

Term Sheet

NOK Tranche ISIN: NO0010759392

SEK Tranche ISN: NO0010759400

20 % Junior Secured Bond Issue 2016/2017 (the "Bonds" / the "Bond Issue")

Settlement date: 18 March 2016

Issuer:	Hilleren Tomteselskap AS (company registration number: 989 864 637).
Group:	The Issuer with all its subsidiaries from time to time.
Currency:	SEK and NOK (One bond agreement, two tranches)
Loan Amount:	SEK 16 800 000 (SEK tranche) NOK 28 200 000 (NOK tranche)
Purpose of the Bond Issue:	The net proceeds after Transaction Costs from the Bond Issue shall be used for (i) repayment of a loan from DNB ASA amounting to approx. NOK 15 000 000; (ii) repayment of a loan from DNB ASA amounting to approx. NOK 3 700 000; (iii) repayment of a loan from DNB ASA amounting to approx. NOK 3 100 000; (iv) funding of an intercompany loan from the Issuer to Hilleren Invest AS (company registration number 988 387 924) (" Hilleren Invest ") of NOK 8 000 000, of which the proceeds from the intercompany loan received by Hilleren Invest shall be used to repay certain direct loans, lent to Hilleren Invest by certain investors (Hilleren Bridge Loan 2); (v) repayment of certain direct loans by certain investors amounting to approx. NOK 61 000 000 (Hilleren Bridge Loan 1); (vi) refinancing of a loan from Solmunde & Partners AS amounting to approx. NOK 11 358 000; (vii) fund the Interest Retention Accounts with an aggregate amount of approx. NOK 9 000 000; and (viii) any remaining amount shall be deposited into the Operating Account and used for general business purposes.
Coupon Rate:	20 % p.a., (SEK tranche) semi-annual interest payments. 20 % p.a., (NOK tranche) semi-annual interest payments.
Settlement Date	18 March 2016. Notice to be given to subscribers minimum two banking days prior to Settlement Date (on which date the Loan Amount shall be credited to the Escrow Account).
Initial Exchange Ratio	The NOK/SEK exchange rate shall be the official reference rate provided by the Central Bank of Norway on the Settlement Date.
Information Covenants:	The Bond Agreement shall include standard information covenants customary for these types of transactions, including but not limited to: (i) Updates on the progression of any planning applications up to and including the month the planning approval is delivered to the Issuer.

- (ii) financial statements consolidated for the Group (written in Norwegian) available to the Trustee and upon request to the Bondholders within 60 days after each Semi Annual Date and not later than 120 days after the end of each financial year;
- (iii) within reasonable time, provide such information about the Issuer's business, assets and financial condition as the Trustee may reasonably request.

General Covenants: The Bond Agreement shall include standard general covenants customary for these types of transactions, including but not limited to: Pari passu ranking, mergers, de-mergers, continuation of business, disposal of business, arm's length transactions, corporate status and compliance with laws.

Special Covenants: The Bond Agreement shall include the following special covenants:

(a) *Mandatory Redemption:*

Upon a Mandatory Redemption Event occurring the Issuer shall, on the day it receives the proceeds from the relevant Mandatory Redemption Event (however, no later than the date that the relevant asset is transferred to the new owner), redeem 100% of the outstanding Loan Amount at a price equal to 105% of the outstanding Loan Amount (plus accrued interest on the redeemed amount);

A Mandatory Redemption Event occurs if:

- i) the Properties (in part or in whole) are sold or disposed of by the Issuer; or
- ii) Dubo Eiendom AS (company registration number: 999 330 142) (the "**Parent**") reduces its ownership of shares in the Issuer below 50,1%. This shall only be a Mandatory Redemption Event as long as any loan amount is outstanding under the Junior Bond.

(b) *Negative pledge:*

The Issuer shall not, and it shall ensure that none of its subsidiaries shall, create, permit to subsist or allow to exist any mortgage, pledge, lien or any other encumbrance over any of its present or future respective assets (including, but not limited to, the shares in the subsidiaries) or its revenues, other than the encumbrances granted to secure any of the following:

- a) a senior secured bond issued by the Issuer of up to NOK 105 million (the "**Senior Secured Bond**"); and
- b) the Bond.

(c) *Financial indebtedness restriction*

The Issuer shall not, and shall procure that none of its subsidiaries shall, incur, create or permit to subsist any Financial Indebtedness (including guarantees), other than:

- a) the Senior Secured Bond;
- b) the Bond; and
- c) the Subordinated Convertible Loan.

(d) *Financial Support restrictions*

The Issuer shall not, and shall ensure that no subsidiary shall, grant any loans, give any guarantees or otherwise voluntarily assume any financial liability (whether actual or contingent) ("**Financial Support**"), to or for the benefit of any third party, other than (i) the existing two loans to the Parent and (ii) an intercompany loan from the Issuer to Hilleren Invest of NOK 8 000 000 of which the proceeds from the intercompany loan received by Hilleren Invest shall be used to repay certain direct loans, lent to Hilleren

Invest by certain investors. The Issuer shall not permit any of the existing loans to the Parent to be increased or redrawn if any of the loans are partly or fully repaid.

(e) *Dividend restrictions*

The Issuer shall not declare or make any dividend payment or distribution, whether in cash or in kind, repurchase of shares or make other similar transactions (included, but not limited to total return swaps related to shares in the Issuer), or other distributions or transactions implying a transfer of value to its shareholders.

(f) *Additional Security*

The Issuer shall ensure that the part (allotment) of the property, gnr. 128 bnr. 2 in the Municipality of Bergen is partitioned into a separate property as soon as possible and that this area, after the partitioning has been completed, is pledged in favour of the Trustee.

Financial Covenants During the term of the Bond, the Issuer shall (unless the Trustee or the Bondholders' meeting (as the case may be) in writing has otherwise agreed to) comply with the following financial covenants:

- (i) **Liquidity:** The Issuer shall ensure that the Group maintains minimum Liquidity of NOK 2 million at all times;

"Liquidity" shall mean, at any given time and on a consolidated basis, the aggregate book value of the Group's freely available cash.

The financial covenant shall be calculated on a consolidated basis for the Group during the term of the Bond.

The Issuer undertakes to comply with the above Financial Covenant at all times, such compliance to be measured on each Semi Annual Date and certified by the Issuer with each annual and semi annual financial statement.

**Pre-Settlement
Conditions Precedent**

Disbursement of the net proceeds less Transaction Costs, from the Manager to the Escrow Account will be subject to the fulfillment of certain conditions precedent, to the satisfaction of the Trustee, customary for these types of transactions, including but not limited to (the "**Disbursement Date**"):

- (i) the Bond Agreement duly executed by the Issuer;
- (ii) an agreement between the Trustee and the Issuer related to expenses and fees duly executed;
- (iii) corporate documents and necessary corporate resolutions of the Issuer (and any necessary consent or waivers (as the case may be)) to enter into the Bond Agreement, execute the Finance Documents and establish the Escrow Account Pledge;
- (iv) in respect of the Issuer, an up-to-date extract from the trade register, the deed of incorporation and the articles of association;

If the Trustee finds the conditions fulfilled to its satisfaction, the Trustee shall instruct the Manager to execute the Settlement and the Settlement Agent to issue the Bonds.

**Pre-Disbursement
Conditions Precedent:**

The release of funds from the Escrow Account to be used in accordance of the Purpose of the Bond Issue, shall be subject to the fulfilment of certain conditions precedent, received in the form and substance to the satisfaction of the Trustee, customary for these types of transactions, including but not limited to:

- (i) a duly executed release notice from the Issuer;
(including confirmation that no Event of Default has occurred or is likely to occur as a consequence of the Disbursement)
- (ii) all Pre-Disbursement Security Documents being executed and perfected (or will promptly be perfected upon release of funds from the Escrow Account); satisfactory evidence that the Subordinate Convertible Loan has been approved by a shareholders resolution made by the general meeting of the Issuer;
- (iii) satisfactory evidence that the funds from the Subordinated Convertible Loan have been paid to the Operating Account; and
- (iv) any statements or legal opinions reasonably required and in a form and substance satisfactory to the Trustee.

The release from the Escrow Account is subject to the Trustee having received the relevant conditions precedent documents in form and substance satisfactory to it, at the latest two Business Days prior to the Settlement Date or the Disbursement Date respectively. The Trustee may waive or postpone the delivery of certain conditions precedent at its sole discretion.

Final Maturity Date: 18 September 2017 (18 months after Settlement Date).

The Issuer may request a 6 months extension of the Maturity Date, subject to written notice to the Trustee at least 15 Business Days prior to the Maturity Date.

Amortization: The Bonds shall be repaid at Final Maturity Date at 100% of par value (plus accrued interest on redeemed amount) in the same currency as the tranche is denominated in.

First Interest Payment Day: 18 September 2016 (6 months after Settlement Date).

Last Interest Payment Day: Final Maturity Date.

Interest Payments: Interest on the Bonds will commence to accrue on Settlement Date and shall be payable semi-annually in arrears on the interest payment day in March and September each year, Business day convention is "no adjustment day, count fraction is 30/360 and business day means "Oslo, Norway" and "Stockholm, Sweden".

Issue Price: 100 % of par value.

Nominal value: The Bonds will have a nominal value of:
NOK 25,000, with a minimum subscription amount of NOK 1,000,000 for the NOK tranche; and
SEK 25,000, with a minimum subscription amount of SEK 1,000,000 for the SEK tranche.

The bonds will be registered in Verdipapirsentralen (VPS).

Status of the Bonds: The Bonds shall be secured on a second priority basis against certain assets of the Issuer, being subordinated to the Senior Secured Bond, however, otherwise rank at least *pari passu* with all other senior obligations of the Issuer other than obligations that are mandatorily preferred by law. The Bonds shall rank ahead of subordinated capital.

Call Options (American): The Issuer may redeem the Bonds (all or nothing) at any time from and including:

- (i) the date falling 1 year after Settlement Date to, but not included, the Final

Maturity Date at a price equal to 100 % of par value (plus accrued interest on redeemed amount).

- Event of Defaults The Bond Agreement shall include standard events of default provisions related to the Issuer and the Group customary for these types of transactions, including but not limited to: Non-payment, breach of other obligations, cross default, misrepresentations, insolvency, creditors process, impossibility or illegality and material adverse change.
- Accounts: The Issuer shall open and maintain the following accounts in the name of the Issuer with a bank acceptable to the Trustee (together the Accounts):
 (i) The Escrow Accounts (in connection with the settlement of the Loan);
 (ii) The Interest Retention Accounts, and
 (iii) The Operating Account.
- Escrow Account: The Issuer shall prior to the Settlement establish two escrow accounts (in a bank registered in Norway and acceptable to the Trustee and the Issuer; the NOK Escrow Account and the SEK Escrow Account, jointly the Escrow Accounts, and the net proceeds from the NOK Tranche and the SEK Tranche shall be transferred to the NOK Escrow Account and the SEK Escrow Account respectively upon Settlement). The Escrow Accounts shall be pledged on a second priority basis, being subordinated the Senior Secured Bond, and blocked in favor of the Trustee, and the bank shall waive any set-off rights. The amount on the Escrow Accounts shall only be used according to the Purpose of the Bond Issue.
- Before the first release from the Escrow Account takes place, all the Pre-Disbursement Conditions Precedent shall be complied with.
- Interest Retention
Accounts: The Issuer shall prior to the Settlement establish two interest retention accounts in a bank registered in Norway and acceptable to the Trustee and the Issuer; the NOK Interest Retention Account and the SEK Interest Retention Account, jointly the Interest Retention Accounts, and an amount equal to 12 months interest on the NOK Tranche and the SEK Tranche shall be transferred to the NOK Interest Retention Account and the SEK Interest Retention Account respectively from the first release from the Escrow Accounts. The Interest Retention Accounts shall be pledged on a first priority basis and blocked in favor of the Trustee and the bank shall waive any set-off rights. The amount on the Interest Retention Accounts shall only be used for payment of the Interest Payments in accordance with the terms of the Bond Agreement..
- Operating Account: The Issuer shall open and maintain an account as the Operating Account. All proceeds from sale or disbursement of any of the properties, equity, shares, operating income and/or assets shall be credited the Operating Account.
- Properties: The Issuer owns and is titleholder to the following properties:
 i) Gnr. 129 bnr. 16 in the Municipality of Bergen, municipal number: 1201
 ii) Gnr. 128 bnr. 69 in the Municipality of Bergen, municipal number: 1201
- Furthermore the Issuer has purchased and is thr owner of a part of the property:
 iii) gnr. 128 bnr. 2 in the Municipality of Bergen, municipal number: 1201
- Security: All amounts outstanding under the Finance Documents to the Trustee and the bondholders, including but not limited to principal interest and expenses, shall (to the extent permitted by applicable law) be secured by:
- Pre-Settlement Security:
- (i) A 1st priority pledge over the Issuer's claim against the bank for the amount from time to time standing to the credit of the Issuer in the Escrow Account (as

defined above) (according to Norwegian law) (the “**Escrow Account Pledge**”);

Pre-Disbursement Security:

- (ii) A 2nd priority assignment to the Trustee of any intercompany loans from the Issuer (as lender) to Hilleren Invest AS (as borrower) (the “**Intercompany Loan Assignment**”);
- (iii) A 2nd priority assignment to the Trustee of any intercompany loans from the Issuer (as lender) to Parent (as borrower) (the “**Dubo Loan Assignment**”)
- (iv) a 1st priority pledge over the Interest Retention Account (according to Norwegian law) (the “**Interest Retention Account Pledge**”)
- (v) a 2nd priority mortgage over the Properties save for gnr. 128 bnr. 2 in the Municipality of Bergen (the “**Land Mortgage**”)
- (vi) a 2nd priority pledge over the Operating Account; (the “**Operating Account Pledge**”)
- (vii) 2nd priority pledge over all (current and future) shares that the Parent owns (at any given time) in the Issuer and any current or future Subsidiaries, including, inter alia and when relevant, letters of resignation from all board members as well as covenant to obtain letters of resignation from future board members, notwithstanding the above, the 2nd priority pledge shall not include the Subordinated Convertible Loan Shares (the “**Share Pledge**”);
- (viii) 2nd priority assignment of any relevant insurances related to the Properties and (if any buildings) related thereto (the “**Assignment of Insurance**”) or the Issuer shall name the Trustee as co-insured to the relevant insurances; and
- (ix) 2nd priority assignment of any building contract, related performance guarantees/performance bonds and warranties, and the refund guarantees issued by any contractors in favor of Issuer pursuant thereto (the “**Assignment of Building Contracts and Refund Guarantees**”).

Additional Security:

- (x) The Issuer shall ensure that the part (allotment) of the property, gnr. 128 bnr. 2 in the Municipality of Bergen is partitioned into a separate property as soon as possible and that this area, after the partitioning has been completed, is pledged in favour of the Trustee.

The Pre-Settlement Security shall be established no later than at the Settlement Date. The Pre-Disbursement Security shall be established prior to the release from the Escrow Account as described below under Conditions Precedent Pre-Disbursement. The Additional Security is to be established as soon as possible. All security interests in (i) – (x) above shall hereinafter be referred to as the “**Security Documents**”.

Release of Security event

Upon the event the Junior Bond is completely redeemed, the Share Pledge (Security vii above) shall be released.

Finance Documents:

Finance Documents means:

- (i) the Bond Agreement;
- (ii) the Security Documents;
- (iii) the Trustee’s fee letter; and
- (iv) any other document designated by the Issuer and the Trustee as a Finance

Document

Subordinated Convertible Loan:	Means the new capital in the amount of at least NOK 8 000 000 and up to NOK 15 000 000 to be raised by way of a subordinated convertible loan paid in prior to Settlement Date with maturity after the Maturity Date including the optional extension period. The Subordinated Convertible Loan shall be subordinated to the Senior Secured Bond and the Junior Bond, and include terms that entail that the Subordinated Convertible Loan is structured as a bullet loan and that interest is only payable on the maturity date. The Issuer shall be obligated not to service or otherwise redeem the Subordinated Convertible Loan during the term of the Bond Issue. Further the Subordinated Convertible Loan shall include provisions that give the lenders a right to convert their loans into equity in the Issuer (the "Subordinated Convertible Loan Shares"). The Subordinated Convertible Loan Shares shall not exceed 33,33% of the outstanding share capital in the Issuer.
Semi Annual Date	Means each, 30 June and 31 December.
Change of Control Clause:	Upon a Change of Control Event occurring, each bondholder shall have a right of prepayment (Put Option) of the Bonds at a price of 101% of par value (plus accrued interest) during a period of 30 days following the notice of a Change of Control Event.
Change of Control Event:	Change of Control Event means any person or group (as such term is defined in the Norwegian Limited Liability Companies Act § 1-3), other than the Parent, becomes the owner, directly or indirectly, of 50% or more of the outstanding shares and/or voting capital of the Issuer or the Parent.
Bond Agreement:	<p>The Bond Agreement will be entered into by the Issuer and the Trustee acting as the bondholders' representative, and it shall be based on Norwegian standard. The standard is available upon request from the Manager or on the Trustee's webpage http://nordictrustee.com/documentation.</p> <p>The Bond Agreement shall regulate the Bondholders' rights and obligations with respect to the Bonds. If any discrepancy should occur between this Term Sheet and the Bond Agreement, then the Bond Agreement shall prevail. The Bond Agreement shall include provisions where after repayment of principal amount upon default shall be equal to the Mandatory Prepayment provided for above.</p> <p>Through its applications for Bonds, the subscriber is deemed to have granted authority to the Trustee to finalize the Bond Agreement and the Security Documents. Although minor adjustments to the structure described in this Term Sheet may occur, the provisions in the Bond Agreement will be substantially consistent with those set forth in this Term Sheet.</p>
Bondholders' Meeting:	<p>The Bondholders' Meeting represents the supreme authority of the Bondholders community in all matters relating to the Bonds, and has the power to make all decisions altering the terms and conditions of the Bonds, including, but not limited to, any reduction of principal or interest and any conversion of the Bonds into other capital classes.</p> <p>There will be a common Bondholders' Meeting, where Bondholders under both the NOK tranche and the SEK tranche participate. Voting rights will be determined by the proportionate share of Bonds held by the Bondholder to the Loan Amount in NOK based on the Initial Exchange Ratio.</p>
Governing Law:	Norwegian law
Investment Presentation:	The investment presentation dated 6 March 2016 which has been prepared in connection with this Bond Issue.
Transaction Costs:	All costs and fees (including legal fees and other external fees) incurred by the

Manager and the Trustee in connection with the Bond Issue.

Taxation:	The Issuer shall pay any stamp duty and other public fees accruing in connection with issuance of the Bonds or the Security Documents, but not in respect of trading of the Bonds in the secondary market (except to the extent required by applicable laws), and the Issuer shall deduct before payment to the bondholders at source any applicable withholding tax payable pursuant to law.
Manager-/Settlement Agent:	Jool Markets AS, Bryggegata 14, N-0250 Oslo, Norway The Manager shall enter into an agreement with the Trustee and the Issuer, acting on behalf of the Bondholders, under which the Manager shall undertake to perform certain advisory services related to the monitoring of the Progress Reports and the progression of any planning applications up to and including the month the planning approval is delivered to the Issuer. The Manager may at its own discretion engage advisors to assist in the performance of these advisory services. Costs related to such advisors shall be covered by the Issuer. The Issuer shall provide the Manager with such information that the Manager finds necessary to monitor progress and that the Issuer has provided to the Trustee.
Trustee:	Nordic Trustee ASA, Postboks 1470 Vika, 0116 Oslo
Paying-/Settlement Agent:	DNB ASA
Stock Exchange listing:	An application will not be made for the Bonds to be listed.
Market Making:	No market-maker agreement has been made for this Issue.
Terms of Subscription:	<p>Any subscriber of the Bonds specifically authorizes the Trustee to execute and deliver the Bond Agreement on behalf of the prospective bondholders, who will execute and deliver such Application Forms prior to receiving Bond allotments. On this basis, the Issuer and the Trustee will execute and deliver the Bond Agreement and the latter's execution and delivery is on behalf of all of the subscribers, such that they thereby will become bound by the Bond Agreement. The Bond Agreement specifies that by virtue of being registered as a Bondholder (directly or indirectly) with the Securities Depository, the Bondholders are bound by the terms of this Bond Agreement and any other Finance Document, without any further action required to be taken or formalities to be complied with.</p> <p>The Bond Agreement shall specify that it shall be made available to the general public for inspection purposes and may, until redemption in full of the Bonds, be obtained on request by the Trustee or the Issuer.</p>
Subscription Restrictions:	The Bonds have not and will not be registered under the U.S. Securities Act, or any state securities law except pursuant to an exemption from the registration requirements of the U.S. Securities Act and appropriate exemptions under the laws of any other jurisdiction. The Bonds may not be offered or sold within the United States to, or for the account or benefit of, any U.S. Person (as such terms are defined in regulations), except pursuant to an exemption from the registration requirements of the U.S. Securities Act. See further details in the Application Form and the Private Placement Presentation. Failure to comply with these restrictions may constitute a violation of applicable securities legislation.
Transfer Restrictions:	<p>The Bonds are freely transferable and may be pledged, subject to the following:</p> <p>(i) Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable from time to time under local laws to which a bondholder may be subject (due e.g. to its nationality, its residency, its registered address, its place(s) for doing business). Each bondholder must</p>

ensure compliance with local laws and regulations applicable at own cost and expense.

- (ii) notwithstanding the above, a Bondholder which has purchased the Bonds in contradiction to mandatory restrictions applicable may nevertheless utilize its voting rights under the Bond Agreement.

Oslo, 6 March 2016

Hilleren Tomteselskap AS
as Issuer



as Manager