

Denne melding til obligasjonseierne er kun utarbeidet på engelsk. For informasjon vennligst kontakt Nordic Trustee ASA

To the Bondholders in:

ISIN: NO 001 034743.8 – Handelseiendom II AS 2007/2015 FRN STEP C

Oslo, 19 December 2014

Summons to Bondholders' Meeting

Nordic Trustee ASA acts as trustee (the “**Trustee**”) for the holders of the bonds (the “**Bondholders**”) in the abovementioned bond issue ISIN NO 001 034743.8 (with total outstanding amount of NOK 134,332,688) (the “**Bond Issue**”) issued by Handelseiendom II AS (the “**Issuer**” or the “**Company**”).

All capitalized terms used herein shall have the meaning assigned to them in the bond agreement dated 11 January 2007 (as amended) and made between the Trustee and the Issuer (the “**Bond Agreement**”), unless otherwise stated herein. References to Clauses and paragraphs are references to Clauses and paragraphs in the Bond Agreement.

The information in this summons regarding the legal, operational and financial status of the Issuer is provided by the Issuer. The Trustee expressly disclaims any and all liability whatsoever related to such information given from the Issuer.

1. BACKGROUND

The Bond Issue matures according to the Bond Agreement 13 January 2015. The Bond Issue is secured by a 2nd priority mortgage in a portfolio of 22 properties with total lettable area of 47,800 square meters. The properties are located in Trøndelag, Møre and Romsdal and Northern Norway. Approximately 71% of the rental income comes from Rema Franchise Norge AS (previous Rema 1000 Norge AS) being the principal tenant of the Issuer. Some of the other larger tenants are Jysk, Nille and Cubus. The estimated gross rental income for 2015 is NOK 53.2 million.

The Bond Agreement was amended in October 2011 following a major restructuring of the Issuer's balance sheet including, *inter alia*, new issuance of equity combined with a write down of the existing share capital and a conversion of a shareholder loan to equity, voluntarily conversion of parts of the Bond Issue to equity and an early redemption of the Bond Issue of NOK 124.2 million following disposals of certain properties.

The Bond Issue is ranking behind a 1st priority mortgage loan provided by Nordea Bank Norge ASA (“**Nordea**”) with an outstanding amount of NOK 399.8 million as of 30 November 2014 (the “**Nordea Loan**”). Furthermore, an interest rate swap (the “**Swap**”) also provided by Nordea is included in the security arrangement and ranks ahead the Bond Issue. As of 30 November 2014, the Swap has an estimated negative value of approximately NOK 50.8 million.

On 1 January 2014, the total interest bearing debt in the Company was NOK 743.0 million including a negative market value of the Swap amounting to NOK 59.1 million. The Loan-to-Value (the “**LTV**”) as of 1 January 2014 was approximately 88.6% including negative value of the Swap (based on external valuation from DTZ).

Throughout 2014, the Company has been in the process of selling off parts of the property portfolio in order to reduce the overall debt level. This process is ongoing, and the Company has medio December 2014 sold a small property (NOK 9.2 million) in Bardufoss, which is not included in the figures above. The Board of Directors of the Company has also over the past months worked towards a total refinancing of the Company's interest bearing debt. The Company engaged in discussions with Nordea with the objective to increase the Nordea Loan with an amount equal to the outstanding Bond Issue. Nordea was unable to obtain credit approval for an enlarged first priority mortgage loan.

As the Issuer has not been able to refinance the existing debt including the Bond Issue, the Board of Directors of the Company has decided to approach the Bondholders with the following proposal to amend the existing Bond Agreement:

- a) Upon completion of the sale of the property Heimdal (No: *Ringvålveien 3-7, gnr 197, bnr 28, seksjon nr 1 i Trondheim kommune*) (the "**Property**"), an amount equal to NOK 49.5 million of the gross proceeds from the sale of the Property, will be applied to redeem the Bond Issue at par value. Such redemption (plus accrued interest on the redeemed bonds) to take place on or about 13 January 2015.
- b) The final maturity date of the Bond Issue shall be extended to the same date as the maturity date for the Nordea Loan, being 16 January 2017.
- c) The Margin for the Bond Issue shall be 300 basis points p.a. (equal to the current Margin).
- d) The Issuer shall have the right to redeem the Bond Issue (all or in parts) (the "**Call Option**") at 103% of par value (plus accrued interest on redeemed bonds) at any time from, and including, 13 January 2015 to, and including, 16 October 2016 (subject to a minimum notice period of 15 days), and at 104% of par value (plus accrued interest on redeemed bonds) any time thereafter up to the amended final maturity date.
- e) The Issuer undertakes that upon a sale of any of the properties included in its portfolio, with agreed settlement date in the period from 13 January 2015 to, and including 16 January 2017, 80% of the net proceeds shall be applied to repay the Nordea Loan, 15% of the net proceeds (including any applicable call premium) shall be applied to redeem the Bond Issue, and 5% of the net proceeds shall be released to the Issuer to strengthen the liquidity to mitigate reduced cash flow following the sale of property(ies).
- f) Any early redemption in accordance with d) above, shall be made on a *pro rata* basis.
- g) At the amended final maturity date, the Bonds shall be redeemed on 104% of par value (plus accrued interest on redeemed bonds).

The proposal described in letter a) to g) above has been accepted by Nordea. The Nordea Loan matures 16 January 2017, with a back-end fee payable to Nordea at maturity of 0.75% of the outstanding Nordea Loan.

2. PROPOSAL

To enable the Issuer to conduct the proposed amendments of the Bond Agreement, the Issuer has requested the Bond Trustee to summon a Bondholders' Meeting to consider the approval of the following proposed amendments (the "**Proposal**"):

2.1 Amendment of the Amount

- The outstanding amount under the Bond Issue shall be repaid by NOK 49.5 million and reduced from NOK 134,332,688 to NOK 84,832,688.

2.2 Amendment of the final maturity date

Based on the background information set out above, the Issuer proposes to change the final maturity date (*No: Forfallsdato*) from 13 January 2015 to:

- The final maturity date as specified in Clause 1 shall be: 16 January 2017.

2.3 Inclusion of a call option

- The Issuer shall have the right to redeem the Bond Issue (in whole or in parts) at 103% of par value (plus accrued interest on redeemed bonds) at any time from, and including, 13 January 2015 to, and including, 16 October 2016, and at 104% of par value (plus accrued interest on redeemed bonds) anytime thereafter, subject to a minimum notice period of 15 Business Days (*No: Bankdager*). Clause 3.7.2 to be amended such that the Bonds shall be redeemed on a *pro rata* basis.

2.4 Inclusion of a sale of property(ies) provision

- The Issuer undertakes that upon a sale of any of the properties included in its portfolio, with agreed settlement date in the period from 13 January 2015 to, and including 16 January 2017, 80% of the net proceeds shall be applied to repay the Nordea Loan, 15% of the net proceeds (including any applicable call premium) shall be applied to redeem the Bond Issue, and 5% of the net proceeds shall be released to the Issuer to strengthen the liquidity to mitigate reduced cash-flow following the sale of property(ies).

2.5 Amendment of redemption price

The redemption price at final maturity (*No: Innfrielseskurs*) will be amended from 100% to:

- The redemption price as specified in Clause 1 shall be: 104% of par value.

To enable the Issuer to conduct the proposed change of the Bond Agreement, the Issuer has requested the Trustee to summon a Bondholders' Meeting to consider the approval of the proposed changes.

The request is put forward to the Bondholders without further evaluation or recommendations from the Trustee. The Bondholders must independently evaluate whether the proposed changes are acceptable.

3. EVALUATION OF THE PROPOSED AMENDMENTS

3.1 The Issuer's evaluation

The Issuer regrets to approach the Bondholders in the Bond Issue, asking for the amendments included in the Proposal. However, the Issuer emphasizes that the amendments will not, in the opinion of the Issuer, impair the credit position of the Bondholders.

As compensation to the Bondholders, the Issuer offers the Bondholders a one-time consent fee of 0.50% calculated on the total Outstanding Bonds after redemption of NOK 49.5 million as described above, being NOK 84,832,688, on a *pro rata* basis. The consent fee will be paid out in connection with the redemption in January 2015, and is subject to the Bondholders' approval of the Proposal.

The Issuer has engaged Pareto Securities AS as the Issuer's financial advisor (the "**Advisor**") with respect to the Proposal. Accordingly, Bondholders may contact Pareto Securities AS Fixed Income Sales at +47 22 87 87 70 for further information.

The Advisor is acting solely for, and relying on information from, the Issuer in connection with the Proposal. No due diligence investigations have been carried out by the Advisor with respect to the Issuer, and the Advisor does not assume any liability in connection with the Proposal (including but not limited to the information contained herein).

3.2 Support from the Bondholders

Prior to this summons letter being distributed, the Issuer has informed the Trustee that they have received commitments from the largest Bondholders in the Bond Issue who will support the Proposal.

3.3 The Trustee's disclaimer/non-reliance

The request is put forward to the Bondholders without further evaluation or recommendations from the Bond Trustee. The Bondholders must independently evaluate whether the proposed changes are acceptable.

The information in this summons regarding the legal, operational and financial status of the Issuer is provided by the Issuer. The Trustee expressly disclaims any and all liability whatsoever related to such information given from the Issuer.

4. BONDHOLDERS' MEETING:

Bondholders are hereby summoned to a Bondholders' Meeting:

Time: 8 January 2015 at 13:00 hours (1 pm) (Oslo time)

Place: The premises of Nordic Trustee ASA, Haakon VII's gate 1, 0161 Oslo – 6th floor

Agenda:

1. Approval of the summons
2. Approval of the agenda
3. Election of two persons to co-sign the minutes together with the chairman
4. Request for adoption of the Proposal

It is proposed that the Bondholders' Meeting resolve the following:

"The Proposal (as defined in the summons to this Bondholders' Meeting) is approved by the Bondholders' Meeting.

The Trustee is given the power of attorney to enter into the necessary agreements in connection with decisions made by the Bondholders' Meeting as well as carry out necessary completion work, including making necessary amendments of the Bond Agreement."

* * *

To approve the above resolution, Bondholders representing at least 2/3 of the Bonds represented in person or by proxy at the meeting must vote in favor of the resolution. In order to have a quorum, at least 1/2 of the voting Bonds must be represented at the meeting. If the proposal is not adopted, the Bond Agreement will remain unchanged.

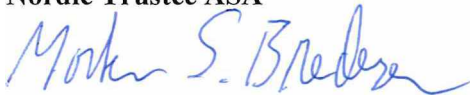
Please find attached a Bondholder's Form from the Security Depository (VPS), indicating your bondholding at the printing date. The Bondholder's Form will serve as proof of ownership of the Bonds and of the voting rights at the Bondholders' Meeting. (If the bonds are held in custody – i.e. the owner is not registered directly in the VPS – the custodian must confirm; (i) the owner of the bonds, (ii) the aggregate nominal amount of the bonds and (iii) the account number in VPS on which the bonds are registered).

The individual bondholder may authorize the Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorizing the Trustee to vote, must then be returned to the Trustee in due time before the meeting is scheduled (by scanned e-mail, telefax or post – please see the first page of this letter for further details).

In the event that Bonds have been transferred to a new owner after the Bondholder's Form was made, the new Bondholder must bring to the Bondholders' Meeting or enclose with the proxy, as the case may be, evidence which the Trustee accepts as sufficient proof of the ownership of the Bonds.

For practical purposes, we request those who intend to attend the Bondholders' Meeting, either in person or by proxy other than to the Trustee, to notify the Trustee by telephone or by e-mail (mail@nordictrustee.no) within 16:00 hours (4pm) (Oslo time) the Banking Day before the meeting takes place.

Yours Sincerely
Nordic Trustee ASA

A handwritten signature in blue ink, appearing to read "Morken S. Brødsgaard".

Enclosed: Bondholder's Form