Díaz
Logistics Warehouse	15/12/2014	Cristina Treceño
C/ Eloy Gonzalo 27	21/01/2015	Cristina Treceño and Cynthia Meza

## **10 GENERAL PRINCIPLES**

**10.1** In addition to information established by us, we have relied on the information obtained from you and others. We have relied on this being correct and complete and on there being no undisclosed matters which would affect our valuation. Apart from legal verification, we highlight in this report any matters which remain to be verified.

**10.2** Our valuation of the properties is subject to the Special Assumptions set out in Paragraph 3 above.

**10.3** No allowances have been made for any expenses of realisation or any taxation liability arising from a sale or development of any property.

**10.4** No account has been taken of any leases granted between subsidiaries of the Owner, and no allowance has been made for the existence of a mortgage, or similar financial encumbrance on or over the Properties.

**10.5** Our valuation is exclusive of any Value Added Tax (Impuesto sobre Valor Añadido) although, in relation to transfer taxes, we have prepared our valuation on the basis that a sale of the properties would incur IVA and not Impuesto sobre Transmisión Patrimonial (ITP).

**10.6** A purchaser of the properties is likely to obtain further advice or verification relating to certain matters referred to above before proceeding with a purchase. You should therefore note the conditions on which this valuation has been prepared.

**10.7** Where grants have been received, no allowance has been made in our valuation for any requirement to repay the grant in the event of a sale of the Properties. The valuation of any property on the basis of Depreciated Replacement Cost has been assessed gross of any grant which may be receivable.

**10.8** Our valuation does not make allowance either for the cost of transferring sale proceeds outside of Spain or elsewhere by the Owner, or for any restrictions on doing so.

**10.9** Our valuation approach has been supported by a cashflow analysis, incorporating projections of future income and expenditure, which are not predictions of the future, but our best estimate of current market thinking on likely future cashflow. These estimates constitute our judgement as at the date of this report and may be subject to change in the future, hence we make no warranty to representation that these projections of cashflow will materialise.

**10.10** Our opinion of value is based on an analysis of recent market transactions, supported by market knowledge derived from our agency experience. Our valuation is supported by this market evidence.

**10.11** Where there are outstanding or forthcoming reviews, rental value has been assessed in accordance with the terms of the occupational lease review provisions. Otherwise, rental value has been assessed on the basis of Market Rent, assuming a new lease drawn on terms appropriate to current practice in the relevant market.

**10.12** A valuation is a prediction of price, not a guarantee. By necessity it requires the valuer to make subjective judgements that, even if logical and appropriate, may differ from those made by a purchaser, or another valuer. Historically it has generally been considered that valuers can be within a range of possible values.

**10.13** The purpose of the valuation does not alter the approach to the valuation.

**10.14** Property values can change substantially, even over short periods of time, and so our opinion of value could differ significantly if the date of valuation was to change. If you wish to rely on our valuation as being valid on any other date you should consult us first.

**10.15** Should you contemplate a sale, we strongly recommend that the property is given proper exposure to the market.

**10.16** We recommend that you keep the valuation of the property under frequent review.

**10.17** You should not rely on this report unless any reference to tenure, tenancies and legal title has been verified as correct by your legal advisers.

**10.18** This Valuation Report should be read in conjunction with our terms of engagement and in particular our Standard Terms and Conditions of Appointment of Cushman & Wakefield as Valuers, previously supplied to you. We would specifically draw your attention to paragraph 10.6 therein which describes the extent of our professional liability to you.

## **11 VALUATION FOR A REGULATED PURPOSE**

**11.1** This valuation is classified by the Red Book as a Regulated Purpose Valuation and we are therefore required to disclose the following information.

**11.2** The valuation was prepared by Mr. A. J. Loughran MRICS and reviewed by Mr. Reno Cardiff MRICS.



**11.3** Cushman & Wakefield Spain Ltd has provided other professional or agency services to Grupo Lar from time to time and has done so for several years, nevertheless this is the first time that C&W Valuation has been appointed to act for Lar España Real Estate SOCIMI S.A. In our most recent financial year, Cushman & Wakefield LLP received less than 5% of its total fee income from these entities.

**11.4** Cushman & Wakefield, from time to time, provide other professional or agency services to the Owner (Lar España Real Estate SOCIMI); nevertheless we do not have any existing or immediately foreseeable appointment from the Owner that would give rise to a conflict of interest that prevents us from acting as external valuer advising on this portfolio of properties.

## **12 VALUATION**

**12.1** Subject to the foregoing, in particular the **Special Assumption** set out above in paragraph 3.1 – “shopping centre acquisition costs”; and based on values current as at 31 December 2014, we are of the opinion that the Market Value (net of acquisition costs) of the interest held in the properties is as follows:

PROPERTY	MARKET VALUE
TXINGUDI SC	€ 28,500,000
PORTAL DE LA MARINA SC	€ 81,600,000
LAS HUERTAS SC	€ 12,000,000
C/ CARDENAL MARCELO SPINOLA 42	€ 19,300,000
LOGISTICS WAREHOUSE	€ 12,900,000
ELOY GONZALO 27	€ 12,900,000
<b>TOTAL</b>	<b>€167,200,000</b>

For the avoidance of any doubt, the values above are based on individual property values (i.e. the total does not represent the value of the whole portfolio if sold as a single lot, whereby the total may differ via either a portfolio premium or discount).

## **13 CONFIDENTIALITY**

Our valuation is confidential to you, for your sole use and for the specific purpose stated. We will not accept responsibility to any third party in respect of its contents.

## **14 DISCLOSURE AND PUBLICATION**

You must not disclose the contents of this valuation report to a third party in any way without first obtaining our written approval to the form and context of the proposed disclosure. You must obtain our consent, even if we are not referred to by name or our valuation report is to be combined with others. We will not approve any disclosure that does not refer sufficiently to any Special Assumptions or Departures that we have made.

Yours faithfully

Signed for and on behalf of Cushman & Wakefield Sucursal en España.



**Tony Loughran MRICS**

Partner

+34 91 781 38 36

[tony.loughran@eur.cushwake.com](mailto:tony.loughran@eur.cushwake.com)



**Reno Cardiff MRICS**

Partner

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## **ANNEX II - JONES LANG LASALLE VALUATION REPORT**

**LAR ESPAÑA REAL ESTATE SOCIMI, S.A.**

C/ Rosario Pino 14-16

CP 28020, Madrid

**ESPAÑA**

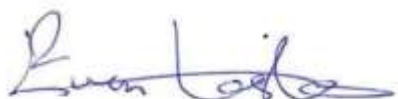
Madrid, 12 February 2015

We refer to our valuation report dated 27 January 2015 by virtue of which we provide you with our valuation in respect of a portfolio of properties owned by Lar España Real Estate SOCIMI, S.A. (the “**Company**”) as of 31 December 2014 (the “**Valuation Report**”).

We hereby authorise the Company to include the Valuation Report in full in the prospectus to be approved by the Central Bank of Ireland in connection with the proposed offering of senior secured notes by the Company (the “**Prospectus**”), and the admission of the notes to listing on the Main Securities Market of the Irish Stock Exchange. We understand that investors will rely on the information in the Prospectus in making their decision as to whether or not to invest in the notes.

We also accept responsibility for the contents of our Valuation Report on the terms set out in it vis-à-vis the Company and we confirm that, to the best of our knowledge, information and belief (having taken all reasonable care to ensure that such is the case), the information contained in the Valuation Report is in accordance with the facts as presented to us and does not omit anything which is likely to affect its accuracy.

Yours sincerely,



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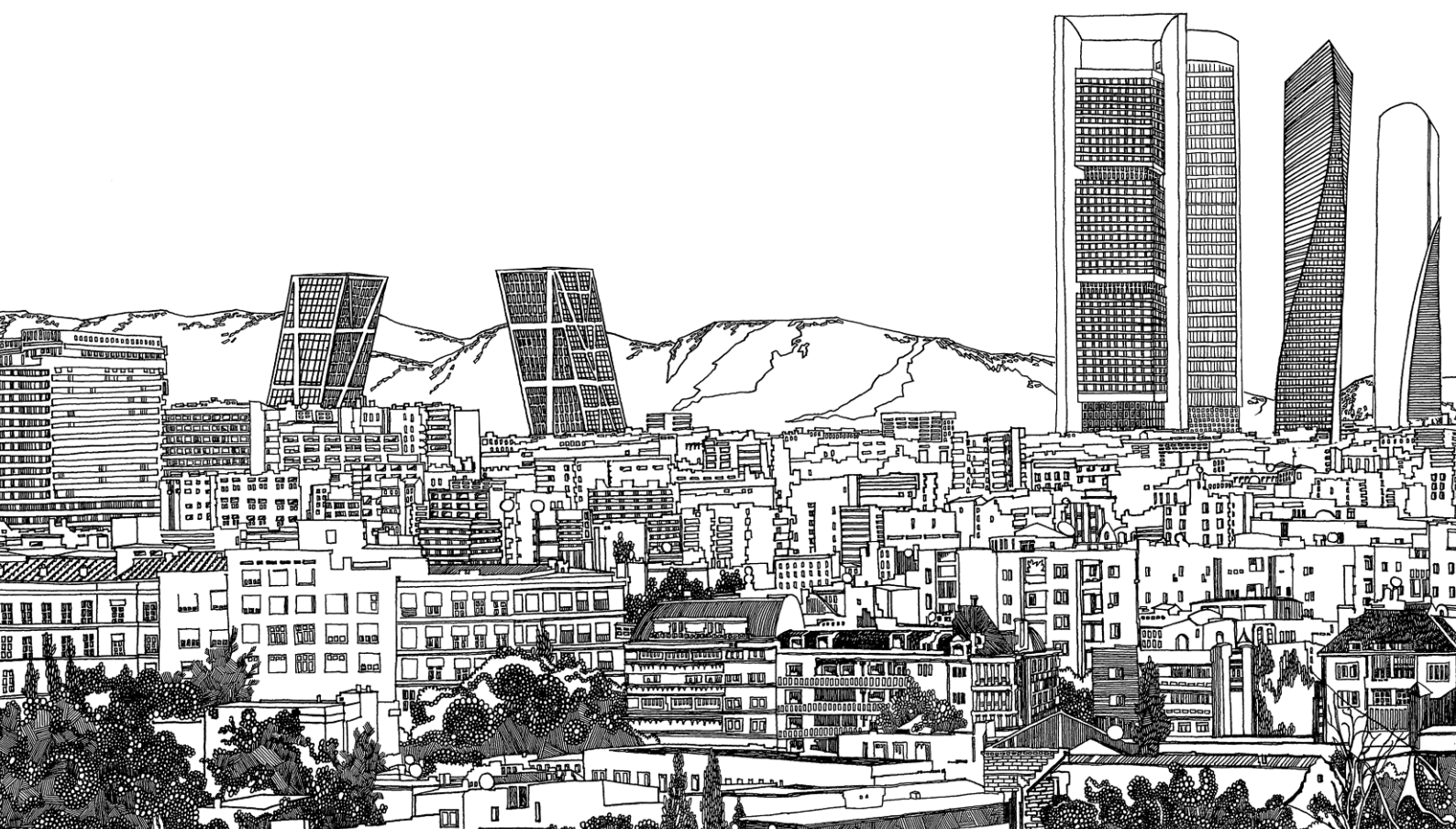
Evan Lester



# Valuation *Report*

## LAR ESPAÑA REAL ESTATE SOCIMI SA

December 2014



# **LAR ESPAÑA REAL ESTATE SOCIMI SA**

C/ Rosario Pino, 14 - 16.  
28020 Madrid

F.A.O. Mr. Jon Armentia

Direct line +34 (91) 789 11 00

Direct fax +34 (91) 789 12 00

Evan.lester@eu.jll.com

Teresa.martinez@eu.jll.com

Rocio.valverde@eu.jll.com

27<sup>th</sup> January 2015

## **Scope of Instructions:**

We thank you for your recent instruction, asking us to provide you with the Market Value (MV) and the Fair Value in respect of the portfolio of properties of Lar España Real Estate Socimi as at 31<sup>st</sup> of December 2014. In accordance with your instructions we have carried out a valuation for accounting purposes of the freehold interest of various assets located in Spain.

We have made all relevant enquiries for the purpose of providing you with our opinion of value as at **31<sup>st</sup> December 2014.**

## **Properties:**

Asset	Use	Location	Area (m²)
Albacenter	Shopping Centre	Albacete	15,656
L'Anec Blau	Shopping Centre	Castelldefels (Barcelona)	28,544
Nuevo Alisal	Retail Warehouses	Santander	8,105
Media Markt	Retail Warehouse	Villaverde (Madrid)	4,391
Albacenter	Primark & Eroski	Albacete	12,485
Alovera II	Industrial	Alovera (Guadalajara)	83,952
Arturo Soria 366	Office	Madrid	8,663
Egeo	Office	Madrid	18,404



**Tenure:**

We understand that the properties is held under the Spanish equivalent of a freehold title by Lar España Real Estate Socimi S.A.

For our valuation we have assumed that the properties are free of encumbrances, outgoing or other outgoing of an onerous nature. No account has been taken of any mortgages, debentures or other security which may exist now or in the future over the property. We have assumed that where consent from a statutory authority is required for development/alterations to a property, such consent has been obtained for any existing buildings or structures.

**Valuation Date:**

31<sup>st</sup> December 2014.

**Purpose of Valuation:**

We understand that the valuation report is to be prepared for the use of Lar España Real Estate Socimi S.A for internal management and accounting purposes.

**Inspection:**

The properties were inspected externally and internally by Teresa Martínez (MRICS), Rocío Valverde (MRICS) and Lucía Aguirre (Senior Consultant).

**Personnel:**

We confirm that the personnel responsible for these valuations are qualified for the purpose of the valuation in accordance with the RICS Appraisal and Valuation Standards.

**Status:**

In preparing this valuation we have acted as external valuers, subject to any disclosures made to you.

**Disclosure:**

We have not had any recent involvement in these properties.

**Taxation:**

No allowance has been made of any expenses of realisation, or for taxation (including VAT) which might arise in the event of disposal and the properties and have been considered free and clear of all mortgages or other charges.

The values presented are net after deducting purchaser's costs such as real estate transfer tax and other expenses.

**Source of Information:**

We have relied upon the information provided by Lar España Real Estate Socimi regarding to areas, rent roll, lease agreements, car park spaces, passing rents, sales, etc.

Our valuation is based on a significant amount of information which is sourced from third parties. We have relied upon the accuracy, sufficiency and consistency of the information supplied to us. JLL accepts no liability for any inaccuracies contained in the information disclosed by the client or other parties. Should inaccuracies be subsequently discovered, we reserve the right to amend our valuation assessment.

**Finance:**

In our analysis we assume that a reasonable level of financing will be available at commercially viable rates in order to facilitate the closure of transactions.

**General assumptions**

The report will be made with the following general assumptions and limiting conditions:

- As in all studies of this type, the estimated results are based upon competent and efficient management and presume no significant changes in the economic environment from that as set forth in this report. Since our forecasts are based on estimates and assumptions which are subject to uncertainty and variation, we do not represent them as results which will actually be achieved.
- Responsible ownership and competent property management are assumed.
- The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
- It is assumed that there are no hidden or unapparent conditions of the properties, subsoil or structures.
- It is assumed that the properties will be in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the report.
- It is assumed that the properties will conform to all applicable zoning and use regulations and restrictions.

**Market Uncertainty:**

Following the RICS Appraisal and Valuation Guidance Notes, it is important to highlight that the continued turmoil and instability in the financial markets and the Spanish economy are continuing to cause volatility and uncertainty in capital markets and real estate markets.

There has been increase activity in recent months, however, the market is still very fragile. As a result there is less certainty with regard to valuations with the result that market values can change rapidly in the current market conditions.

### **Basis of Valuation:**

The valuation has been undertaken on the basis of Market Value as defined by the Royal Institution of Chartered Surveyors.

**Market Value** - *The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".*

This definition, which is included in the appendices of this report, is not materially different to that adopted by both TEGOVA (The European Group of Valuers Associations) and the IVSC (The International Valuation Standards Committee).

**Fair Value** - *The price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. (IFRS 13).*

The references in IFRS 13 to market participants and a sale make it clear that for most practical purposes the concept of *fair value* is consistent with that of *market value*, and so there would be no difference between them in terms of the valuation figure reported.

The valuation has been carried out in accordance with the Practice Statement and the relevant Guidance Notes in the RICS Appraisals and Valuations Manual prepared by the Royal Institution of Chartered Surveyors and with the General Principles adopted in the Preparation of Valuations and Reports. We enclose a copy as an appendix to this report.

Each property has been valued separately and not as part of a portfolio. Therefore, the total valuation makes no allowance, either positive or negative, for the case that the whole or part of the portfolio should be put on the market at any one time.

### **Potential Transaction:**

This report is not a Due Diligence report and we would expect that any purchaser would complete a full Due Diligence prior to closing any transaction (commercial, legal, technical, planning, environmental, etc.). A potential purchaser would not rely on this report to close a transaction, as the purpose of this report is not to support such a transaction.

## **Valuation Methodology:**

The valuation of the properties has been based on our experience and knowledge of the property markets and supported by financial analysis which establishes that an acceptable return would be achievable to the potential investor/developer. We have also taken into account comparable market transactions, which serve to indicate the general posture of investors in the market. For the purpose of arriving at our opinion of Market Value we have adopted the following method according to the type of property to be valued:

### Discounted Cashflow Technique (DCF)

DCF methodology has been used for the valuation of Albacenter, L'Anec, Media Markt, Nuevo Alisal and Albacenter (Primark & Eroski).

We have adopted a 10 year cashflow period. The income flow is developed over the period of the cashflow on a monthly basis to take account of CPI increases and the timing of market rent reviews, lease expiries etc.

For CPI increases we generally adopt consensus forecasts. Rental growth forecasts are based on JLL econometric forecasts of prime rents in Madrid, adjusted for each individual property to reflect our commercial view of rental growth prospects.

We make adjustments to the gross projected income flows as appropriate to reflect:-

- Any non- recoverable outgoings such as IBI if appropriate
- Service charge shortfalls.
- An allowance for management fees if not recoverable.
- An allowance for structural repairs, normally around 1% of income.
- Void costs – including:
  - Service charge costs.
  - IBI costs if appropriate.
  - Letting/Reletting/Renewal fees.
  - Refurbishment costs if appropriate.

Due to the uncertainty of the occurrence or duration of future voids, we form a judgement based on the quality of the shopping centres and location and generally adopt an average letting period in the absence of any information on the future intentions of individual tenants. Specific assumptions as to voids and other factors are explained for each individual valuation.

### Income Capitalisation Approach

Income Capitalisation Approach has been used for the valuation of Alovera II, Arturo Soria 336 and Egeo.

This is the traditional method of valuing investment properties. The market value is derived by capitalising the estimated net income from the property on a term and reversion basis.

It involves the capitalisation of the present income over the period of its duration together with the valuation of each subsequent different rent likely to be received following market rent reviews or following reletting for their separate estimated durations, each discounted to a present value.

The yield or yields applied to the different income categories reflect all the prospects and risks attached to the income flow and the investment. The yields are derived from a combination of analysis of completed comparable investment transactions and general experience and market knowledge. The most important yield is the equivalent yield (see definitions below), although regard must be had to the yield profile of the investment over time, particularly the initial yield at the date of the valuation.

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# 1 Summary

## 1.1 Summary of Values

Asset	Use	Location	Area (m²)	Net Market Value (€)	Fair Value (€)
Albacerter	Shopping Centre	Albacete	15,656	29,103,000	29,103,000
L'Anec Blau	Shopping Centre	Castelldefels (Barcelona)	28,544	81,310,000	81,310,000
Nuevo Alisal	Retail Warehouses	Santander	8,105	17,007,000	17,007,000
Media Markt	Retail Warehouse	Villaverde (Madrid)	4,391	9,345,000	9,345,000
Albacerter	Primark & Eroski	Albacete	12,485	11,788,000	11,788,000
Alovera II	Industrial	Alovera (Guadalajara)	83,952	33,170,000	33,170,000
Arturo Soria 366	Office	Madrid	8,663	24,690,000	24,690,000
Egeo	Office	Madrid	18,404	65,980,000	65,980,000

## 1.2 Verification

We would like to state that our valuation reflects current market conditions. If any information or any assumption that we have considered as a basis for the present valuation were to be found incorrect, then the final valuation result would be incorrect and should be reconsidered.

Each property has been valued separately and not as part of a portfolio. Therefore, the total valuation makes no allowance, either positive or negative, for the case that the whole or part of the portfolio should be put on the market at any one time.

### 1.3 Market Value

In accordance with your instruction, we are of the opinion that the market value of the 100% freehold interest in the properties, subject to the comments, qualifications and financial data contained within our report, and assuming the properties are free of encumbrances, restrictions or other impediments of an onerous nature which would affect value, as of the 31<sup>st</sup> of December 2014 is:

**Market Value of LAR España Real Estate Socimi S.A Portfolio**

**272,393,000 Euros**

( Two Hundred Seventy Two Million Three Hundred and Ninety Three Thousand Euros )

### 1.4 Fair Value

In accordance with your instruction, we are of the opinion that the fair value of the 100% freehold interest in the properties, subject to the comments, qualifications and financial data contained within our report, and assuming the properties are free of encumbrances, restrictions or other impediments of an onerous nature which would affect value, as of the 31<sup>st</sup> of December 2014 is:

**Fair Value of LAR España Real Estate Socimi S.A Portfolio**

**272,393,000 Euros**

( Two Hundred Seventy Two Million Three Hundred and Ninety Three Thousand Euros )

### 1.5 Signature



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**Evan Lester, MRICS**

National Director  
Head of Valuation Advisory  
Jones Lang LaSalle España, S.A.



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**Teresa Martínez, MRICS**

Associate Director  
Head of Retail Valuation  
Jones Lang LaSalle España, S.A.

For and on behalf of

**JLL**

## 2 Appendix

**Appendix 1: General Principles Adopted in the Preparation of Valuations and Reports**

**Appendix 2: Definitions and Valuation Methodology**

**Appendix 3: Extract from the RICS Valuation Standards (RICS Valuation – Professional Standards January 2014)**



## 2.1 General Principles adopted in the preparation of Valuations and reports

These General Principles should be read in conjunction with Jones Lang LaSalle's General Terms and Conditions of Business except insofar as this may be in conflict with other contractual arrangements.

### 1 RICS Valuation – Professional Standards January 2014

All work is carried out in accordance with the Practice Statements contained in the RICS Valuation Standards January 2014 published by the Royal Institution of Chartered Surveyors, by valuers who conform to the requirements thereof. Our valuations may be subject to monitoring by the RICS.

### 2 Valuation Basis:

Our reports state the purpose of the valuation and, unless otherwise noted, the basis of valuation is as defined in the Valuation Standards January 2014. The full definition of the basis, which we have adopted, is either set out in our report or appended to these General Principles.

### 3 Disposal Costs Taxation and Other Liabilities:

No allowances are made for any expenses of realisation, or for taxation, which might arise in the event of a disposal. All property is considered as if free and clear of all mortgages or other charges, which may be secured thereon.

No allowance is made for the possible impact of potential legislation which is under consideration.

Valuations are prepared and expressed exclusive of VAT payments, unless otherwise stated.

### 4

We do not normally read leases or documents of title. We assume, unless informed to the contrary, that each property has a good and marketable title, that all documentation is satisfactorily drawn and that there are no encumbrances, restrictions, easements or other outgoing of an onerous nature, which would have a material effect on the value of the interest under consideration, nor material litigation pending. Where we have been provided with documentation we recommend that reliance should not be placed on our interpretation without verification by your lawyers.

### 5 Tenants:

Although we reflect our general understanding of a tenant's status in our valuations, enquiries as to the financial standing of actual or prospective tenants are not normally made unless specifically requested. Where properties are valued with the benefit of lettings, it is therefore assumed, unless we are informed otherwise, that the tenants are capable of meeting their financial obligations under the lease and that there are no arrears of rent or undisclosed breaches of covenant.

### 6 Measurements:

All measurement is carried out in accordance with the Code of Measuring Practice issued by the Royal Institution of Chartered Surveyors, except where we specifically state that we have relied on another source. The areas adopted are purely for the purpose of assisting us in forming an opinion of capital value. They should not be relied upon for other purposes nor used by other parties without our written authorisation.

### 7 Estimated Rental Value:

Our opinion of rental value is formed purely for the purposes of assisting in the formation of an opinion of capital value. It does not necessarily represent the amount that might be agreed by negotiation, or determined by an Expert, Arbitrator or Court, at rent review or lease renewal.

### 8 Town Planning and Other Statutory Regulations:

Information on town planning is, wherever possible, obtained either verbally from local planning authority officers or publicly available electronic or other sources. It is obtained purely to assist us in forming an opinion of capital value and should not be relied upon for other purposes. If reliance is required we recommend that verification be obtained from lawyers that:-

- i the position is correctly stated in our report;
- ii the property is not adversely affected by any other decisions made, or conditions prescribed, by public authorities;
- iii that there are no outstanding statutory notices.

Our valuations are prepared on the basis that the premises (and any works thereto) comply with all relevant statutory and EC regulations, including fire regulations, access and use by disabled persons and control and remedial measures for asbestos in the workplace.

**9 Structural Surveys:**

Unless expressly instructed, we do not carry out a structural survey, nor do we test the services and we therefore do not give any assurance that any property is free from defect. We seek to reflect in our valuations any readily apparent defects or items of disrepair, which we note during our inspection, or costs of repair which are brought to our attention. Unless stated otherwise in our reports we assume any tenants are fully responsible for the repair of their demise either directly or through a service charge.

**10 Deleterious Materials:**

We do not normally carry out investigations on site to ascertain whether any building was constructed or altered using deleterious materials or techniques (including, by way of example high alumina cement concrete, woodwool as permanent shuttering, calcium chloride or asbestos). Unless we are otherwise informed, our valuations are on the basis that no such materials or techniques have been used.

**11 Site Conditions:**

We do not normally carry out investigations on site in order to determine the suitability of ground conditions and services for the purposes for which they are, or are intended to be, put; nor do we undertake archaeological, ecological or environmental surveys. Unless we are otherwise informed, our valuations are on the basis that these aspects are satisfactory and that, where development is contemplated, no extraordinary expenses, delays or restrictions will be incurred during the construction period due to these matters.

**12 Environmental Contamination:**

Unless expressly instructed, we do not carry out site surveys or environmental assessments, or investigate historical records, to establish whether any land or premises are, or have been, contaminated. Therefore, unless advised to the contrary, our valuations are carried out on the basis that properties are not affected by environmental contamination. However, should our site inspection and further reasonable enquiries during the preparation of the valuation lead us to believe that the land is likely to be contaminated we will discuss our concerns with you.

**13 Insurance:**

Unless expressly advised to the contrary we assume that appropriate cover is and will continue to be available on commercially acceptable terms, for example in regard to the following:

**Composite Panels**

Insurance cover, for buildings incorporating certain types of composite panel may only be available subject to limitation, for additional premium, or unavailable. Information as to the type of panel used is not normally available. Accordingly, our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms.

**Terrorism**

Our valuations have been made on the basis that the properties are insured against risks of loss or damage including damage caused by acts of Terrorism as defined by the 2000 Terrorism Act. We have assumed that the insurer, with whom cover has been placed, is reinsured by the Government backed insurer, Pool Reinsurance Company Limited.

**Flood and Rising Water Table**

Our valuations have been made on the assumption that the properties are insured against damage by flood and rising water table. Unless stated to the contrary our opinions of value make no allowance for the risk that insurance cover for any property may not be available, or may only be available on onerous terms.

**14 Outstanding Debts:**

In the case of property where construction works are in hand, or have recently been completed, we do not normally make allowance for any liability already incurred, but not yet discharged, in respect of completed works, or obligations in favour of contractors, subcontractors or any members of the professional or design team.

**15 Confidentiality and Third Party Liability:**

Neither the whole, nor any part, nor reference thereto, may be published in any document, statement or circular, nor in any communication with third parties, without our prior written approval of the form and context in which it will appear.

**16 Statement of Valuation Approach:**

We are required to make a statement of our valuation approach. In the absence of any particular statements in our report the following provides a generic summary of our approach.

The majority of institutional portfolios comprise income producing properties. We usually value such properties adopting the investment approach where we apply a capitalisation rate, as a multiplier, against the current and, if any, reversionary income streams. Following market practice we construct our valuations adopting hardcore methodology where the reversions are generated from regular short term uplifts of market rent. We would normally apply a term and reversion approach where the next event is one which fundamentally changes the nature of the income or characteristics of the investment. Where there is an actual exposure or a risk thereto of irrecoverable costs, including those of achieving a letting, an allowance is reflected in the valuation.

Vacant buildings, in addition to the above methodology, may also be valued and analysed on a comparison method with other capital value transactions where applicable.

Where land is held for development we adopt the comparison method when there is good evidence, and/or the residual method, particularly on more complex and bespoke proposals.

There are situations in valuations for accounts where we include in our valuation properties which are owner-occupied. These are valued on the basis of existing use value, thereby assuming the premises are vacant and will be required for the continuance of the existing business. Such valuations ignore any higher value that might exist from an alternative use.

**17 Definitions of Value: RICS Valuation – Professional Standards January 2014****1.2 Market value**

“the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

**1.3 Market rent**

“the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

**1.4 Investment value (or worth)**

“the value of an asset to the owner or a prospective owner for individual investment or operational objectives.”

**1.5 Fair value**

(a) the definition adopted by the International Accounting Standards Board (IASB) in IFRS 13:

“The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”

And

(b) the definition adopted by the IVSC in IVS Framework paragraph 38:

“The estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties.”

## **2.2 General Terms and Conditions of Business**

### **1. Introduction:**

These General Terms and Conditions of Business shall apply to all dealings between Jones Lang LaSalle and the Client and, for the avoidance of doubt, shall be treated as applying separately to each instruction given by the Client to Jones Lang LaSalle.

These General Terms and Conditions of Business apply where Jones Lang LaSalle provides services to a Client and there is no written agreement for the provision of these services or, if there is, to the extent that these General Terms and Conditions of Business do not conflict with the terms of that written agreement. Reference in these General Terms and Conditions to the agreement means the written or informal agreement that is subject to these General Terms and Conditions of Business.

### **2. Services:**

Jones Lang LaSalle is to provide all services to the specification and performance level stated in writing or, if none is stated, to the specification and performance levels that it ordinarily provides. Jones Lang LaSalle has no responsibility for anything that is beyond the scope of the services so defined.

Jones Lang LaSalle performs all services through properly licensed agents.

### **3. Time:**

Jones Lang LaSalle is to use reasonable endeavours to comply with the Client's timetable, but is not responsible for non-compliance unless the consequences of non-compliance have been agreed in writing. Even then, Jones Lang LaSalle is not liable for delay that is beyond its control.

### **4. E-mail and on-line services:**

The Client agrees that Jones Lang LaSalle may where appropriate use the available electronic communication and systems in providing services, making available to the Client any software required that is not generally available.

### **5. Duty of care to the Client:**

Jones Lang LaSalle owes to the Client a duty to act with reasonable skill and care in providing services, complying with the Client's instructions where those instructions do not conflict with (a) these General Terms and Conditions of Business, (b) the agreement or (c) applicable law and professional rules, including the code of ethics.

Jones Lang LaSalle has no liability for the consequences of any failure by the Client or any agent of the Client promptly to provide information or other material that Jones Lang LaSalle reasonably requires, or where that information or material is inaccurate or incomplete.

### **6. Duty of care to third parties:**

Jones Lang LaSalle owes a duty of care to no one but its Client. No third party has any rights unless there is specific written agreement to the contrary.

**7. Liability for third parties:**

Jones Lang LaSalle has no liability for products or services that it reasonably needs to obtain from others in order to provide services.

Jones Lang LaSalle may delegate to a third party the provision of any part of services, but if it does so:

- without the Client's approval, Jones Lang LaSalle is responsible for what that third party does;
- with the Client's approval or at the Client's request, Jones Lang LaSalle is not responsible for what that third party does.

**8. Liability to the Client (subject to terms in adjoining letter):**

The liability of Jones Lang LaSalle to the Client for its own negligence causing death or personal injury is unlimited, but otherwise its liability is:

- in any event is limited to €5 million in aggregate under this Agreement.
- excluded to the extent that the Client is responsible, or someone on the Client's behalf for whom Jones Lang LaSalle is not responsible under these General Terms and Conditions of Business,
- limited to direct and reasonably foreseeable loss or damage with no liability for indirect or consequential loss,
- (where Jones Lang LaSalle is but one of the parties liable) limited to the share of loss reasonably attributable to Jones Lang LaSalle on the assumption that all other parties pay the share of loss attributable to them (whether or not they do),
- not (so far as permitted by law) increased by any implied condition or warranty.

Jones Lang LaSalle shall not be liable for any hidden defects in the real property sold, bought or leased, unless Jones Lang LaSalle was aware of these defects.

**9. Insurance:**

Jones Lang LaSalle agrees to purchase and maintain appropriate insurance policies, in particular professional indemnity insurance, for an amount of not less than €5 million in aggregate.

**10. Indemnity from the Client:**

The Client agrees to indemnify Jones Lang LaSalle against all liability (including without limitation all actions, claims, proceedings, loss, damages, costs and expenses) that relates in any way to the provision of services, except a liability that a court of competent jurisdiction decides (or Jones Lang LaSalle agrees) was caused by the fraud, wilful default or negligence of Jones Lang LaSalle or of a delegate for whom Jones Lang LaSalle is responsible under the agreement.

**11. Protection of employees:**

The Client agrees that (except for fraud or a criminal offence) no employee of the Jones Lang LaSalle group of companies has any personal liability to the Client and that neither the Client nor anyone representing the Client will make a claim or brings proceedings against an employee personally.

**12. Complaints resolution procedure:**

The Client agrees that it will not take any action or commence any proceedings against Jones Lang LaSalle before it has first referred its complaint to Jones Lang LaSalle in accordance with Jones Lang LaSalle's complaints procedure, details of which are available upon request from the Compliance Officer, Jones Lang LaSalle Paseo de la Castellana N° 79 Madrid (Spain) (person contact Mr. Evan Lester).

**13. Conflict of interest:**

If Jones Lang LaSalle becomes aware of a conflict of interest it is to advise the Client promptly and recommend an appropriate course of action.

**14. Commissions:**

Jones Lang LaSalle may retain any commissions that it earns in the usual course of business without disclosure to the Client. In particular, Jones Lang LaSalle may receive a commission from more than one party to the transaction.

**15. Confidential information:**

Jones Lang LaSalle must keep confidential all information of commercial value to the Client of which it becomes aware solely as a result of providing services, but it may:

- use it to the extent reasonably required in providing services,
- disclose it if the Client agrees,
- disclose it if required to do so by law, regulation or other competent authority.

Jones Lang LaSalle will comply with personal data protection regulation.

**16. Publicity:**

Neither Jones Lang LaSalle nor its Client may publicize or issue any specific information to the media about services or its subject matter without the consent of the other.

**17. Intellectual property:**

Copyrights, patents, trademarks, design and other intellectual property rights in any material supplied by the Client, or in any material prepared by Jones Lang LaSalle exclusively for the Client, belong to the Client. Such rights in any other material prepared by Jones Lang LaSalle in providing services belong to Jones Lang LaSalle, but the Client has a non-exclusive right to use it for the purposes for which it was prepared.

**18. Remuneration:**

Where the fees and expenses payable for services are not specified in writing, Jones Lang LaSalle is entitled to:

- the fee specified by the relevant Regional Association of Real Property Intermediaries or other applicable professional body or, if none is specified, to a fair and reasonable fee by reference to time spent, and
- reimbursement of expenses properly incurred on the Client's behalf.

Where services are not performed in full, Jones Lang LaSalle is entitled to a reasonable fee proportionate to services provided as estimated by Jones Lang LaSalle.

The Client must pay VAT at the rate then current on the date of issuance of a VAT invoice.

If an invoice is not paid in full within 30 (thirty) days from the date of issuance, Jones Lang LaSalle may charge interest on the balance due at a daily rate of 2% above the base rate of PKO BP S.A. for real estate loans.

**19. Assignment:**

The Client may assign rights and obligations arising from the agreement, but must first get the written consent of Jones Lang LaSalle, which will not be unreasonably withheld.

**20. Termination:**

The Client or Jones Lang LaSalle may terminate the agreement immediately by written notice to the other, if the other has not satisfactorily rectified a substantial or persistent breach of the agreement within the reasonable period specified in an earlier notice to rectify it.

Termination of the agreement does not affect any claims that arise before termination or the entitlement of Jones Lang LaSalle to its proper fees or to be reimbursed its expenses up to the date of termination.

On termination Jones Lang LaSalle must return to the Client or, if the Client so wishes, destroy all Client information that is to be kept confidential, but Jones Lang LaSalle may keep (and must continue to keep confidential) one copy of that information to comply with legal, regulatory or professional requirements.

**21. Notices:**

A notice is valid if in writing addressed to the last known address of the addressee and is to be treated as served:

- when delivered, if delivered by hand during normal business hours (where business hours next commence – if delivered after),
- when actually received, if posted by recorded delivery,
- when actually received, if sent by ordinary mail, fax or electronic mail.



**22. Governing Law:**

These General Terms and Conditions of Business and the terms of the instruction shall be governed and construed in accordance with the laws of Spain. The parties submit to the jurisdiction of the Courts and Tribunals of Madrid, to settle any lawsuit which may be derived from the interpretation or fulfilment of this Agreement, and expressly waive any other jurisdiction they may be entitled to.

## 2.3 Extract from the RICS Valuation – Professional Standards January 2014

### Market Value

**Definition and Interpretive Commentary. Reproduced from the RICS Valuation – Professional Standards January 2014**

#### 3.1.

Valuations based on Market Value (MV) shall adopt the definition, and the interpretive commentary, settled by the International Valuation Standards Committee.

**Definition as in section “Market Value 1.2.1” from the RICS Valuation – Professional Standards January 2014**

***‘The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.’***

Interpretive Commentary, as published in International Valuation Standard 1

#### 3.2.

The term property is used because the focus of these Standards is the valuation of property. Because these Standards encompass financial reporting, the term Asset may be substituted for general application of the definition. Each element of the definition has its own conceptual framework.

##### 3.2.1 ‘The estimated amount ...’

Refers to a price expressed in terms of money (normally in the local currency) payable for the property in an arm's-length market transaction. Market Value is measured as the most probable price reasonably obtainable in the market at the date of valuation in keeping with the Market Value definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of Special Value.

##### 3.2.2 ‘... a property should exchange ...’

Refers to the fact that the value of a property is an estimated amount rather than a predetermined or actual sale price. It is the price at which the market expects a transaction that meets all other elements of the Market Value definition should be completed on the date of valuation.

##### 3.2.3 ‘... on the date of valuation ...’

Requires that the estimated Market Value is time-specific as of a given date. Because markets and market conditions may change, the estimated value may be incorrect or inappropriate at another time. The valuation amount will reflect the actual market state and circumstances as of the effective valuation date, not as of either a past or future date. The definition also assumes simultaneous exchange and completion of the contract for sale without any variation in price that might otherwise be made.

**3.2.4 ‘... between a willing buyer ...’**

Refers to one who is motivated, but not compelled to buy. This buyer is neither over-eager nor determined to buy at any price. This buyer is also one who purchases in accordance with the realities of the current market and with current market expectations, rather than on an imaginary or hypothetical market which cannot be demonstrated or anticipated to exist. The assumed buyer would not pay a higher price than the market requires. The present property owner is included among those who constitute ‘the market’. A valuer must not make unrealistic Assumptions about market conditions or assume a level of Market Value above that which is reasonably obtainable.

**3.2.5 ‘... a willing seller ...’**

Is neither an over-eager nor a forced seller prepared to sell at any price, nor one prepared to hold out for a price not considered reasonable in the current market. The willing seller is motivated to sell the property at market terms for the best price attainable in the (open) market after proper marketing, whatever that price may be. The factual circumstances of the actual property owner are not a part of this consideration because the ‘willing seller’ is a hypothetical owner.

**3.2.6 ‘... in an arm's-length transaction ...’**

Is one between parties who do not have a particular or special relationship (for example, parent and subsidiary companies or landlord and tenant) which may make the price level uncharacteristic of the market or inflated because of an element of Special Value (defined in IVSC Standard 2, paragraph 3.8). The Market Value transaction is presumed to be between unrelated parties each acting independently.

**3.2.7 ‘... after proper marketing ...’**

Means that the property would be exposed to the market in the most appropriate manner to effect its disposal at the best price reasonably obtainable in accordance with the Market Value definition. The length of exposure time may vary with market conditions, but must be sufficient to allow the property to be brought to the attention of an adequate number of potential purchasers. The exposure period occurs prior to the valuation date.

**3.2.8 ‘... wherein the parties had each acted knowledgeably, prudently ...’**

Presumes that both the willing buyer and the willing seller are reasonably informed about the nature and characteristics of the property, its actual and potential uses and the state of the market as of the date of valuation. Each is further presumed to act for self-interest with that knowledge and prudently to seek the best price for their respective positions in the transaction. Prudence is assessed by referring to the state of the market at the date of valuation, not with benefit of hindsight at some later date. It is not necessarily imprudent for a seller to sell property in a market with falling prices at a price which is lower than previous market levels. In such cases, as is true for other purchase and sale situations in markets with changing prices, the prudent buyer or seller will act in accordance with the best market information available at the time.

**3.2.9 ‘... and without compulsion.’**

Establishes that each party is motivated to undertake the transaction, but neither is forced or unduly coerced to complete it.

### 3.3

Market Value is understood as the value of a property estimated without regard to costs of sale or purchase, and without offset for any associated taxes.

#### Commentary

a. The basis of Market Value is an internationally recognized definition. It represents the figure that would appear in a hypothetical contract of sale at the valuation date. Valuers need to ensure that in all cases the basis is set out clearly in both the instructions and the Report.

b. Market Value ignores any existing mortgage, debenture or other charge over the property.

c. In the conceptual framework in IVS quoted above (para 3.2.1) it is clear that any element of special value that would be paid by an actual special purchaser at the date of valuation must be disregarded in an estimate of Market Value. Special value includes synergistic value, also known as marriage value.

d. IVS describes special value and synergistic value as follows:

- Special Value can arise where an asset has attributes that make it more attractive to a particular buyer, or to a limited category of buyers, than to the general body of buyers in a market. These attributes can include the physical, geographic, economic or legal characteristics of an asset. Market Value requires the disregard of any element of Special Value because at any given date it is only assumed that there is a willing buyer, not a particular willing buyer.
- Synergistic Value can be a type of Special Value that specifically arises from the combination of two or more assets to create a new asset that has a higher value than the sum of the individual assets.
- When Special Value is reported, it should always be clearly distinguished from Market Value.

e. Notwithstanding this general exclusion of special value where the price offered by prospective buyers generally in the market would reflect an expectation of a change in the circumstances of the property in the future, this element of 'hope value' is reflected in Market Value. Examples of where the hope of additional value being created or obtained in the future may impact on the Market Value include:

- the prospect of development where there is no current permission for that development; and
- the prospect of 'synergistic value' arising from merger with another property or interests within the same property at a future date.

f. When Market Value is applied to plant & equipment, the word 'asset' may be substituted for the word 'property'. The valuer must also state, in conjunction with the definition, which of the following additional assumptions have been made:

- that the plant & equipment has been valued as a whole in its working place; or
- that the plant & equipment has been valued for removal from the premises at the expense of the purchaser.

Further information on plant & equipment valuation, including typical further assumptions that may be appropriate in certain circumstances, can be found in GN 2 and in IVS GN 3 – Plant & equipment.

g. Where the property includes land which is mineral bearing, or is suitable for use for waste management purposes, it may be necessary to make assumptions to reflect either the potential for such uses or, where the land is already in such use, to reflect any potential future uses that may be relevant. Further information on the valuation approach in these cases can be found in GN 4. Where the property is personal property it may be necessary to interpret Market Value as it applies to different sectors of the market. Further information on this type of valuation can be found in IVSC GN 4 and 5.



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