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STRICTLY PRIVATE AND CONFIDENTIAL

Final version

Bonds Term Sheet for Subsequent Bonds

SEK BONDS – ISIN: SE0012230209

EUR BONDS – ISIN: SE0012230217

NOK BONDS – ISIN: NO0010843600

Smallville AB (publ)

Maximum of SEK 150 million (or its equivalent in EUR and NOK)

Senior Secured Fixed Rate Bonds 2019/2022

(the "Bonds")

The following overview included in this term sheet does not purport to be complete, and is qualified in its entirety by the Terms and Conditions, dated 18 February 2019, for the Bonds and related documents. The issue of the Subsequent Bonds is subject to approval by the board of directors of the Issuer, as well as any other approvals as may be required by applicable company law.

Unless otherwise defined in this term sheet, terms defined in the Schedule (Definitions) hereto shall have the same meanings when used in this term sheet.

Structure

- Issuer:** Smallville AB (publ), a public limited liability company incorporated in Sweden with reg. no. 559169-5233.
- Group:** The Issuer and each of its direct and indirect Subsidiaries from time to time and a "**Group Company**" means any of them.
- Parent(s):** TryggHem Holding AB, a limited liability company incorporated in Sweden with reg. no. 559165-9767 owning 51 per cent. and TryggHem Projekt 1 AB (publ), with reg. no. 559046-7345 owning 49 per cent. of the shares in the Issuer.

Quantum and pricing

- Currency:** SEK, NOK and EUR respectively the "**SEK Bonds**", the "**NOK Bonds**" and the "**EUR Bonds**".
- Initial Bond Issue:** The Initial Bond Issue amounted to approximately SEK 75,000,000 in the following currencies:
SEK 23,900,000
NOK 22,000,000
EUR 2,650,000
- First Subsequent Bond Issue:** The Subsequent Bond Issue amounted to approximately SEK 30,000,000 in the following currencies:
SEK 12,100,000
EUR 1,600,000
- Subsequent Bond Issue:** The Issuer may at one or more occasion(s) issue additional Bonds (each a "**Subsequent Bond**") amounting to SEK 75,000,000 (or its equivalent in EUR and NOK) in aggregate (together with the Initial Bond Issue, in total SEK 150,000,000 (or its equivalent in EUR and NOK) (each a "**Subsequent Bond Issue**"), provided that the Incurrence Test (calculated pro forma including such issue) is met.
- Interest Rate:** The Bonds shall carry fixed interest at 10 per cent. per annum, payable quarterly in arrear.
- First Issue Date:** 20 February 2019.
- First Subsequent Issue Date:** 25 March 2020.
- Issue Date:** The First Issue Date and any subsequent date when a Subsequent Bond Issue takes place.
- Final Maturity Date:** 20 February 2022 (3 years after the First Issue Date).

- Interest Payment Dates:** 20 February, 20 May, 20 August, and 20 November each year.
The first Interest Payment Date shall be 20 May 2019.
The last Interest Payment Date shall be the Final Maturity Date (or such earlier date on which the Bonds are redeemed in full).
To the extent any of the above dates is not a Business Day, the first following day that is a Business Day.
- Interest Periods:** Interest on the Initial Bonds will accrue from, but excluding (in case of the SEK Bonds and the EUR Bonds) and including (in case of the NOK Bonds), the First Issue Date to, and including (in case of the SEK Bonds and the EUR Bonds), but excluding (in case of the NOK Bonds), the first Interest Payment Date.
Any subsequent interest periods will be the period from, but excluding (in case of the SEK Bonds and the EUR Bonds) and including (in case of the NOK Bonds), an Interest Payment Date to, and including, (in case of the SEK Bonds and the EUR Bonds), but excluding (in case of the NOK Bonds) the next succeeding Interest Payment Date (or a shorter period if relevant).
Any Subsequent Bonds will carry interest at the Interest Rate from, but excluding (in case of the SEK Bonds and the EUR Bonds) and including (in case of the NOK Bonds), the Interest Payment Date falling immediately prior to their issuance to, and including, (in case of the SEK Bonds and the EUR Bonds), but excluding (in case of the NOK Bonds) the next succeeding Interest Payment Date (or a shorter period if relevant).
- Interest Payment:** Interest shall be payable quarterly in arrears on the Interest Payment Dates each year.
- Calculation of interest:** Interest shall be calculated on the basis of a 360-day year comprised of twelve months of 30 days each and, in case of an incomplete month, the actual number of days elapsed (30/360-days basis).
- Default Interest:** Five (5) per cent. higher than the Interest Rate.
Accrued Default Interest shall not be capitalised. No Default Interest shall accrue where the failure to pay was solely attributable to the Agent or the CSD, in which case the Interest Rate shall apply instead.
- Price Initial Bond Issue:** 100 per cent. of the Initial Nominal Amount for Bonds issued on the First Issue Date, or below par to large subscribers in the Initial Bond Issue, in which case any difference shall be reduced from the Arranger's arrangement fee.
Subsequent Bonds may be issued at, above or below par.
- Price First Subsequent Bond Issue:** 100per cent. of the Initial Nominal Amount for Bonds issued on the First Subsequent Issue Date plus the amount of accrued

interest from the last previous Interest Payment Date, provided that First Subsequent Bonds may also be sold at a lower price to large subscribers in the First Subsequent Bond Issue, in which case any difference shall be reduced from the Arranger's arrangement fee.

Nominal Amount: The nominal amount of each SEK Bond will be SEK 100,000, the nominal amount of each EUR Bond will be EUR 10,000 and the nominal amount of each NOK Bond will be NOK 100,000.

Minimum Investment: The minimum permissible investment upon issuance of the Bonds is SEK 1,100,000, EUR 100,000 and NOK 1,000,000, respectively.

Purpose and status

Purpose of the Initial Bond Issue: The proceeds from the Initial Bond Issue shall be used:

- (a) towards payment of Transaction Costs;
- (b) towards a SEK 37,500,000 downstream loan to Mariefred Strand Holding AB to finance the acquisition of the Mariefred Properties (through acquisition of five property owning companies) (the "**Mariefred Acquisition**");
- (c) towards a SEK 1,500,000 downstream loan to Smallville to be applied for a down-payment for the acquisition of the Skokloster Slottsby Property (through acquisition of the shares in TryggHem Samhällsfastigheter AB);
- (d) towards a SEK 3,200,000 downstream loan to Smallville to be applied for the acquisition of the Skokloster II Properties (through acquisition of the shares in TryggHem Projekt X AB);
- (e) towards disbursement to the Issuer of SEK 3,000,000 to be used for general corporate purposes; and
- (f) towards deposit of approximately SEK 22,000,000 on the Deposit Account, which shall be utilised to finance development of any Property, property acquisitions and interest payments under the Bonds.

The proceeds from any Subsequent Bond Issue shall be used:

- (a) towards payment of Transaction Costs;
- (b) to finance any subsequent acquisition of a new Property or shares in a property owning company; and
- (c) towards deposit on the Deposit Account, which shall be utilised to finance development of any Property, property acquisitions and interest payments under the Bonds.

Purpose of the First Subsequent Bond Issue: The proceeds from the First Subsequent Bond Issue shall be used to:

- (a) finance Transaction Costs;
- (b) finance a Downstream Loan to Mariefreds Strand Holding AB in the approximate amount of SEK 23,650,000 to be applied by Mariefreds Strand Holding AB for the acquisition of all the shares in TryggHem Förvaltnings AB (the owner of the property Strängnäs Södra Skogen 1:71) from TryggHem Holding AB; and
- (c) deposit approximately SEK 3,350,000 on the Deposit Account, which shall be utilised to finance development of any Property, property acquisitions and interest payments under the Bonds.¹

Status of the Bonds: The Bonds constitute direct, general, unconditional, unsubordinated and secured obligations of the Issuer and shall at all times rank (i) without any preference among them and (ii) at least *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer, except those obligations which are mandatorily preferred by law.

Subordination Agreement: Any claims under any Subordinated Loans (if any) shall be fully subordinated to the Bonds, including with respect to payments (maturity and instalments), tenure and enforcement proceeds under a subordination agreement in form and substance acceptable to the Agent.

Security

Transaction Security: All amounts outstanding under the Finance Documents, including but not limited to the Bonds, plus accrued interests and expenses shall be secured by the following Security on the terms set out in the relevant security agreements:

- (a) a pledge over all the shares in Smallville granted by the Issuer;
- (b) a pledge granted by Smallville over all the shares in Mariefreds Strand Holding AB;
- (c) a pledge granted by Mariefreds Strand Holding AB over all the shares in the five companies owning the Mariefred Properties;
- (d) a pledge by the Issuer of the BRF Englamarken Receivable;
- (e) a pledge over the Deposit Account granted by the Issuer;
- (f) a pledge granted by the Issuer over any Downstream Loans existing on the first disbursement date;

¹ SEK 13,650,000 from the proceeds from the acquisition referred to under paragraph (b) above will be reinvested in the Issuer by way of unconditional shareholders' contribution, to be deposited on the Deposit Account.

- (g) upon acquisition of the relevant entity and/or Property by such entity, a pledge granted by Smallville over all the shares in:
 - (i) TryggHem Projekt X AB;
 - (ii) TryggHem Samhällsfastigheter AB; and
 - (iii) Fastighets AB By & Bengtsgård.
- (h) a pledge granted by each relevant Group Company over any BRF Receivables from time to time; and
- (i) following a Subsequent Bond Issue used to finance the acquisition of any Property, a pledge over the shares in the company owning such Property.

The security documents listed in (a) – (f) above are hereinafter referred to as the "**Initial Security**". For the avoidance of doubt, only the Initial Security needs to be provided in connection with the first disbursement of the Net Proceeds. The remaining security shall be provided once the relevant acquisitions are being made and funds are released from the Deposit Account.

Transaction Security in connection with the First Subsequent Bond Issue:

In connection with the First Subsequent Bond Issue the following Security shall be provided on the terms set out in the relevant security agreement:

- (a) a pledge over the shares in TryggHem Förvaltnings AB; and
- (b) a pledge over the downstream loan granted to Mariefreds Strand Holding AB.

For the avoidance of doubt any Transaction Security provided in connection with the Initial Bond Issue shall secure the full amount of the Bonds issued from time to time.

Replacement of Transaction Security:

In the event of a sale of shares in a Property owning company or a holding company of a Property owning company which are subject to current or future Transaction Security, the Issuer may subject to the Agent's approval and provided such sale is made at current market value, replace the Transaction Security for:

- (a) if the assets are sold to a legally established condominium association (Sw. *bostadsrättsförening*) against BRF Receivable, a pledge over the full amount of such BRF Receivable; and
- (b) if the assets are sold for cash, or if a pledged BRF Receivable is repaid, against depositing 90 per cent. of the proceeds from the sales or repayment amount on the Deposit Account.

Should the BRF Englamarken Receivable be repaid, 90 per cent. of the repayment amount shall be deposited on the Deposit

Account and may thereafter be used to finance development costs on any Property.

Redemption and call structure

Redemption at Final Maturity Date: On the Final Maturity Date, the Issuer shall redeem all, but not only some, of the outstanding Bonds in full with an amount per Bond equal to the Nominal Amount together with accrued but unpaid interest.

Purchase of Bonds by the Issuer: The Issuer may at any time and at any price purchase any Bonds on the market or in any other way. Bonds held by the Issuer may at the Issuer's discretion be retained, sold or cancelled.

Early redemption due to illegality (call option): The Issuer may redeem all, but not only some, of the outstanding Bonds at an amount per Bond equal to the Nominal Amount together with accrued but unpaid interest on a date determined by the Issuer if it is or becomes unlawful for the Issuer to perform its obligations under the Finance Documents.

Mandatory repurchase due to a Change of Control (put option): Upon the occurrence of a Change of Control Event each Bondholder shall have the right to request that all, or some only, of its Bonds be repurchased at a price per Bond equal to 101 per cent. of the Nominal Amount together with accrued but unpaid interest, during a period of 20 Business Days following a notice from the Issuer of the Change of Control Event (after which time period such rights lapse). The Redemption Date must fall no later than 40 Business Days after the end of the period of 20 Business Days referred to above.

Voluntary total redemption - Call Option (American): The Issuer may redeem all, but not only some, of the Bonds early on any Business Day before the Final Maturity Date. If the Bonds are redeemed before the First Call Date, the Bonds shall be redeemed at the Make Whole Amount and thereafter at 100% of the Nominal Amount plus accrued but unpaid interest.

First Call Date: The date falling 18 months after the First Issue Date.

Make Whole Amount: Redemption from the First Issue Date to, but not including, the First Call Date an amount equal to:

- (a) 100 per cent. of the Nominal Amount; and
- (b) the remaining coupon payments, less any accrued but unpaid interest, through and including the First Call Date.

Escrow Accounts and distribution of Net Proceeds

Escrow Accounts: The Net Proceeds from the Bond Issue shall be held by the Arranger on the Escrow Accounts and shall be released when the Conditions Precedent for Disbursement have been fulfilled.

Conditions Precedent for Disbursement:

The Agent's approval of the disbursement of the Net Proceeds from the Escrow Accounts is subject to the following documents being received by the Agent:

- (a) confirmation from the Arranger that a sufficient amount of Bonds have been subscribed for;
- (b) confirmation from the Arranger that the Transaction Costs have or will be paid on the date of disbursement;
- (c) constitutional documents and corporate resolutions (approving the relevant Finance Documents and authorising a signatory/-ies to execute the Finance Documents) for the Issuer and each other party to a Finance Document (other than the Agent), together constituting evidence that the Finance Documents have been duly executed;
- (d) copies of the Finance Documents, duly executed;
- (e) copies of the Downstream Loans which are provided on the first disbursement date;
- (f) a copy of the BRF Englamarken Receivable, including evidence that it has been transferred to the Issuer;
- (g) evidence that the Mariefred Acquisition has been or will be completed on or about the first disbursement date;
- (h) evidence that the Initial Security either has been or will be perfected in accordance with the terms of the Finance Documents; and
- (i) a copy of a funds flow statement detailing the payments that shall be made on the first disbursement date.

The Agent may assume that the documentation and evidence delivered to it is accurate, legally valid, enforceable, correct, true and complete unless it has actual knowledge to the contrary and the Agent does not have to verify or assess the contents of any such documentation. The conditions precedent are not reviewed by the Agent from a legal or commercial perspective of the Bondholders.

If the Conditions Precedent for Disbursement have not been fulfilled to the satisfaction of the Agent (acting reasonably) or waived by the Agent within sixty (60) Business Days from the First Issue Date, the Issuer shall repurchase all Bonds at a price equal to 100 per cent. of the Initial Nominal Amount together with any accrued Interest. The funds on the Escrow Accounts shall in such case be applied to redeem the Bonds on behalf of the Issuer. Any shortfall shall be covered by the Issuer.

Conditions for Disbursement in connection with

The Agent's approval of the disbursement of the Net Proceeds from a Subsequent Bond Issue from the Escrow Accounts is subject to the following documents being received by the Agent:

Subsequent Bond Issues:

- (a) constitutional documents and corporate resolutions (approving the relevant Finance Documents and authorising a signatory/-ies to execute the Finance Documents) for the Issuer and each other party to a Finance Document (other than the Agent), together constituting evidence that the relevant Finance Documents have been duly executed;
- (b) if the Net Proceeds shall be used to finance any subsequent acquisition of a new Property or shares in a property owning company, evidence that any Additional Transaction Security either has or will be perfected on or about the relevant disbursement date; and
- (c) a Compliance Certificate evidencing that the Incurrence Test is met in connection with the Subsequent Bond Issue.

Additional Conditions for Disbursement in connection with the First Subsequent Bond Issue:

In addition to the above:

- (a) evidence that the Parents will in connection with the disbursement jointly contribute an amount of SEK 13,650,000 as an unconditional shareholder contribution, which shall be deposited on the Deposit Account and thereafter may be used according to the relevant conditions for use of such funds;
- (b) copies of the duly executed (i) share pledge agreement in respect of the shares in TryggHem Samhällsfastigheter AB and (ii) loan pledge agreements in respect of certain loans to Bostadsrättsföreningen Mariefreds Strand 1, Bostadsrättsföreningen Mariefreds Strand 2, Bostadsrättsföreningen Mariefreds Strand 3, Bostadsrättsföreningen Mälarvyn Skokloster and Bostadsrättsföreningen Levels One;
- (c) evidence that TryggHem Holding AB has contributed an amount of SEK 2,000,000 as an unconditional shareholder contribution to Smallville AB (publ) to be applied in accordance with paragraph (d) below; and
- (d) evidence that TryggHem Härnevi AB has made a partial repayment in the amount of SEK 2,000,000 in respect of its loan from Skandinaviska Enskilda Banken AB (publ) with funds received from Smallville AB (publ) pursuant to paragraph (c) above.

Additional Transaction Security:

In connection with the disbursement of the Net Proceeds from Subsequent Bonds or otherwise when a Group Company has acquired a Property or a limited liability company owning one or several Properties, the Issuer shall, subject to any legal obstacles, ensure that transaction security is provided over the acquired assets (other than the real property) substantially based on the principles for the transaction security provided for the initial

Bond Issue, meaning that security shall be provided over acquired property owning companies and holding companies as well as over downstream loans (if any) to such companies or over pledged receivables issued by condominium associations which have acquired the relevant properties from the Group.

Disbursement from Deposit Account:

The Issuer may request that all or parts of the funds deposited on the Deposit Account are disbursed by requesting such disbursement from the Agent, accompanied with reasonable evidence showing that the disbursed funds will be used to pay acquisition costs for property acquisitions and/or development costs for third party suppliers and entrepreneurs for the properties owned by the Group.

Information Undertakings

Financial Reporting:

The Issuer shall make the following information available in the Swedish language by publication on the website of the Issuer:

- (a) as soon as the same become available, but in any event within four (4) months after the end of each financial year, the annual audited consolidated financial statements of the Group including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors; and
- (b) as soon as the same become available, but in any event within two months after the end of the second quarter of its financial year, the semi-annual unaudited consolidated reports for that period including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's board of directors.

The Issuer shall, on a quarterly basis, prepare a progress report setting out the progress and status of the development of the Properties. The Issuer shall, within 20 business days after the end of each financial quarter, make the progress report available to the Bondholders by publication on its website and shall provide copies of the progress report to the Agent and the Arranger.

Delivery of Compliance Certificate:

The Issuer shall issue a Compliance Certificate to the Agent in connection with the testing of the Incurrence Test.

Notice of Change of Control and Event of Default:

The Issuer shall promptly notify the Agent (and, as regards a Change of Control Event, the Bondholders) when the Issuer is or becomes aware of (i) the occurrence of a Change of Control Event, or (ii) that an Event of Default or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of the foregoing) constitute an Event of Default has occurred, and shall provide the Trustee with such further

information as the Agent may request (acting reasonably) following receipt of such notice.

Publication and availability of Finance Documents:

The Issuer shall keep the latest version of the Terms and Conditions available on the website of the Group.

The latest version of the Finance Documents shall be available to the Bondholders at the office of the Agent during the Agent's normal business hours.

Financial Undertakings

Incurrence Test:

The Incurrence Test is met if:

- (a) the Loan to Value is not greater than 75 per cent.;
- (b) the Equity Ratio is at least 30 per cent.; and
- (c) no Event of Default is continuing or would occur upon the incurrence or distribution (as applicable).

Calculation of Incurrence Test:

When calculating the Value in connection with an acquisition of any Properties, the value of the property/ies to be acquired shall be considered pro forma.

When calculating the Loan to Value in connection with an Incurrence Test made for the purpose of making a Restricted Payment, the value of any Properties shall be set at the acquisition value of such Properties, provided that any value enhancing investment in cash may be taken into consideration up to the invested cash amount.

Equity Injection:

The Issuer may prior to any Incurrence Test receive equity injections in form of unconditional shareholder contributions (Sw. *ovillkorade aktieägartillskott*) in an amount sufficient to meet the relevant Incurrence Test prior to such test being made (the "**Cure Amount**").

Adjustment to Loan to Value

The calculation of Loan to Value shall be adjusted so that the Loan for the Reference Period is reduced with an amount equal to the Cure Amount.

Adjustment to Equity Ratio

The calculation of the Equity Ratio shall be adjusted so that the Equity is increased with an amount equal to the Cure Amount.

General Undertakings

The Terms and Conditions shall include the following undertakings by the Issuer.

Distributions:

The Issuer shall not and shall procure that none of its Subsidiaries will:

- (a) pay any dividend in respect of its shares;
- (b) repurchase or redeem any of its own shares;
- (c) redeem or reduce its share capital or other restricted or unrestricted equity with repayment to its shareholders;
- (d) repay any Subordinated Loans or pay any interest thereon;
- (e) make any prepayments or repayments under any long-term debt ranking junior or *pari passu* with the Bonds;
- (f) grant any loans except in the ordinary course of business; or
- (g) make any other similar distribution or transfers of value to any Person,

(items (a)-(g) above are together and individually referred to as a "**Restricted Payment**").

Notwithstanding the above, a Restricted Payment may be made:

- (a) if made to the Issuer or a wholly-owned Subsidiary of the Issuer or, if made by a Subsidiary which is not directly or indirectly wholly-owned by the Issuer, is made on a pro rata basis; and/or
- (b) if:
 - (i) the Incurrence Test is met (calculated on a pro forma basis including the relevant Restricted Payment); and
 - (ii) if, at the time of the payment, the aggregate amount of all Restricted Payments of the Group (other than payments permitted under paragraph (a) above) in any fiscal year (including the Restricted Payment in question) does not exceed 25 per cent. of the Group's consolidated net profit for the previous financial year.

Nature of business: The Issuer shall procure that no substantial change is made to the general nature of the business carried on by the Group as of the First Issue Date.

Financial Indebtedness: The Issuer shall not, and shall procure that none of its Subsidiaries will, incur any Financial Indebtedness, other than Permitted Debt.

Disposals of assets: The Issuer shall not and shall procure that no Subsidiary, sell or otherwise dispose of shares in any Subsidiary or of all or substantially all of its or that Subsidiary's assets, or operations to any person not being the Issuer or any of its wholly-owned Subsidiaries, unless the transaction (i) is carried out at fair market value and on arm's length terms and (ii) does not have a Material Adverse Effect.

No asset that is subject to Transaction Security may be disposed of, other than as permitted in connection with any Replacement of Security.

Negative pledge: The Issuer shall not and shall procure that none of its Subsidiaries will, provide, prolong or renew any security over any of its/their assets (present or future), other than any Permitted Security.

Loans out: The Issuer shall not and shall procure that none of its Subsidiaries will, extend any loans in any form to any other party, other than the BRF Receivables and any other loans provided to the established BRF:s, provided that such loans are pledged on the same terms as the pledged BRF Receivables.

Mergers and demergers: The Issuer shall procure that none of its Subsidiaries will enter into a merger or demerger.

Dealings at arm's length terms: The Issuer shall, and shall procure that its Subsidiaries, conduct all dealings with any person (other than Group Companies) at arm's length terms.

Compliance with laws and authorisations: The Issuer shall, and shall make sure that its Subsidiaries will, (i) comply with all laws and regulations applicable from time to time and (ii), obtain, maintain, and comply with, the terms and conditions of any authorisation, approval, licence or other permit required for the business carried out by a Group Company, in each case, if failure to do so has or is reasonably likely to have a Material Adverse Effect.

Insurance: The Issuer shall, and shall procure that its Subsidiaries will maintain insurances with one or more reputable insurers on and in relation to its business and assets against those risks and to the extent as is usual for companies carrying on the same or substantially similar business.

Environmental: The Issuer shall, and shall ensure that its Subsidiaries will, comply with all environmental laws and obtain, maintain and ensure compliance with all requisite environmental permits, if failure to do so has or is reasonably likely to have a Material Adverse Effect.

Property specific undertakings: The Issuer shall ensure that:

- (a) the Properties are managed properly and maintained in good condition; and
- (b) the Properties are not demolished or altered in a way that would have a Material Adverse Effect and other than in accordance with the development plans of the Issuer

Events of Default

(a) **Non-payment:** The Issuer fails to pay an amount on the date it is due in accordance with the Finance Documents unless:

- (i) its failure to pay is caused by administrative or technical error; and
 - (ii) payment is made within five (5) Business Days of the due date.
- (b) **Other obligations:** A party (other than the Agent) fails to comply with the Finance Documents, in any other way than as set out under (a) or (b) above, provided that the Agent has requested the Issuer in writing to remedy such failure and the Issuer has not remedied the failure within fifteen (15) Business Days from such request (if the failure or violation is not capable of being remedied, the Agent may declare the Bonds payable without such prior written request).
- (c) **Cross payment default and cross-acceleration:** Any Financial Indebtedness of a Group Company is:
- (i) not paid when due as extended by any originally applicable grace period (if there is one); or
 - (ii) is declared to be due and payable prior to its specified maturity as a result of an event of default (however described),
- provided that no Event of Default will occur under this paragraph (c) if (i) the aggregate amount of Financial Indebtedness that has fallen due is less than SEK 2,000,000 or (ii) it is owed to a Group Company.
- (d) **Insolvency:**
- (i) Any Group Company is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors (except for Bondholders) with a view to rescheduling its Financial Indebtedness; or
 - (ii) a moratorium is declared in respect of the Financial Indebtedness of any Group Company.
- (e) **Insolvency proceedings:** Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within 60 days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to Subsidiaries, solvent liquidations) in relation to:
- (i) the suspension of payments, winding-up, dissolution, administration or reorganisation (Sw. *företagsrekonstruktion*) (by way of voluntary

agreement, scheme of arrangement or otherwise) of any Group Company; and

- (ii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Group Company or any of its assets or any analogous procedure or step is taken in any jurisdiction.
- (f) **Creditors' process:** Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Group Company having an aggregate value of an amount equal to or exceeding SEK 2,000,000 and is not discharged within 60 days.
- (g) **Mergers and demergers:** A decision is made that the Issuer shall enter into a merger where it is not the surviving entity or that it shall enter into a demerger.
- (h) **Impossibility or illegality:** It is or becomes impossible or unlawful for the Issuer to fulfill or perform any of the provisions of the Finance Documents or if the obligations under the Finance Documents are not, or cease to be, legal, valid, binding and enforceable.
- (i) **Continuation of the business:** The Issuer or any other Group Company ceases to carry on its business if such discontinuation is likely to have a Material Adverse Effect.

Allocation of Proceeds: All payments by the Issuer relating to the Bonds and proceeds received from an enforcement shall be made and/or distributed in the following order of priority:

- (a) *first*, in or towards payment of the Agent under the Finance Documents, including all costs and indemnities relating to the acceleration of the Bonds or the protection of the Bondholders' rights under the Finance Documents;
- (b) *secondly*, towards payment of accrued interest unpaid under the Bonds;
- (c) *thirdly*, towards payment of principal under the Bonds; and
- (d) *fourthly*, in or towards payment of any other costs or outstanding amounts under and in respect of the Bonds.

Any excess funds after the application of proceeds in accordance with paragraphs (a) to (d) above shall be paid to the Issuer.

Acceleration amount: In the event of an acceleration of the Bonds, the Issuer shall redeem all Bonds with an amount per Bond equal to 100% of the Nominal Amount plus accrued but unpaid interest and, shall for the non-call period (until the First Call Date) include interest up until the First Call Date.

Agents and other parties

Arranger: SIP Nordic Fondkommission AB, Kungsgatan 27, 111 56 Stockholm, Sweden.

Agent and Security Agent: The Bondholders' agent and security agent under the Terms and Conditions and, if relevant, the Finance Documents, from time to time; initially Intertrust (Sweden) AB, reg. no. 556625-5476, P.O. Box 16285, SE-103 25 Stockholm, Sweden.

CSD: With respect to NOK Bonds, the Issuer's central securities depository and registrar from time to time, initially Verdipapirsentralen ASA (org. nr. 985 140 421, Fred Olsens gate 1, 0152 Oslo).

The With respect to SEK Bonds and the EUR Bonds, the Issuer's central securities depository and registrar from time to time, initially Euroclear Sweden AB, reg. nr. 556112-8074.

Miscellaneous

Quorum and majority requirements: Quorum at a Bondholders' meeting exists only if Bondholders representing at least 20 per cent. in case of a majority decision and 50 per cent. in case of a decision requiring qualified majority, of the aggregate Nominal Amount attend the Bondholders' meeting in due order.

Bonds held by the Issuer or its Affiliates shall not be considered when calculating if necessary majority has been achieved and shall not carry any voting right.

The resolution of the Bondholders shall be in accordance with the opinion held by the majority of the Nominal Amount of the Bonds represented at the meeting.

In respect of the certain matters, a qualified majority of at least two thirds (2/3) of the Bonds represented at the meeting is required for a resolution to be passed.

If the quorum requirement has not been met, no quorum requirement applies in the second meeting.

Voting: Notwithstanding anything to the contrary above, at a bondholders' meeting or by way of a written procedure, the calculations of whether a quorum exist and if the relevant consent has been obtained, shall be made in SEK. Each Bond shall always entitle to one vote at a bondholders' meeting or by way of a written procedure. The value of the vote of each SEK Bond shall be the Nominal Amount and the value of the vote of each EUR Bond and NOK Bond shall be the Nominal Amount of the EUR Bond and the NOK Bond converted into SEK at the Initial Exchange Ratio. For the avoidance of doubt, the Adjusted Nominal Amount shall at all times be calculated based on the Initial Exchange Ratio.

No action clause: No Bondholder may take any action against the Issuer in matters relating to the Bonds or the Terms and Conditions.

Terms and Conditions: The Terms and Conditions will regulate the rights and obligations with respect to the Bonds. In the event of any discrepancy between this term sheet and the Terms and Conditions, the Terms and Conditions shall prevail.

By investing in the Bonds, each investor accepts to be bound by the Terms and Conditions. Further, by investing in the Bonds each investor accepts that certain adjustments to the structure and terms described in this term sheet may occur and that they are bound by the final terms of the Terms and Conditions.

The Terms and Conditions shall include provisions on the Agent's right to represent the Bondholders, as well as other provisions customary for a Nordic bond offering.

Governing law and disputes: The Terms and Conditions shall be governed by and construed in accordance with Swedish law.

Any dispute or claim arising in relation to the Terms and Conditions shall be determined by Swedish courts.

Stockholm, [●] 2020

Smallville AB (publ) as Issuer

SIP NORDIC FONDKOMMISSION AB

as Arranger

DEFINITIONS

"Advance Purchase Agreements" means (a) an advance or deferred purchase agreement if the agreement is in respect of the supply of assets or services and payment in the normal course of business with credit periods which are normal for the relevant type of project contracts, or (b) any other trade credit incurred in the ordinary course of business.

"Affiliate" means any Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purpose of this definition, **"control"** when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms **"controlling"** and **"controlled"** have meanings correlative to the foregoing.

"Agency Agreement" means the fee agreement entered into between the Agent and the Issuer on or about the First Issue Date regarding, *inter alia*, the remuneration payable to the Agent for the work in connection with the Bond Issue.

"Bondholder" means the person who is registered on a Securities Account as direct registered owner (*ägare*) or nominee (*förvaltare*) with respect to a Bond.

"Bond Issue" means the Initial Bond Issue and any Subsequent Bond Issue.

"BRF Englamarken Receivable" means part of the loan granted by TryggHem Projekt 2 AB to Brf Englamarken, amounting to SEK 9,000,000, to be contributed to the Issuer by way of an unconditional shareholder's contribution (Sw. *ovillkorat aktieägartillskott*).

"BRF Receivables" means any current and future receivables of a Group Company towards a condominium association (Sw. *bostadsrättsförening*) created in connection with a disposal of a project and shares in a Property owning company to a condominium association, including the BRF Englamarken Receivable.

"Business Day" means a day which is both a Business Day Sweden and a Business Day Norway.

"Business Day Norway" means a day other than a Saturday, Sunday or a public holiday in Norway on which the Norwegian Central Bank's and the Norwegian CSD's settlement systems are open and commercial banks in Norway are open for business.

"Business Day Sweden" means a day in Sweden other than a Sunday or other public holiday and on which day the Swedish CSD settlement system is open. Saturdays, Midsummer Eve (Sw. *midsommarafton*), Christmas Eve (Sw. *julafton*) and New Year's Eve (Sw. *nyårsafton*) shall for the purpose of this definition be deemed to be public holidays.

"Change of Control Event" means the occurrence of an event or series of events whereby the Parents, directly or indirectly, jointly ceases to control (a) 100 per cent. of the shares or votes of the Issuer, or (b) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Issuer.

"Compliance Certificate" means a certificate to the Agent, in the agreed form between the Agent and the Issuer, signed by the Issuer certifying (as applicable):

- (a) that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it; and

- (b) if the Compliance Certificate is provided in connection with an Incurrence Test, that the Incurrence Test is met (including figures in respect of the relevant financial tests and the basis on which they have been calculated).

"Escrow Accounts" means a SEK bank account and/or a EUR bank account and/or a NOK bank account opened by the Arranger with a reputable bank on which the proceeds from the Bond Issue will be held until the Conditions Precedent for Disbursement have been fulfilled.

"Equity" means, in accordance with the applicable accounting principles from time to time, the consolidated sum of (i) restricted equity and (ii) non-restricted equity of the Group

"Equity Ratio" means the ratio of Equity to Total Assets.

"Deposit Account" means a bank account in the name of the Issuer held with a reputable Swedish bank and pledged to the bondholders as represented by the Agent.

"Downstream Loans" means any current and future downstream loans from the Issuer to any of its Subsidiaries granted for the purpose of acquiring Properties, Property owning companies or financing development costs on any Property.

"Financial Indebtedness" means any indebtedness in respect of:

- (a) monies borrowed or raised, including Market Loans;
- (b) the amount of any liability in respect of any Finance Leases;
- (c) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (d) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;
- (e) 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 mark to market value shall be taken into account, provided that if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (f) 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
- (g) (without double counting) any guarantee or other assurance against financial loss in respect of a type referred to in the above items (a)-(f).

"Finance Documents" means:

- (a) the Terms and Conditions;
- (b) the Agency Agreement;
- (c) the Security Documents;
- (d) any Subordination Agreement; and
- (e) any other document designated to be a Finance Document by the Issuer and the Agent.

"Financial Report" means the Group's annual audited financial statements or quarterly interim unaudited reports, which shall be prepared and made available according to (a) and (b) under Section "Financial Reporting".

"Initial Exchange Ratio" means the SEK/NOK and SEK/EUR exchange rate quoted on the Swedish Central Bank's website (www.riksbank.se) at 12:00 Swedish time on the First Issue Date.

"Loan to Value" means the Net Interest Bearing Debt to the Value of the Properties in accordance with the most recent Valuation.

"Mariefred Properties" means the real properties Strängnäs Pantern 1-10, Strängnäs Pennan 1-10, Strängnäs Priset 1, Strängnäs Slottet 1, Strängnäs Tigern 1, Strängnäs Bomullen 1-2 and Strängnäs Kardmaskinen 1-3.

"Market Loan" means any loan or other indebtedness where an entity issues commercial paper, certificates, subordinated debentures, bonds or any other debt securities (including, for the avoidance of doubt, medium term note programmes and other market funding programmes), provided in each case that such instruments and securities are or can be subject to trade on Nasdaq Stockholm or any other regulated or unregulated recognised market place.

"Material Adverse Effect" means a material adverse effect on:

- (a) the business, financial condition or operations of the Group taken as a whole;
- (b) the ability of the Issuer to comply with its obligations under the Finance Documents; or
- (c) the validity or enforceability of the Finance Documents.

"Net Interest Bearing Debt" means the aggregate interest bearing debt less cash and cash equivalents of the Group in accordance with the applicable accounting principles of the Group from time to time (for the avoidance of doubt, excluding guarantees, bank guarantees, Subordinated Loans, any claims subordinated pursuant to a subordination agreement on terms and conditions satisfactory to the Agent and interest bearing debt borrowed from any Group Company).

"Net Proceeds" means the proceeds from a Bond Issue after deduction has been made for the Transaction Costs payable by the Issuer to the Arranger, the Agent and the issuing agent for the services provided in relation to the placement and issuance of the Bonds.

"Permitted Debt" means any Financial Indebtedness:

- (a) incurred under the Bonds (other than Subsequent Bonds);
- (b) of the Group under any guarantee issued by a Group Company in the ordinary course of business;
- (c) incurred by a Group Company from another Group Company (including any cash pool arrangements);
- (d) until disbursement of the Net Proceeds from the Initial Bond Issue:
 - (i) incurred by TryggHem Samhällsfastigheter AB under a SEK 1,500,000 loan granted by TryggHem Holding AB in connection with the acquisition of the Skokloster Slottsby Property; and
 - (ii) incurred by TryggHem Projekt X AB under a SEK 1,000,000 loan granted by TryggHem Projekt 1 AB (publ) connection with the acquisition of the Skokloster II Property;

- (e) incurred by TryggHem Projekt X AB under a SEK 6,300,000 vendor loan granted by the vendors in connection with the acquisition of the Skokloster II Property;
- (f) incurred under any Subordinated Loans;
- (g) incurred by the Issuer if such Financial Indebtedness:
 - (i) meets the Incurrence Test tested pro forma including such incurrence; and
 - (ii) is incurred as a result of a Subsequent Bond Issue;
- (h) incurred under Advance Purchase Agreements;
- (i) incurred under any pension and tax liabilities in the ordinary course of business by any Group Company;
- (j) incurred in connection with the redemption of the Bonds in order to fully refinance the Bonds and provided further that such Financial Indebtedness is subject to an escrow arrangement up until the redemption of the Bonds (taking into account the rules and regulations of the respective CSD), for the purpose of securing, inter alia, the redemption of the Bonds; and
- (k) not covered under paragraphs (a)-(j) above in an aggregate maximum amount of SEK 2,000,000.

"Permitted Security" means any security:

- (a) provided under the Finance Documents;
- (b) arising by operation of law or in the ordinary course of business (including collateral or retention of title arrangements in connection with Advance Purchase Agreements but, for the avoidance of doubt, not including guarantees or security in respect of any monies borrowed or raised);
- (c) arising under any netting or set off arrangements under financial derivatives transactions or bank account arrangements, including any group cash pool arrangements;
- (d) provided in relation to any lease agreement entered into by a Group Company in the ordinary course of business and on normal commercial terms;
- (e) any Security created for the benefit of the financing providers in relation to a refinancing of the Bonds in full, however provided always that any perfection requirements in relation thereto are satisfied after repayment of the Bonds in full (other than with respect to an escrow account (if applicable) which may be perfected in connection with the incurrence of such debt);
- (f) provided for any guarantees issued by a Group Company in the ordinary course of business;
- (g) not covered under (a)-(f) above securing an aggregate maximum amount of SEK 2,000,000.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"Properties " means any properties acquired or to be acquired by the Group as well as the Mariefred Properties, the Skokloster II Property, the Skokloster Slottsby Property and the Söderby Lilleby Property.

"Security Documents" means the security documents pursuant to which the Transaction Security is created and any other document designated as a Security Document by the Issuer and the Agent.

"Skokloster II Property" means the real property Håbo Viksjö 2:3 and 6:1.

"Skokloster Slottsby Property" means the real property Håbo Skokloster 2:462.

"Smallville" means Smallville Holding AB, a limited liability company incorporated in Sweden with reg. no. 559165-9742.

"Subordinated Loans" means any shareholder loan made to the Issuer as debtor, if such loan:

- (a) according to the Subordination Agreement is subordinated to the obligations of the Issuer under the Finance Documents;
- (b) according to its terms has a final redemption date or, when applicable, early redemption dates or instalment dates which occur after the Final Maturity Date; and
- (c) according to its terms yield only payment-in-kind interest and/or cash interest that is payable after the Final Maturity Date.

"Subsidiary" means, in respect of which such person, directly or indirectly:

- (a) owns shares or ownership rights representing more than fifty (50) per cent. of the total number of votes held by the owners;
- (b) otherwise controls more than fifty (50) per cent. of the total number of votes held by the owners; or
- (c) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body.

"Söderby Lilleby Property" means the real property Salem 5:67.

"Transaction Costs" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with a Bond Issue.

"Total Assets" means the consolidated book value of all assets of the Group calculated in accordance with the applicable accounting principles from time to time.

"Valuation" means a valuation of the Properties prepared and issued by an independent and reputable appraiser, specifying the Value of the Properties and no older than 6 months.

"Value" means (i) the market value of the Properties pursuant to the most recent Valuation, or (ii) if so requested by the Agent, the average value of two Valuations.