

27 June 2016

Mirland Development Corporation PLC

(the "**Company**")

Application to the Cypriot Court for an order to convene meetings of bondholders and shareholders

Further to the Company's previous announcements made in relation to the proposed new restructuring plan and its continuing discussions with the trustees of the Series A-F bondholders (the "**Bondholders**"), the Company announces that it has filed an application with the District Court of Cyprus to convene a meeting of the Bondholders and an extraordinary general meeting of the shareholders of the Company to consider and if thought fit to approve a debt settlement based on the proposed new restructuring plan with the Bondholders (the "**Settlement**" and the "**Application**", respectively).

The main principles of the Settlement are as follows:

1. Conversion of the full debt owed to the Bondholders into the following components:
 - 1.1. Approximately 60% of the Company's share capital (with the possibility of dilution with the options to be issued to the Company management);
 - 1.2. Payment of USD\$5 million upon the completion of the Settlement;
 - 1.3. Issuance of a new bond series having a principal amount of USD\$45 million (the "**New Series**").
2. The controlling companies - Jerusalem Economy Ltd., Industrial Buildings Corporation Ltd. and Darban Investments Ltd. (the "**Controlling Companies**") will be asked to commit to provide funding of up to USD\$25 million (including US\$6.1M which has previously been provided to the Company) (the "**Commitment Amount**") in return for approximately a 40% interest in the Company's equity (with the possibility of dilution with the options to be issued to the Company management). Such funding shall be effected by way of a subscription by the Controlling Shareholders; all other shareholders of the Company will have the opportunity to participate in an open offer prior to the completion of the Settlement.
3. To the extent that the Controlling Companies do not approve the Settlement and do not commit to its undertakings by the set date, the Settlement will automatically be exchanged with an alternative settlement, which does not include the provision of the Commitment Amount by the Controlling Companies. In such event, the Bondholders' holdings after the Settlement will be no less than 90% of the issued share capital of the Company¹ and the payment of USD\$5 million upon the completion of the Settlement will not be made.
4. The primary terms that will apply to the New Series are as follows:
 - 4.1. The principal will be repaid through three (3) equal payments on 31 December of 2021, 2022 and 2023;
 - 4.2. The principal will bear an annual interest rate of 1% which will accrue until December 2017 (PIK interest), without compound interest, and will start to be paid from December 2017; subsequently, interest will be paid to the Bondholders in an annual manner on 31 December of each calendar year;

¹ With the possibility of dilution with the options to be issued to the Company management.

- 4.3. The Company will have the right to repay the New Series amount at any time and at its sole discretion without incurring any fees or penalty;
- 4.4. The Company will not be obligated to any restriction and /or financial covenants and will be free from any limitations on the taking of loans and/or financial undertakings and granting any securities to guarantee such;
- 4.5. The right to demand the immediate repayment of the New Series will only be granted to the bondholders in the circumstances listed in Section 3511 of the Israel Securities Law,5728-1968 in accordance with and subject to the provisions of the new trust deed that will be adopted.

It should be emphasized that the Settlement has not yet been approved by any parties. The coming into effect of the Settlement is subject to the fulfilment of all of the conditions precedent as detailed in the Settlement.

The Company will make further announcements in due course.

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