

NORDIC TRUSTEE

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

To the bondholders in:

ISIN: NO0010759376	-	12 % Hilleren Tomteselskap AS Senior Secured Callable Bond Issue 2016/2017 (NOK and SEK Tranche)
NO0010759384		20 % Hilleren Tomteselskap AS Junior Secured Callable Bond Issue 2016/2017 (NOK and SEK Tranche)
NO0010759392		
NO0010759400		

Oslo, 6 December 2018

Summons to Bondholders' Meeting

1. Introduction

Nordic Trustee AS (the “**Bond Trustee**”) acts as trustee for the holders of the bonds (the “**Bondholders**”) in all the above mentioned bond issues (the “**Bonds**” or the “**Bond Issues**”) issued by Hilleren Tomteselskap AS (the “**Issuer**”).

All capitalized terms used herein shall have the meaning assigned to them in the bond agreements, both dated 22 March 2016 and made between the Bond Trustee and the Issuer (the “**Bond Agreements**”). References to Clauses and paragraphs are references to Clauses and paragraphs in the Bond Agreements.

The information in this summons regarding the Issuer and market conditions is provided by the Issuer, and the Bond Trustee has no factual knowledge of the content herein and expressly disclaims all liability whatsoever related to such information.

2. Background

On 11 September 2018, a Bondholders’ meeting decided to issue a waiver and extension of the Maturity Date until 1 December 2018 (the “**Waiver Period**”), and to form a Bondholders’ committee (the “**Bondholders Committee**”) to oversee and control the following process during the Waiver Period:

- Assessment of alternative value enhancing actions;
- Explore Bondholders alternatives; and
- Negotiate with the Issuer regarding a potential conversion of the bond and acquire all relevant information.

Following the Maturity Date on 1 December 2018, the Issuer is now in an Event of Default under the Bond Agreement, and accordingly, the Bondholders have the right to demand redemption of all Outstanding Bonds and accrued interest. However, as described below, the

Issuer proposes to extend the Maturity Date until 1 April 2019 and convert all Outstanding Bonds, together with accrued interest, to share capital in the Issuer.

In accordance with the decision made in the Bondholders' Meeting of 11 September 2018, two of the members of the Bondholders' Committee, with the assistance of the Issuer, has prepared a presentation (the "**Presentation**"), attached as Attachment 2 to this summons to Bondholders' Meeting, in which the two members of the Bondholders' Committee summarizes its findings, assessments and recommendations.

3. The Proposal

In accordance with Clause 16.2 of the Bond Agreements, a Bondholders' Meeting is summoned in order to consider the following proposal (the "**Proposal**"):

Proposal:

- a) Extension of the Maturity Date until 1 April 2019.
- b) Interest on the Outstanding Bonds shall accrue, but shall not be payable, until the new Maturity Date.
- c) All Outstanding Bonds, together with accrued interest thereof, shall be converted to share capital in the Issuer, in order to secure construction financing. However, the conversion of all Outstanding Bonds and accrued interest to share capital in the Issuer is subject to the following milestones being met:
 - 1. A signed and binding letter of intent for the sale of parts of the property to the medical center for an amount of NOK 3,000,000.
 - 2. A confirmation of interest / renewal of the lease contracts that have been entered into with Norgesgruppen, Pizzabakeren and others.
 - 3. The Issuer shall use its best endeavours to prepare an updated planning application that covers part A2 and B of the project (sheltered housing) to be delivered to Bergen municipality.
 - 4. A binding offer from DNB or another reputable bank regarding the funding of the project going forward, including terms and conditions for a construction loan.
 - 5. A firm commitment from Knut Jørgen Hauge to stay on the Hilleren Tomteselskap project.
 - 6. A shareholders' agreement on terms satisfactory to the Bondholders' Committee, setting out inter alia, dividend, transfer of shares and board composition, and more specifically that a majority of the board of directors of Hilleren Tomteselskap shall comprise of Bondholders' representatives, elected by the Bondholders.
 - 7. A limited due diligence of Hilleren Tomteselskap AS and the project as such. The cost for such due diligence shall be paid by the Issuer by way of funds deposited to the blocked and pledged account in DNB Bank ASA, serving as security for the Outstanding Bonds. The cost of the due diligence shall be limited to NOK 150,000.

If the Proposal is approved, the Issuer shall, together with the Bondholders' Committee and PricewaterhouseCoopers, examine models for conversion of the Bonds to equity, hereunder the conversion rates for the senior secured and junior bond issues respectively, and present a proposal for a conversion model to the Bondholders by 1 February 2019.

- d) Approve that the Issuer receives NOK 150,000 from the restricted cash credited to the Escrow Account and serving as security for the Outstanding Bonds, to be used for i) preparation of financial statements and audit of the Issuer's financial statements and ii) marketing of the project.

4. Further information

For further information on the Proposal, please contact the Bond Trustee on +47 22 87 94 45 or slagsvold@nordictrustee.com or the Issuer on +47 411 07 400 or hauge.kj@gmail.com.

5. Non-reliance

The Proposal is put forward to the Bondholders without further evaluation or recommendation by the Bond Trustee. Nothing herein shall constitute a recommendation to the Bondholders by the Bond Trustee. The Bondholders must independently evaluate whether either of the Proposals are acceptable and vote accordingly.

6. Summons to a Bondholders' Meeting

Bondholders are hereby summoned to a Bondholders' meeting:

Time: 21 December 2018 at 13.00 hours (Oslo time)
Place: The premises of Nordic Trustee AS,
Haakon VIIIs gt 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 Bondholders' Meeting hereby:

- a) approve the Proposal as set out in section 3 (The Proposal) of the summons for this Bondholders' Meeting;
- b) irrevocably authorise the Bond Trustee to complete, negotiate, finalise and enter into the necessary agreement(s) and take all actions (including enforcement actions) in connection with documenting the decisions made the Bondholders' Meeting as well as to carry out any other action in order to effect such decisions.

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 favour of the resolution. In order to have a quorum, at least 5/10 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 Securities 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 authorise the Nordic Trustee to vote on its behalf, in which case the Bondholder's Form also serves as a proxy. A duly signed Bondholder's Form, authorising Nordic Trustee to vote, must then be returned to Nordic 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).

At the Bondholders' Meeting votes may be cast based on bonds held at close of business on the day prior to the date of the Bondholders' Meeting. 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 Bond 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 Nordic Trustee, to notify Nordic Trustee by telephone or by e-mail (mail@nordictrustee.com) within 16:00 hours (4 pm) (Oslo time) the Banking Day before the meeting takes place.

Yours sincerely
Nordic Trustee AS



Olav Slagsvold

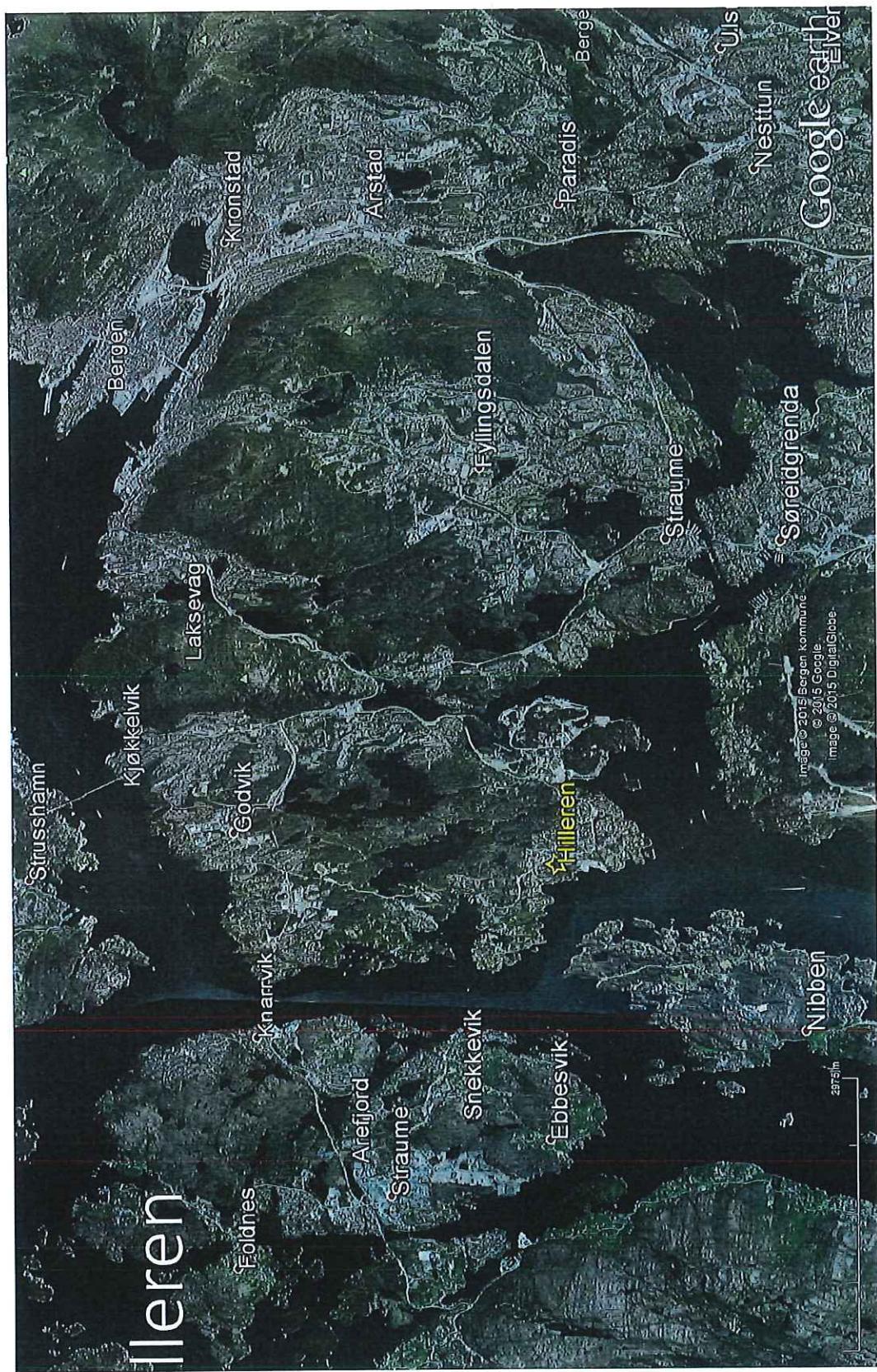
Enclosed: Bondholder's Form
Presentation from the Bondholders' Committee

Hilleren Tomtelskap

Presentasjon til obligasjonseiermøte

5. desember 2018

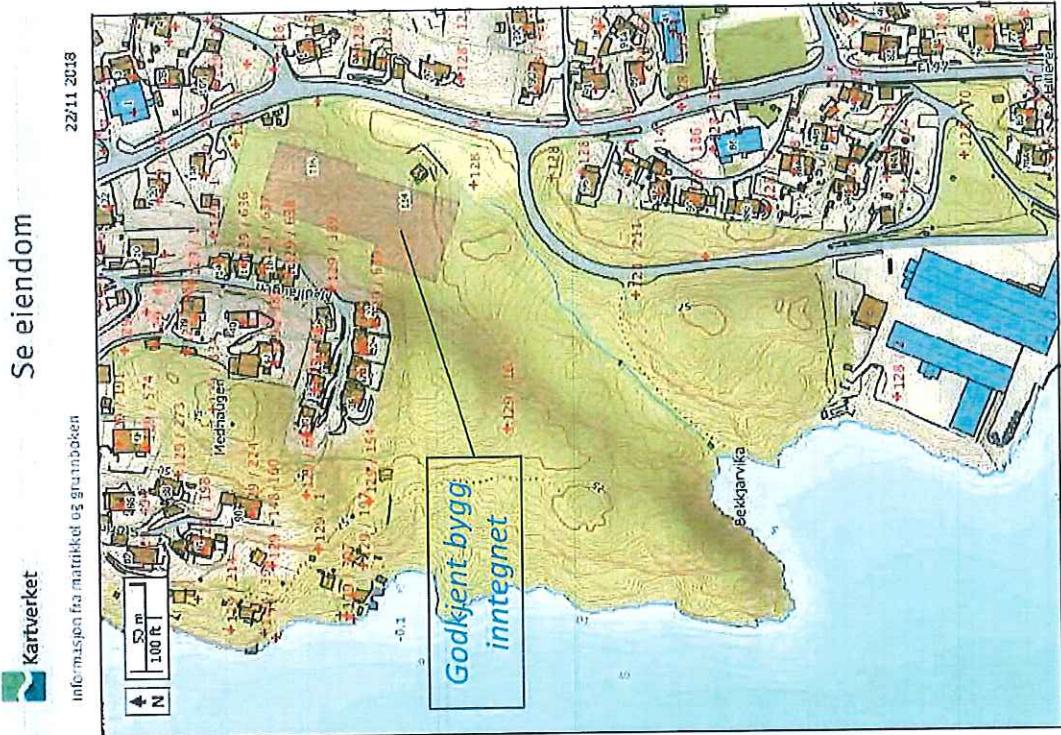
Utarbeidet av Einar Midtun, Ole Kårtveit, Johannes Richardsen, Knut-Jørgen Hauge og Frode Igland



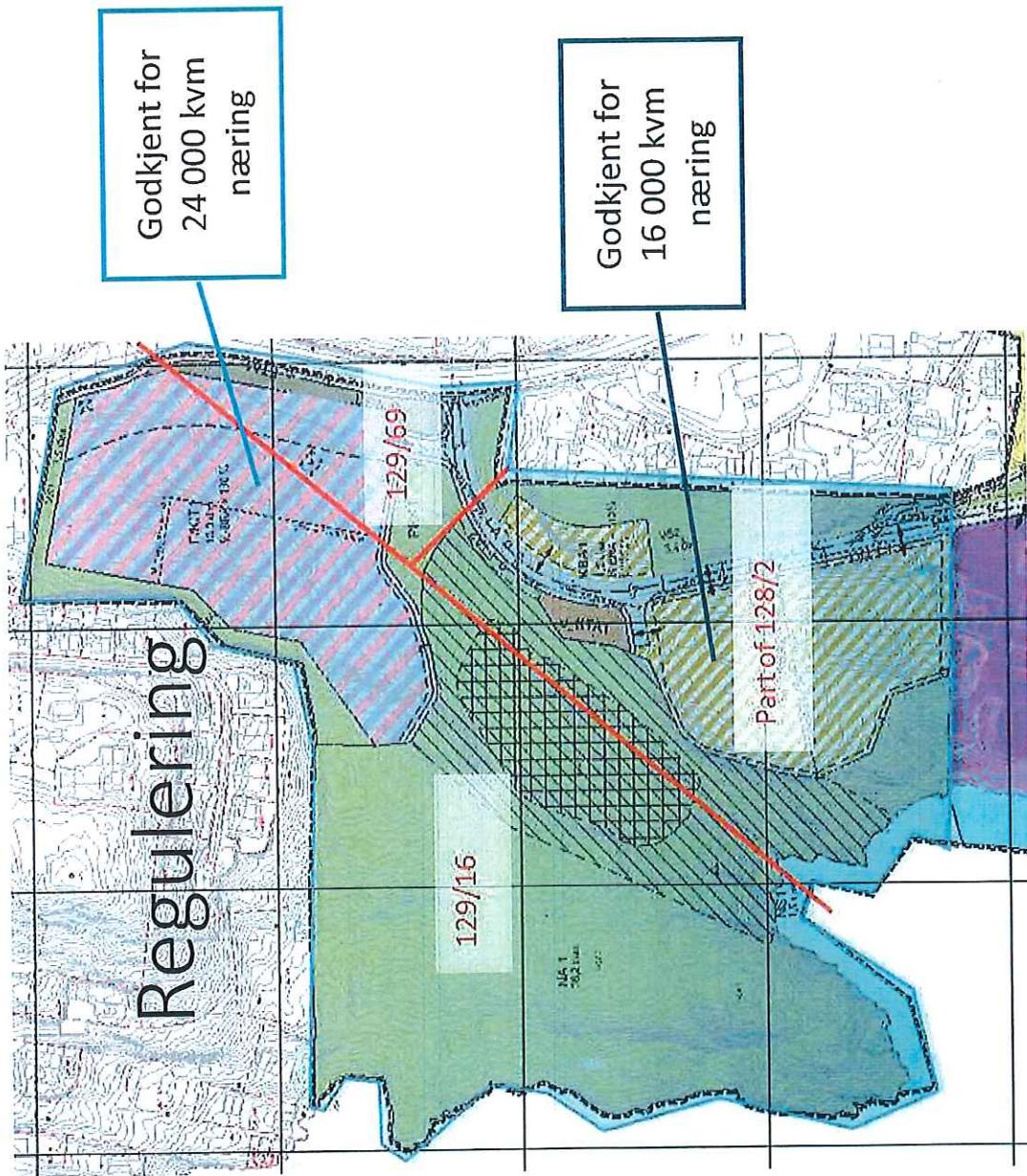
Hilleren

Se eiendom

22.11.2018

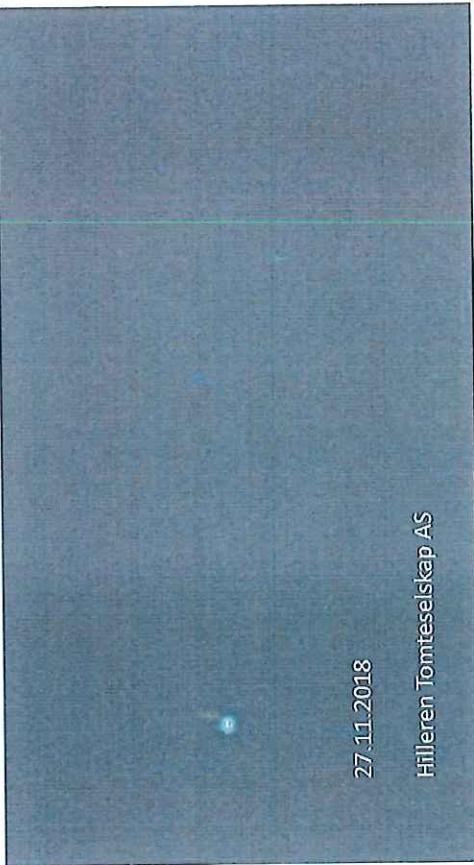
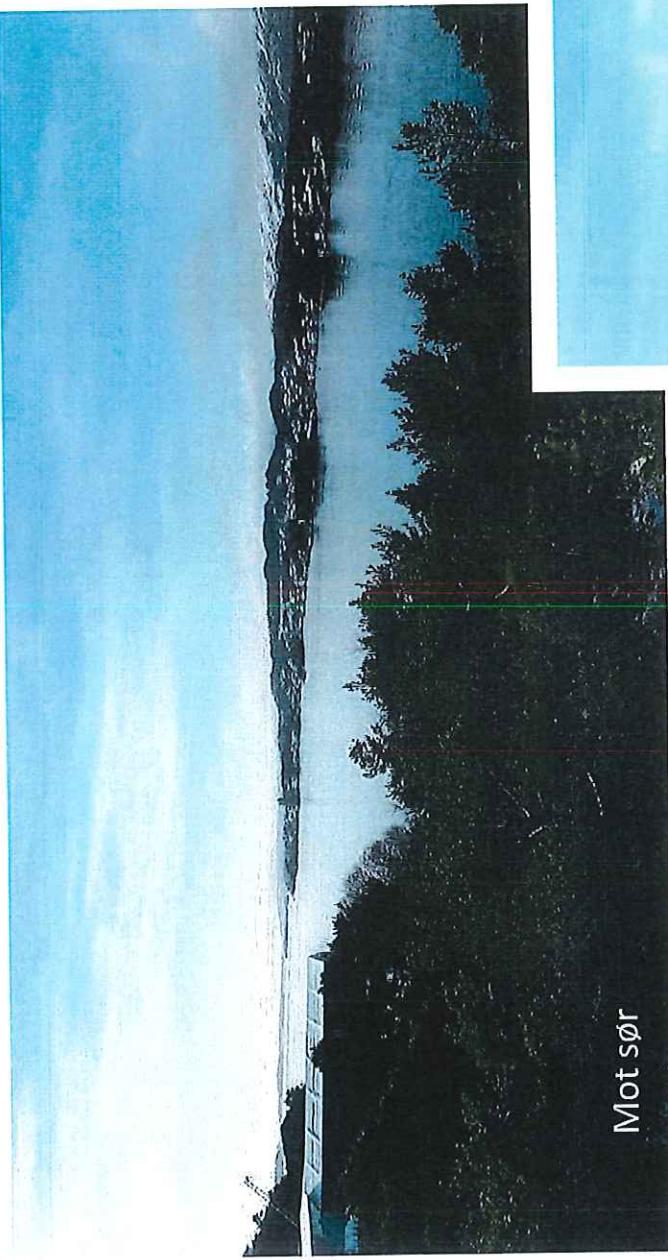
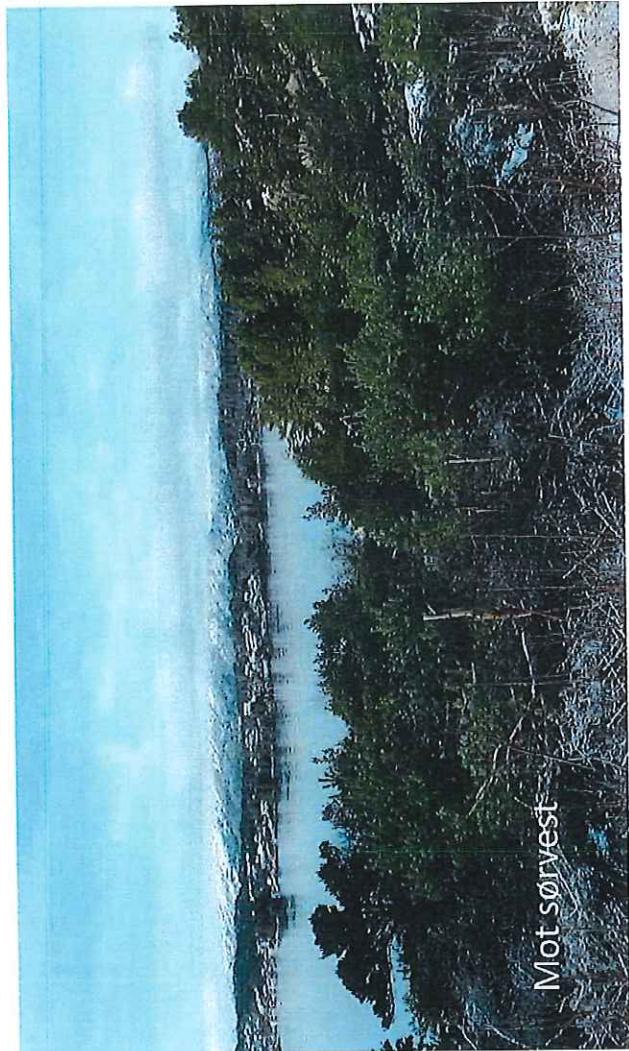
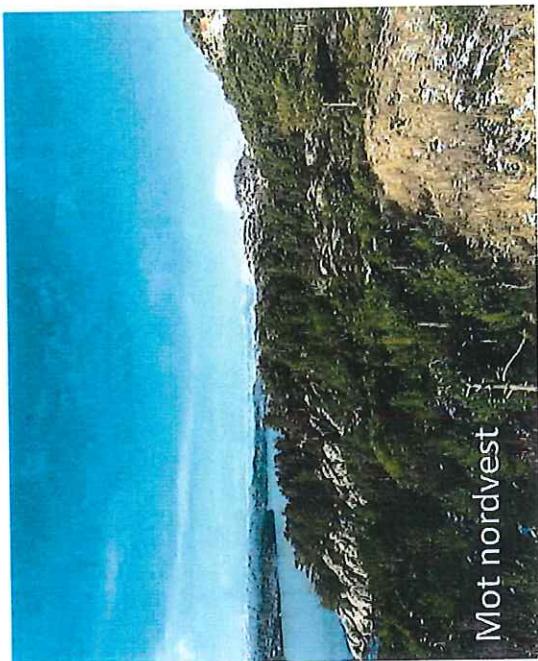


3



Hilleren Tomtesselskap AS

27.11.2018



Innhold

- Kort oppsummering
- Likviditetsbehov
- Konvertering
- Alternativer for investorer
- Låneoppptak 150 MNOK
- Redegjørelse for byggekostnader
- Organisasjon
- Prosjektutvikling, fremdriftsplan
- Konklusjoner
- Obligasjonseierkomiteens anbefaling
- Ekstern bistand
- Beregninger
- Appendiks
- Byggfinansiering

Kort oppsummering

- Alle midler i lånenene er brukt i henhold til lånevilkårene
- Tvangsrealisasjon forventes å gi svært lav tilbakebetaling
- Gjennomføring av planlagte prosjekter
 - skaper verdier for långiverne og kan gi full dekning
 - må påbegynnes innen medio mars, igangsettingstillatelse utløper 1.4.2019
 - byggelånsfinansiering krever konvertering av alle lån
 - ingen ytterligere likviditet kreves fra långiverne
- Haug ønsker å medvirke til at långiverne får best mulig dekning og har solide planer for å lykkes
 - Bør tilbys en mindre eierandel (5-10 %) og en bonus dersom hovedstol gjenvinnes

Kort historikk for Hilleren Tomteselskap

- Tomten kjøpt 2002, ferdigregulert høsten 2014
- Hauge eide 25 %, tre andre eiere eide 25 % hver
- Desember 2014, vinter 2015: Finansiering av 14 MNOK v/Solmunde
 - Utkjøp av 25 % av aksjene
- Sommer 2015: Finansiering av 61 MNOK v/JOOL
 - Refinansiering, utkjøp av de to resterende eiene (Hauge eide nå 100 %), grunnarbeid/prosjektutvikling 10 MNOK (Lars Jønsson), fees/honorarer/renter
- Mars 2016: Finansiering 150 MNOK (105 MNOK senior, 45 MNOK junior)
 - Se spesifikasjon neste side
- September 2017: Hauge dekker rentetermin 10,8 MNOK

Låneoppptak 150 MNOK, mars 2016

Beløp i MNOK	Hilleren Tomtesselskap	Kommentarer
Lånebeløp		Forutsetninger: 150,00 Ansvarlig konvertibelt 8 MNOK (benyttet til kjøp av tomt for 8 MNOK), 7 MNOK tilbakeføres fra Lars Jønsson (del av 61 MNOK-lånet sommer 2015)
Refinansiering inkl. renter		
JOOL, 2015	-76,83 Lån 61 MNOK (HTS) + 7 MNOK (Hilleren Invest), renter 8,83 MNOK	
Solmunde, 2014-15	-6,62 Rest fra lånet oppatt i desember 2014 og i vinteren 2015	
DNB	-22,07 1. prio. pant, ønsker refinansiert av JOOL for å ha en ryddig låne- og pantestruktur	
Sum refinansiering	-105,52	
Sperret likviditet		
Ett års renter, sperret	-21,72 Senior 12 %, junior 20 %	
Likviditetsreserve, låneforutsettning	-2,00 Ukjent formål	
Sum sperret likviditet	-23,72	
Honorarer låneoppstak		
JOOL	-19,02 Tilrettelegging	
Nordic Trustee	-0,56 Ett års honorar	
Grete	-0,70 Lånedokumentasjon	
Sum honorarer	-20,28	
Til disposisjon	0,48	

27.11.2018

Hilleren Tomtesselskap AS

Redegjørelse for byggekostnader

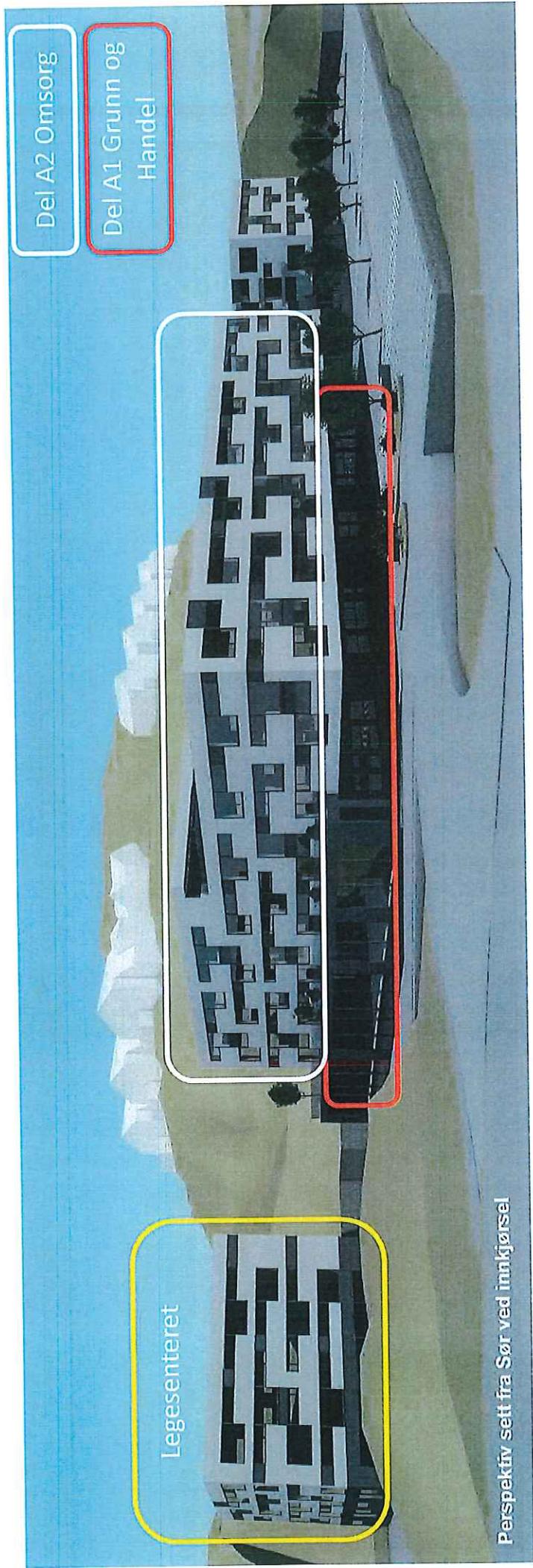
- Låneopptak sommeren 2015
 - 10 MNOK ble avsatt til forskudd grunnarbeid og prosjektering
 - Disse 10 MNOK ble overført til Lars Jønsson AS ved låneopptaket 30. juni 2015
 - Lars Jønsson leverte tre fakturaer på til sammen 2,91 MNOK for prosjekteringen som de utførte i samarbeid med Sweco, Multiconsult, Sartor Maskin, m.fl. 7 MNOK stod ubenyttet
- Låneopptak mars 2016
 - Finansieringsoppstillingen fra JOOL viser at tilbakebetaling av 7 MNOK fra Lars Jønsson samt etablering av et konvertibelt ansvarlig lån på 8 MNOK, inngikk som deler av finansieringen
 - Endret reguleringsspraksis knyttet til flystøy medførte at beslutningsmessig risiko i kommunen ble vurdert som for høy. Grunnarbeidet ble derfor ikke påbegynt og ubenyttede midler ble tilbakeført til den fortsettende finansiering
 - Disse 7 MNOK ble innbetalt fra Lars Jønsson til JOOLs klientkonto ved etableringen av 150 MNOK-lånet 23. mars 2016 og inngikk i den fortsettende finansiering i 150 MNOK-lånet
 - Dette kunne Elementum enkelt fått bekreftet fra JOOL eller Nordic Trustee

Grunn- og prosjekteringskostnader	MNOK
Utbetalt til Lars Jønsson 30.6.15, forskudd grunnarbeid, prosjektering	-10,00
Prosjektering, planlegging, (Jønsson, Sweco, Multiconsult, Sartor Maskin, m.fl.)	2,91
Tilbakebetalt fra Lars Jønsson, 23.3.2016	7,00
Sum	-0,09

Prosjekutvikling – Del A1 Grunn og Handel

- Del A1 – Igangsettingstillatelsen på tomten utløper 1.4.19 => byggestart må igangsettes medio mars
 - Grunnarbeid: 6 mnd, 20 MNOK (oppdatert tilbud fra Lars Jønsson)
 - 1. etasje (handel): 8-9 mnd, 70 MNOK (oppdatert tilbud fra Lars Jønsson)
- Forhåndsselge Del A1 med deloppgjør
 - Bergens mest erfarte næringsmegler vil bistå (se senere)
 - Kjøpsinteressent med portefølje av bydelssentre har allerede meldt seg
- Parallelt bearbeide Del A2 Omsorgsprosjektet med sikte på direkte fortsettelse av bygging fra Del A1 Grunn og Handel med ferdigstillelse av hele Del A i juni 2020
- Bearbeide andre leietakere for som erfaringsmessig melder seg når byggearbeid starter

Del A1 Grunn og Handel - Illustrasjon



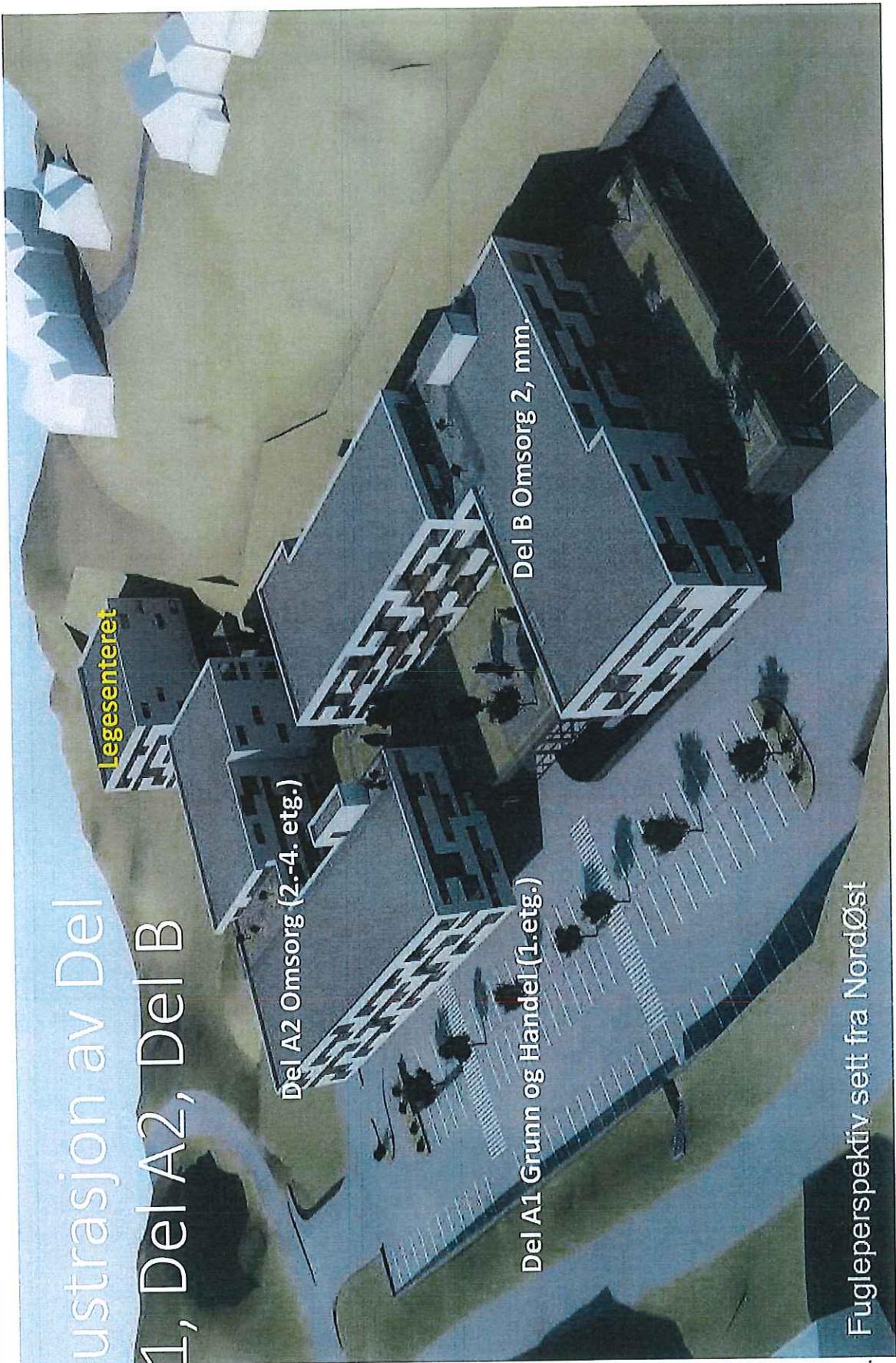
Hilleren Tomtelskap AS

27.11.2018

Prosjekutvikling – Del A2 Omsorg

- Bygge omsorgsboliger i 2.-4. etasje for utleie til berettigede til omsorgsbolig, evt. også andre leietakere, avhengig av interesse
- Bygging av omsorgsboliger i moduler
 - Moduler er klart billigere enn ordinær bygging, selv om omsorgsboliger har tilleggskrav ift. vanlig bolig
 - Langt raskere byggetid
 - Umiddelbar nærtet til kai forenkler modultransport vesentlig
- 800 personer i Bergen Vest på venteliste for omsorgsbolig (rett til kommunal tjeneste hjemme), vesentlig underdekning om omsorgsboliger
- Tilbudet til kommunen
 - Kommunens omsorgstjeneste prioriterer hvem som får omsorgsbolig
 - Stor interesse fra kommunen da samling av omsorgstrengende medfører vesentlig effektiviseringsgevinst for kommunens tjenesteyting
 - Kommunen skal selv evt. kun leie et mindre areal for egen omsorgstjeneste (lager, kontor, etc.)
 - I så fall, ukomplisert beslutningsprosess
 - Kommunen kan også tenkes å leie leiligheter direkte i prosjektet
 - Hver etasje kan forhåndsselges med deloppgjør til investorer ved oppgjør
 - Flere større aktører som driver omsorgsbolig vil være interesserte

Illustrasjon av Del A₁, Del A₂, Del B



Fremdriftsplan Del A1 (og Del A2)

Hilleren Næringspark - Hovedfremdriftsplan

Aktivitet/Aktivitetsnavn	Vareighet	Start	End	2019	des	jan	feb	mar	apr	mai	jun	jul	aug	sep	okt	nov	des	2020	jan	feb	mar	apr	mai	jun	ui
Prosjektoppstart vedtatt	0 dager	to 20.12.18																							
Utileiekontrakter sikres	70 dager	to 20.12.18																							
Prosjektering og søknadsprosess	160 dager	to 04.04.19																							
Oppstart grunnarbeider	0 dager	fr 15.03.19																							
Grunnarbeider	120 dager	fr 15.03.19																							
Byggetrinn 1 - næringsbygg en etasje 180 dager fr 27.09.19																									
Betonarbeider	20 dager	fr 27.09.19																							
Montasje -abygg stål og elementer	35 dager	fr 25.10.19																							
Tett-hus arbeider	35 dager	fr 13.12.19																							
Innredningsarbeider	65 dager	fr 31.01.20																							
Igangsetting	15 dager	fr 01.05.20																							
Søknad om midlertidig brukstillatelse	0 dager	fr 22.05.20																							
Overlevering	0 dager	fr 05.06.20																							

Del A1 (prosjektering) & Del A2 (søknad og prosjektering)



Eksternt bistand v/Addington Eiendom

- Eid og drevet av Rossy Addington
- Vestlandets mest erfarne og velrenomerte næringsmegler
- Ingeniør (bygg & anlegg), Bergen Ingeniørhøyskole, meglereksamen BI
- 11 år hos Arne Sande (i dag Skanska), avsluttet som anleggsleder
- 6 år hos Norman AS (i dag Rambøll), rådgivnings- og arkitektfirma, prosjektleder
- 1995-2016: DnB Eiendom og leder for DnB Næringsmegling på Vestlandet fra starten
 - Vestlandets klart største næringsmegler
- Egen rådgiving fra 2017
 - Rådgivning innen kjøp, salg, utleie og verdsettelse av eiendom

Beregninger 1 – A1 Grunn og Handel

- Handel: $4800 \text{ kvm} \times 1600 \text{ kr/kvm} = 7,68 \text{ MNOK/år}$
- Yield 7 %

Salgsverdi => $7,68 / 0,07 =$	110 MNOK
- Byggekost, inkl. grunn	90 MNOK
- Finanskost	<u>3 MNOK</u>
= Fortjeneste	17 MNOK
+ Salg legetomt	<u>5 MNOK</u>
Sum fortjeneste	<u>22 MNOK</u>

Beregninger 2 – Del A2 Omsorg (bygg 1)

• Omsorg 6 000 kvm

Salgspris	40 000 kr/kvm	Under markedsnivå i Bergen
- Byggekost *	<u>25 000 kr/kvm</u>	* Hensyntar spesielle omsorgskrav, grunnarbeid er betalt i Del A1
= Fortjeneste	<u>15 000 kr/kvm</u>	

$$\begin{array}{l} \text{Fortjeneste Del A2: } 6000 \text{ kvm} \times 15\ 000 \text{ kr/kvm} = 90 \text{ MNOK} \\ + \underline{\text{Fortjeneste Del A1 Handel og Grunn}} \quad \underline{22 \text{ MNOK}} \\ = \underline{\text{Sum fortjeneste Del A Handel og Omsorg}} \quad \underline{112 \text{ MNOK}} \end{array}$$

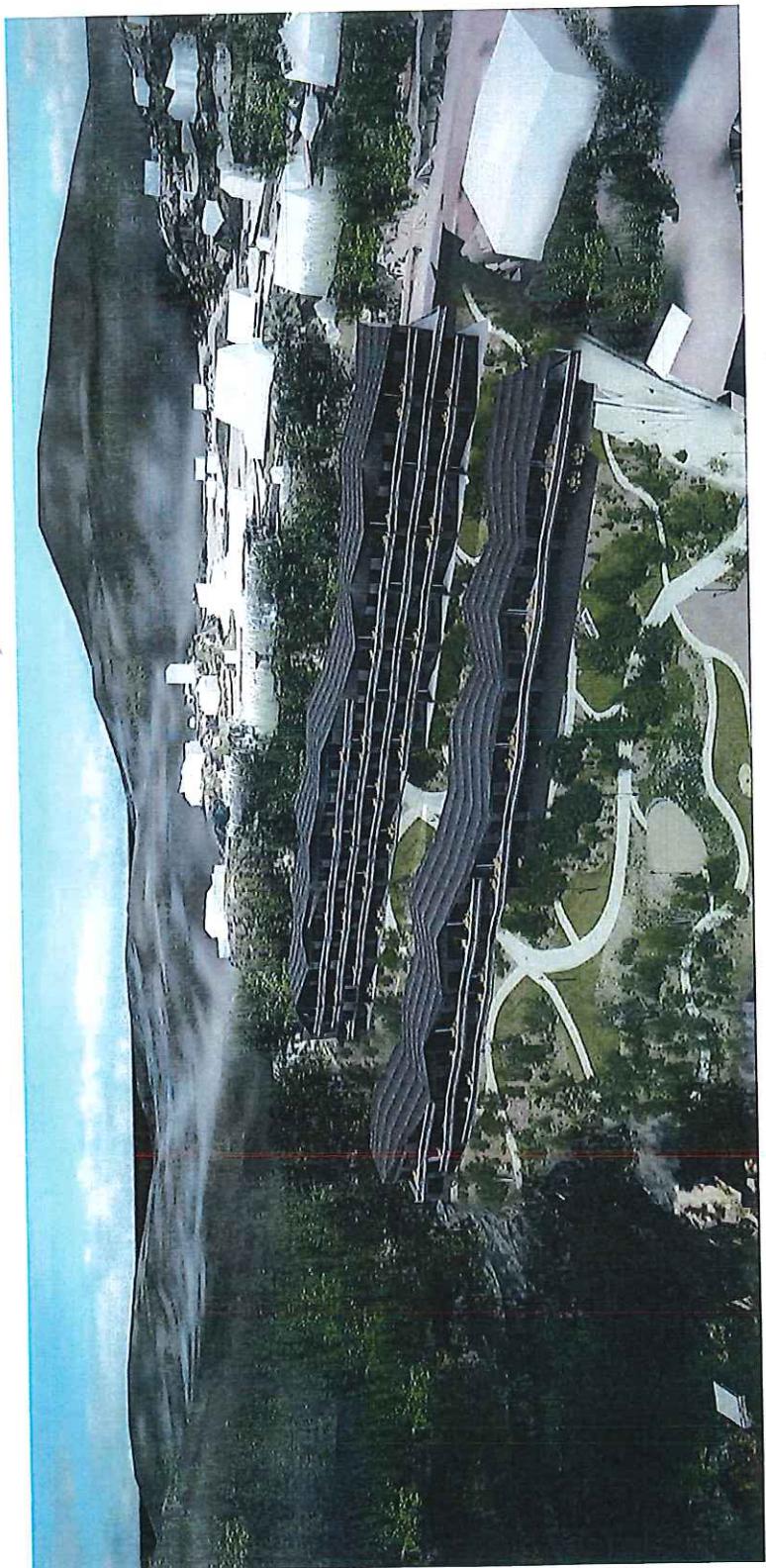
Beregninger 3 – Ytterligere potensial på øvre tomt

- Øvre tomt er godkjent regulert for ytterligere 5000-10000 kvm næringsformål ut over de arealer som benyttes til Handel og Omsorg i Del A1 og A2
 - Denne delen av tomten kan enten utvikles (Del B) eller selges
 - Salgsverdien av tomten
 - øker betydelig når første bygg er ferdigstilt og virksomheten er kommet i gang
 - Fortjenestemulighetene ved utbygging anses klart større enn ved salg av tomt
 - Dette kan tas stilling til senere

Beregninger 4 – Sjøtomten (Del C)

- Tomtestørrelse 8 000 kvm
- Er ferdig regulert for 16 000 kvm næring (kontor, lager, lett industri)
- Ved positiv beslutning fra obligasjonseierne søkeres det umiddelbart om tilleggsformål til reguleringen med sikte på å bygge enten hotell eller omsorgsboliger
 - Dette vil gi tomten en betydelig tilleggsverdi enten ved salg eller utbygging
 - Foredling av tomtnens potensial frem til Del A1 og A2 er ferdig med siktet på samtidig salg sommeren 2020
- Tomten kan også tjene som sidesikkerhet for byggfinansieringen på øvre tomt
 - **Ingen av bygge- eller søknadsprosessene vil forringe verdier**
 - **Fremdriften i prosessene vil kun øke tomteverdien**

Del C Sjøtomten illustrert med boliger



27.11.2018

Hilleren Tomtelskap AS

Byggefinsansiering

- Møte med DNB om byggelånsfinansiering med diskusjon av hovedrammene i prosjektet
- DNB stiller følgende generelle forutsetninger ifm. byggelån
 - Dersom eksisterende gjeld konverteres, er selskapet gjeldfritt og tomten kan inngå som egenkapital i byggelånsfinansieringen
 - Banken ønsker ikke å måtte forholde seg til andre långivere eller panthavere i prosjektet => konvertering av eksisterende lån
 - Med full konvertering kan banken fullfinansiere byggingen av Del A1 (grunnarbeid + handel)
 - Banken forutsetter at 60-70 % av arealet er forhåndsutleid før åpning av byggelån
 - Banken er positiv til Lars Jønsson AS som totalentreprenør og Knut-Jørgen Hauge som utbygger
 - Banken er positiv til finansiering av etterfølgende byggetrinn og uttrykker selv at de vil kunne være kreative i den videre finansieringen når de ser at Del A2 Omsorg kan realiseres

Utleie av 4 860 kvm i Del A1 Grunn og Handel

- Norgesgruppen v/Kiwi: Skriftlig avtale inngått for 1 800 kvm
- Pizzabakeren: Muntlig avtale om 180 kvm - ventet på HTS for å signere
- Har leid ut til sammen 1 980 kvm inkl. fellesareal => 41 % av arealet
- 60 % av 4 860 kvm krever utleie av ytterligere 936 kvm
- 70 % av 4 860 kvm krever utleie av ytterligere 1 422 kvm

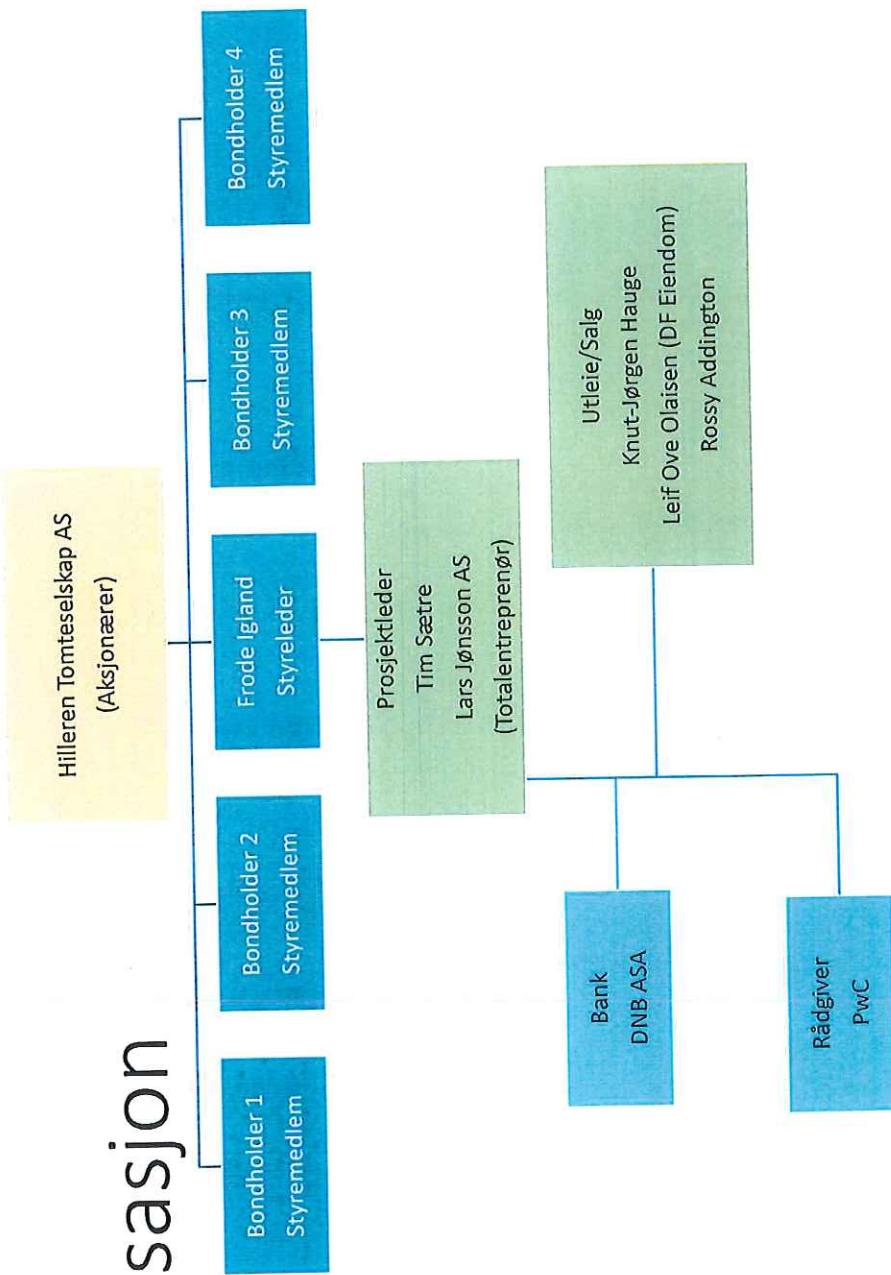
Likviditet

- Ikke behov for ytterligere likviditet fra långiverne
- «Legetomten» planlegges solgt for 3 MNOK - legene må være innflyttet i juni 2020
- Dersom prosjektet realiseres vil Lars Jønsson AS dekke prosjektkostnader fram til byggestart
 - Bekreftelse fra Lars Jønsson AS er vedlagt
- Når prosjektet igangsettes vil løpende kostnader til bygging og byggadministrasjon dekkes av byggelån
 - Bekreftelse fra Lars Jønsson AS er vedlagt
- Mindre likviditetsbehov knyttet dokumentasjon og gjennomføring av konvertering fra obligasjoner til aksjer, finansiering og skatteoptimalisering
 - PwC har akseptert oppdraget og fakturerer etter byggestart
- Selskapet har en ubenyttet likviditetsreserve opprinnelig på 2 MNOK, hvorav noe er udisponert

Konvertering av gjeld til egenkapital

- Nødvendig for å oppnå byggelånsfinansiering og positiv egenkapital
 - Delvis eller stegvis konvertering ønskes ikke av byggelånsbank
- Skaper større fleksibilitet for den enkelte obligasjonseiers investeringsstrategi
 - Kan selge ned og realisere eller kjøpe opp avhengig av sin investerings-/risikoprofil, likviditet
- Hvordan konvertere?
 - Fordeling senior/junior/annen gjeld
 - Kurser?
 - Ulike aksjeklasser med ulik preferanse på utbytte?
 - Andre modeller for risiko-/gevinstfordeling?
 - Utvanning vs. motivasjon av eksisterende eier?
- Beløp som skal konverteres?
- Skatteforhold knyttet til konverteringsmodell?

Organisasjon



Alternativer for investorer

1. Avslutte, realisere pantet med stort tap
 - Tommelfingerregel ved tvangssrealisasjon: 30 % av markedsverdi
 - Frarådes sterkt av eksterne rådgivere med kompetanse på eiendom
2. Selge prosjektet med usikkert resultat, men sikkert tap
3. Konvertere, bygge ut og forhåndsselge hver seksjon, med deloppgjør etter hver seksjon
 - Salg av «going concern» gir uansett vesentlig bedre dekning enn tvangssalg
 - Aksjer er vesentlig mer fleksibelt en lån og skaper mulighet for at:
 - Investorer som ønsker å kjøpe seg opp i prosjektet kan gjøre det
 - Investorer som ønsker å selge seg ut av prosjektet kan selge aksjer

Konklusjon

- Fremlagt oversikt viser at alle midler i lånenene er brukt i henhold til lånevilkårene
- Twangsrealisasjon er det klart dårligste alternativet
- Gjennomføring av planlagte prosjekter
 - skaper verdier for långiverne og kan gi full dekning
 - må påbegynnes innen medio mars
 - byggelånsfinansiering krever konvertering av alle lån
 - ingen ytterligere likviditet fra långiverne
- Hauge ønsker å medvirke til at långiverne får best mulig dekning og har en solid plan for realisering
 - Hauge bør tilbys en mindre eierandel (5-10 %) og en betydelig bonus dersom hovedstol gjenvinnnes

Obligasjonseierkomiteens anbefaling

1. Bearbeide videreutvikling av byggprosjektene med sikte på realisering og igangsetting innen medio mars
2. Utrede konverteringsmodeller og konsekvenser for långivere og selskap
3. Fremme forslag til konverteringsmodell innen _____

Dokumentvedlegg – ikke intatt i presentasjonen

- Revisors bekreftelse av betalinger og mellomværende med Haugeselskaper
- Tilbud fra Lars Jønsson ang. grunn og bygging Del I: 20 + 70 MNOK
- Bekreftelse av at Lars Jønsson dekker prosjektkostnader fram til byggestart

Appendiks

Appendiks

- Balanse pr 30. juni 2018 (ikke revidert, ikke balansert)

Hilleren Tomteselskap AS - Balanse pr 30. juni 2018
ikke revisert, ikke balansert

Eiendeler	Egenkapital og Gjeld	
Anleggsmidler	Egenkapital	
Vareige driftsmidler	500	Innskutt egenkapital 10 100
<u>Finansielle anleggsmidler</u>	<u>60</u>	<u>Opttjent egenkapital</u> <u>-91 338 *</u>
Sum anleggsmidler	560	Sum Egenkapital -81 238
 Omløpsmidler	 Gjeld	
Varelager (tomter)	42 314	Obligasjonslån 144 916
		Ansv. konvertibelt lån 8 000
Fordring Dubo Eiendom	11 264	<u>Andre gjeld</u> <u>353</u>
Fordring Hilleren Invest	12 140	Sum Langsiktig gjeld 153 269
<u>Andre fordringer</u>	<u>2 519</u>	
		Leverandør gjeld 908
		Påløpte renter obl.lån 16 592
Bankinnskudd	1 169	Pål. renter ANS-lån 911
		Gjeld Dubo Eiendom 3 828
Sum Omløpsmidler	69 406	Gjeld Øvrige KJH-selsk. 906
Sum Eiendeler	69 966	Solmunde 500
		<u>Skattetr./AGA</u> <u>11</u>
		Sum Kortsiktig gjeld 23 656
		Sum Gjeld 176 925
		Sum Gjeld og Egenkapital 95 687

* Opptjent egenkapital må balansere
regnskapet

Hilleren Tomteselskap

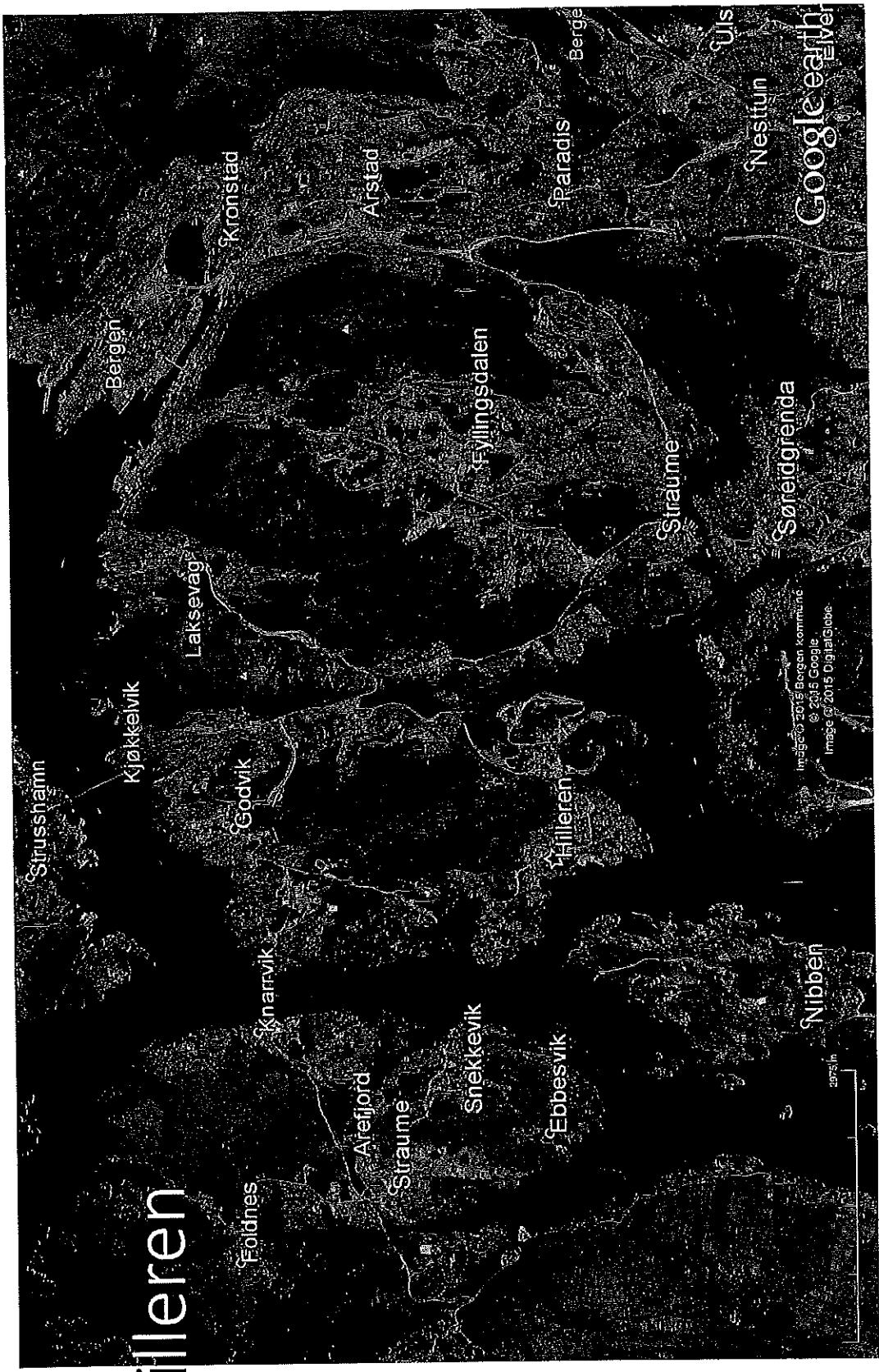
Presentation for the Bondholders' Meeting

5 December 2018

Prepared by Einar Midtun, Ole Kårtveit, Johannes Richardsen, Knut-Jørgen Hauge and Frode Igland

27.11.2018

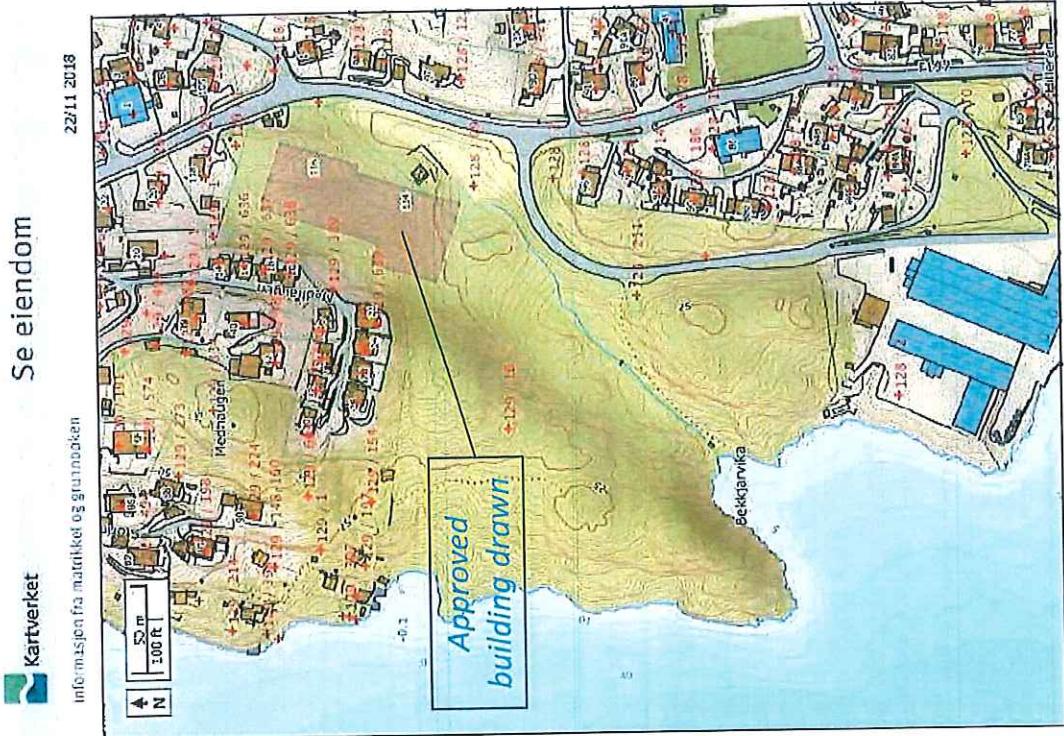
Hilleren Tomteselskap AS



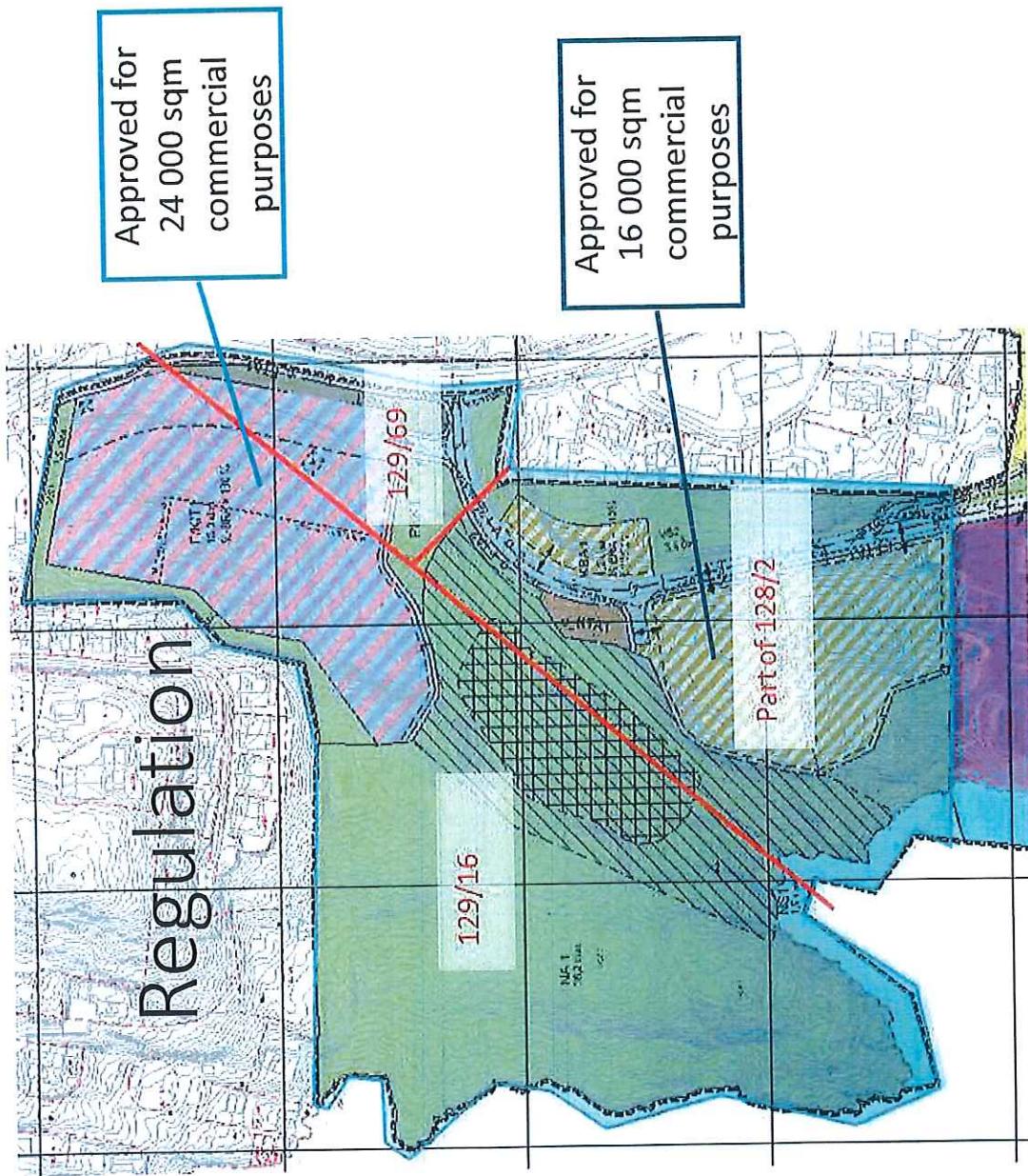
Hilleren

Se eiendom

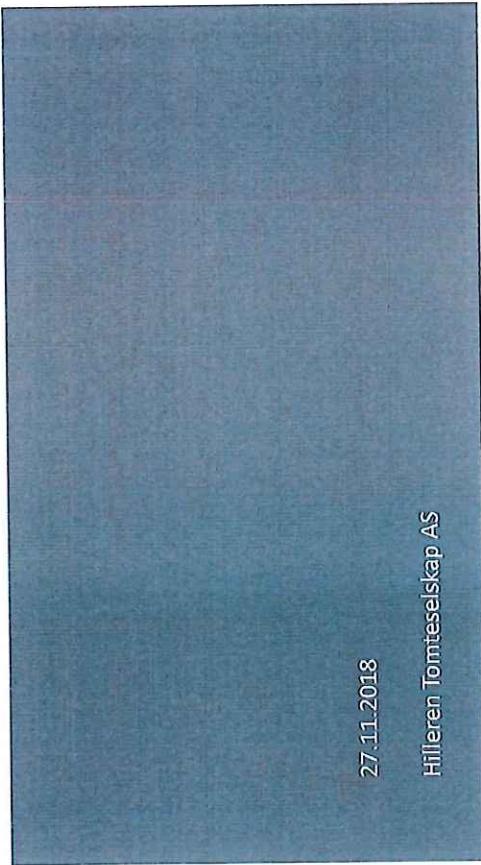
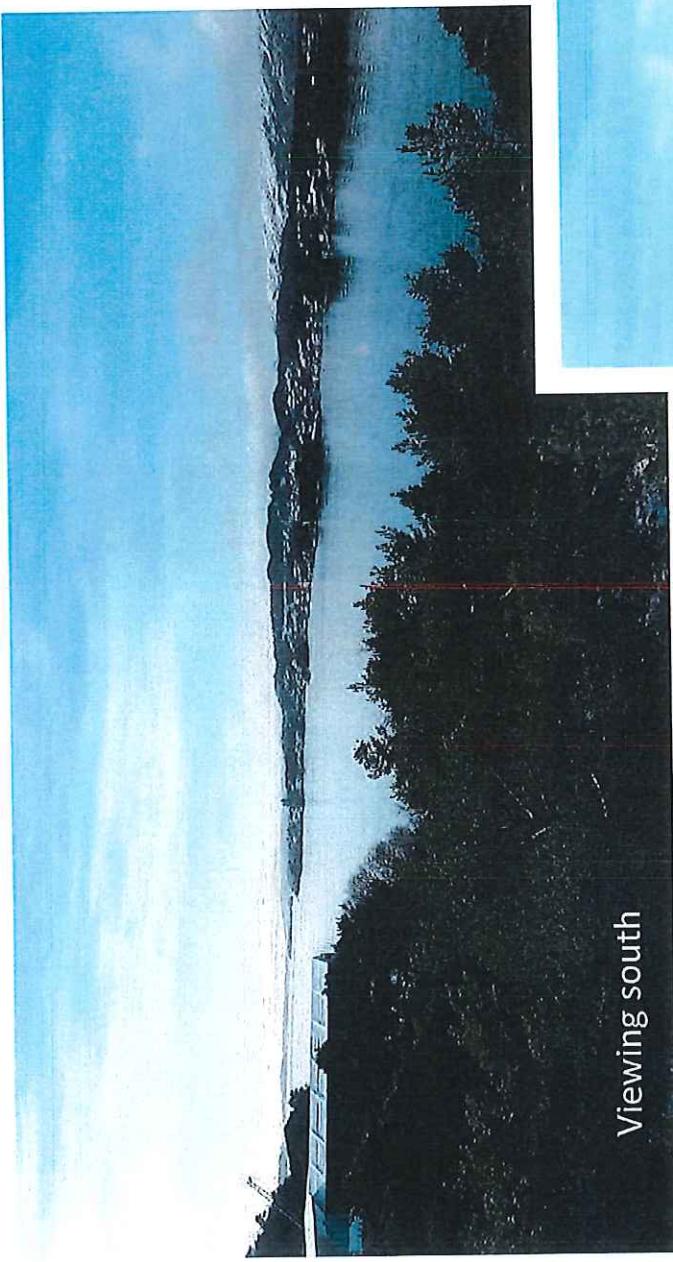
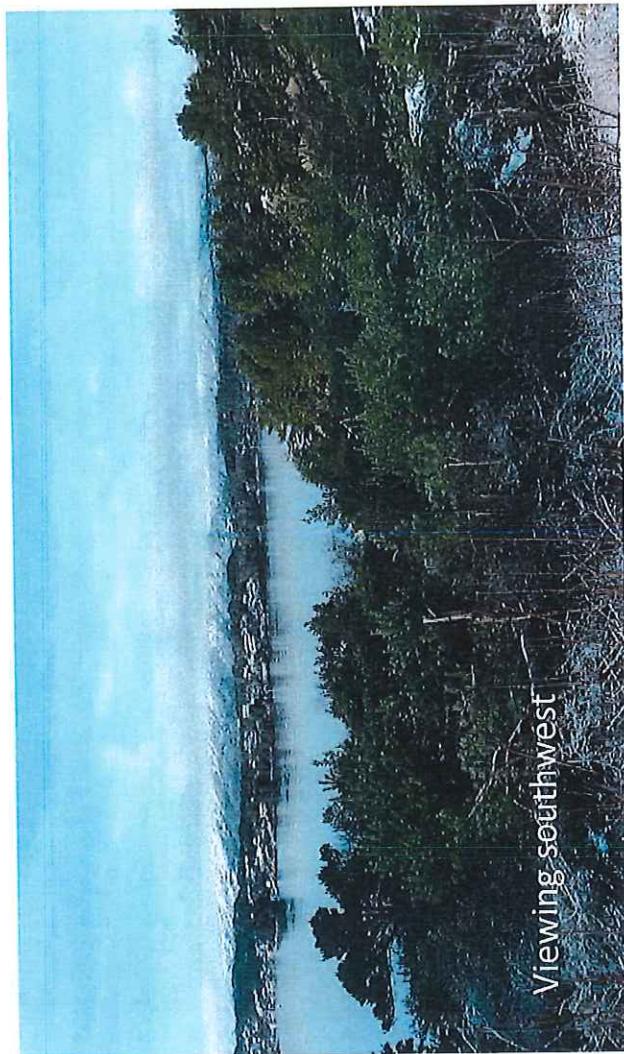
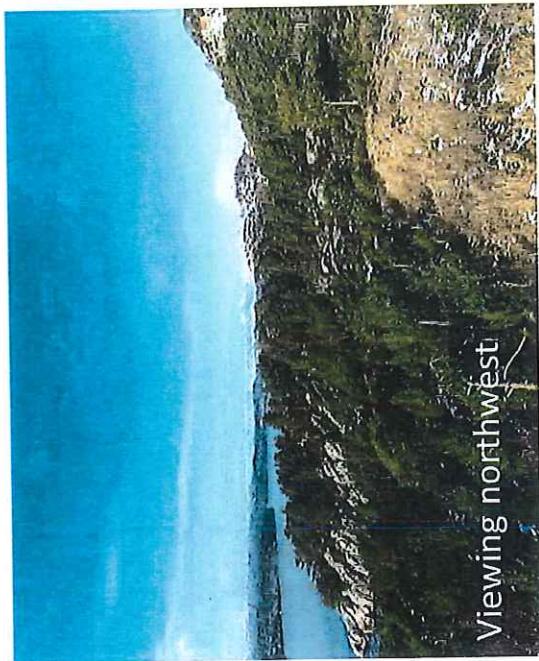
22/11 2018



3



Hilleren Tomtesselskap AS



Contents

- Executive summary
- Short history
- Bond loan 150 MNOK
- Explanation of construction cost
- Project development, progress
- External support
- Calculations
- Construction financing
- Cash requirements
- Conversion
- Alternatives for investors
- Organization
- Conclusions
- Recommendation from the Bondholders' Committee
- Appendix

Executive summary

- All proceeds from the bonds have been applied in accordance with the terms of the bonds
- Forced sale is expected to yield very low recovery
- Implementation of planned projects
 - creates value for lenders and can give full recovery
 - must start by mid-March 2019 as building permit expires 1 April 2019
 - construction financing requires conversion of all loans
 - no further cash is required from the lenders
- Mr. Hauge wants to participate in securing best possible recovery for the lenders and has solid plans to succeed
 - Should be offered a small ownership (5-10 %) and a bonus if the principal is recovered

Short history for Hilleren Tomteselskap

- Plot bought in 2002, regulations completed in the fall of 2014
- Hauge owned 25 %, three other owners held 25 % each
- December 2014, winter 2015: Financing 14 MNOK arranged by Solmunde
 - Purchase of 25 % of the shares (Hauge now owned 50 %)
- Summer 2015: Financing of 61 MNOK arranged by JOOL
 - Refinancing, acquisition of remaining shares (Hauge now owned 100 %), foundation work/project development 10 MNOK (Lars Jønsson), fees/interest
- March 2016: Financing 150 MNOK (105 MNOK senior, 45 MNOK junior)
 - See specification next page
- September 2017: Hauge pays the interest of 10,8 MNOK

Bond 150 MNOK, March 2016

Amounts in MNOK	Hilleren Tomtesselskap	Comments
Loan amount		Conditions: 150,00 Subordinated convertible loan 8 MNOK (applied towards purchase of plot for 8 MNOK), 7 MNOK repaid from Lars Jönsson (part of 61 MNOK loan summer 2015)
applied towards:		
Refinancing incl. interest		
JOOI, 2015 Solmunde, 2014-15	-76,83	Loans 61 MNOK (HTS) + 7 MNOK (Hilleren Invest), interest 8,83 MNOK -6,62 Balance from loan made in December 2014 and winter 2015 1st prio. mortgage, JOOI wanted it refinanced to achieve an orderly loan and security
DNB	-22,07	structure
Sum refinancing	-105,52	
Restricted cash		
One year interest, in escrow Cash reserve, loan condition	-21,72 -2,00	Senior 12 %, junior 20 % Purpose unknown
Sum Restricted cash	-23,72	
Fees re loan		
JOOI Nordic Trustee Grette	-19,02 -0,56 -0,70	Arrangement One year fee, two bond loans Loan documentation
Sum honorarer	-20,28	
Available for development	0,48	

27.11.2018

Hilleren Tomtesselskap AS

Explanation of construction cost

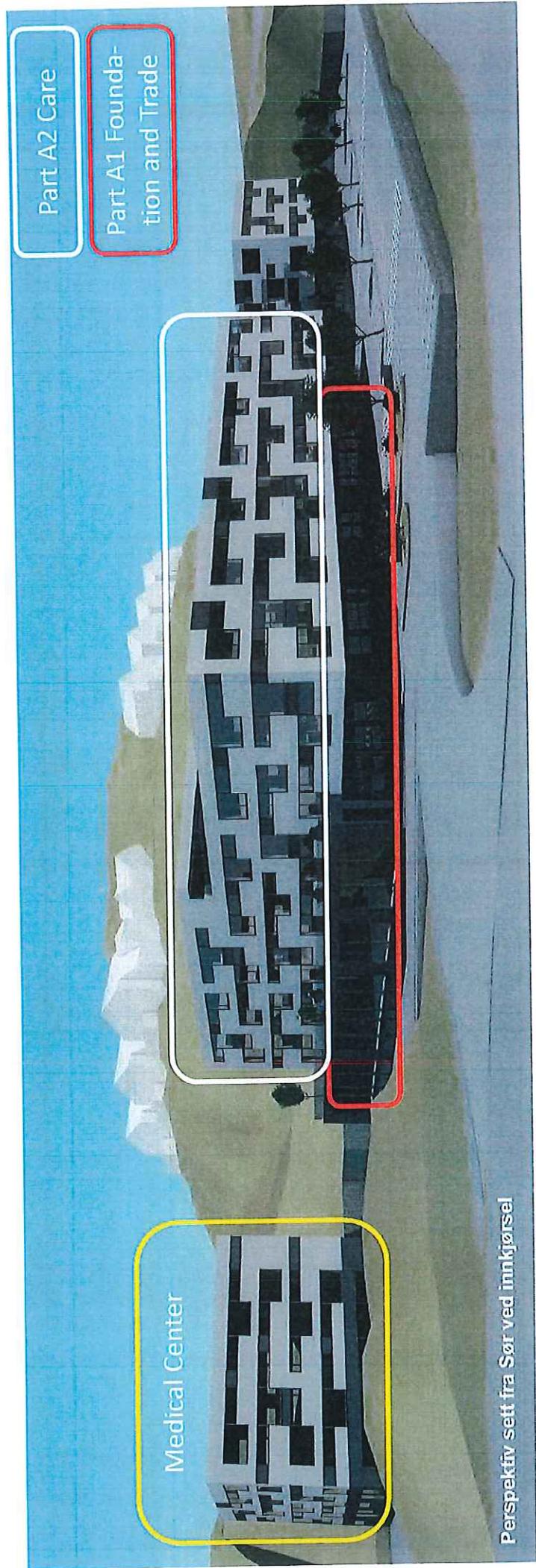
- Loan summer 2015
 - 10 MNOK reserved for prepayment of foundation work and project development
 - These 10 MNOK were transferred to Lars Jønsson AS at disbursement of the loan 30 June 2015
 - Lars Jønsson submitted three invoices totalling 2,91 MNOK for project development, which they conducted together with Sweco, Multiconsult, Sartor Maskin, and others. 7 MNOK were not used
- Loan March 2016
 - The «flow of funds» from JOOL shows that repayment of 7 MNOK from Lars Jønsson, as well as raising a subordinated convertible loan of 8 MNOK, were included as parts of the financing
 - A change in the regulation practice regarding aircraft noise resulted in the risk connected to regulation decisions by the municipality building authority being considered too high. The foundation work was never started and the unused funds were returned into the continuing financing
 - These 7 MNOK were repaid from Lars Jønsson to JOOL's client account when the 150 MNOK bonds were established on 23 March 2016 and included in the continuing financing in the 150 MNOK loan
 - Elementum could have had this confirmed by JOOL or Nordic Trustee

Project Development Costs	MNOK
Paid to Lars Jønsson 30 June 2015, prepayment of foundation and project development	-10,00
Project development, planning, (Jønsson, Sweco, Multiconsult, Sartor Maskin, and others.)	2,91
Repaid from Lars Jønsson, 23 March 2016	7,00
Sum	-0,09

Project development – Part A1 Foundation and Trade

- Part A1 – The commissioning permit expires 1 April 2019 => construction must commence no later than mid-March
 - Foundations: 6 months, 20 MNOK (revised offer from Lars Jønsson)
 - 1st floor (trade): 8-9 months, 70 MNOK (revised offer from Lars Jønsson)
- Presell Part A1 with partial settlement to owners
 - West Norway's most experienced broker of commercial real estate will contribute (see later)
 - Owner of a portfolio of community centers has already voiced their interest
- In parallel, continue the development of Part A2 Care project aiming for a direct continuation of the construction work of Part A1 Foundation and Trade, completing both parts in June 2020
 - Continue the marketing/search for other tenants, who by experience appear when construction work commences

Part A1 Foundation and Trade - Illustration



Perspektiv sett fra Sør ved innkjørsel

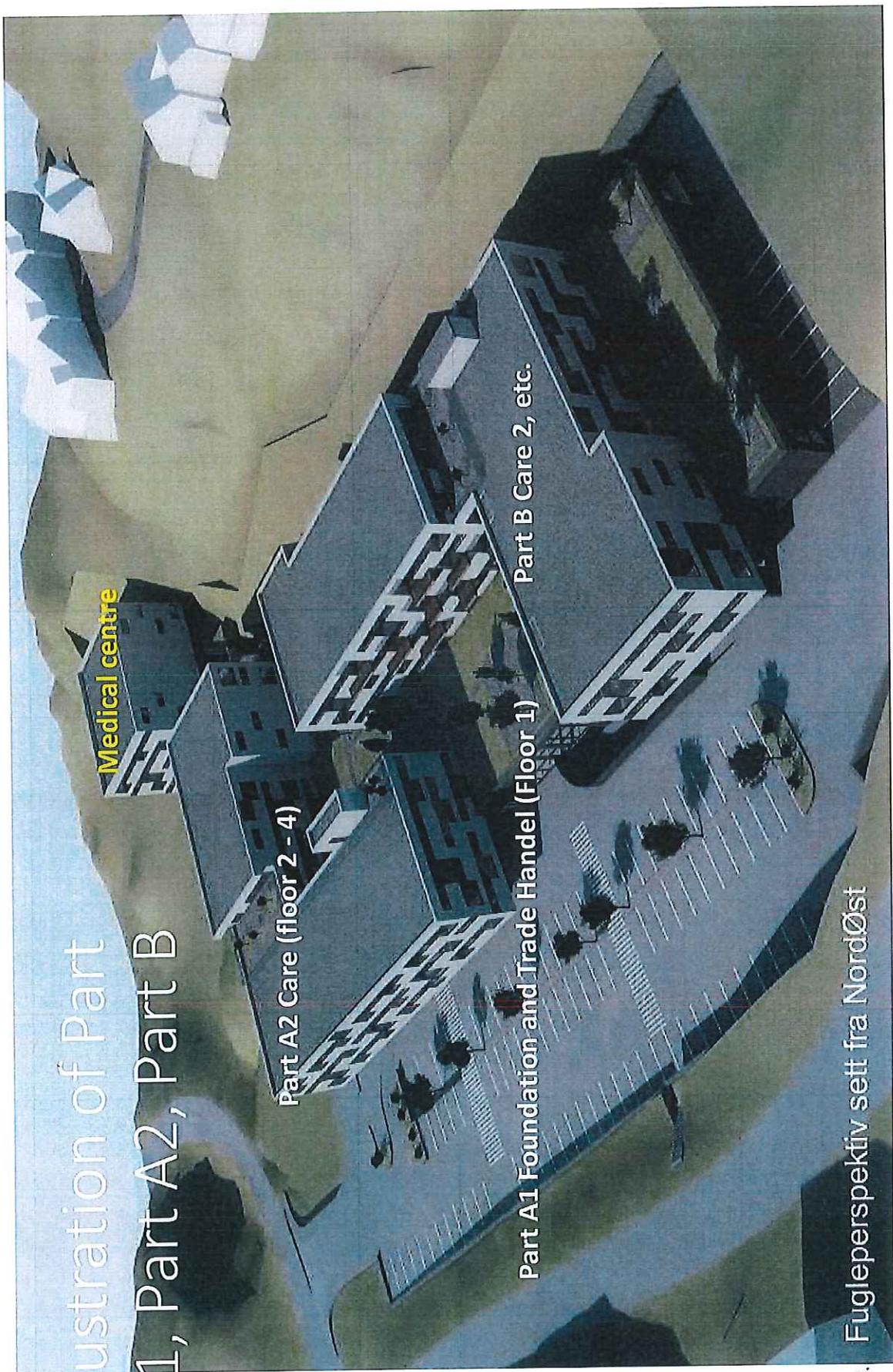
27.11.2018

Hilleren Tømteselskap AS

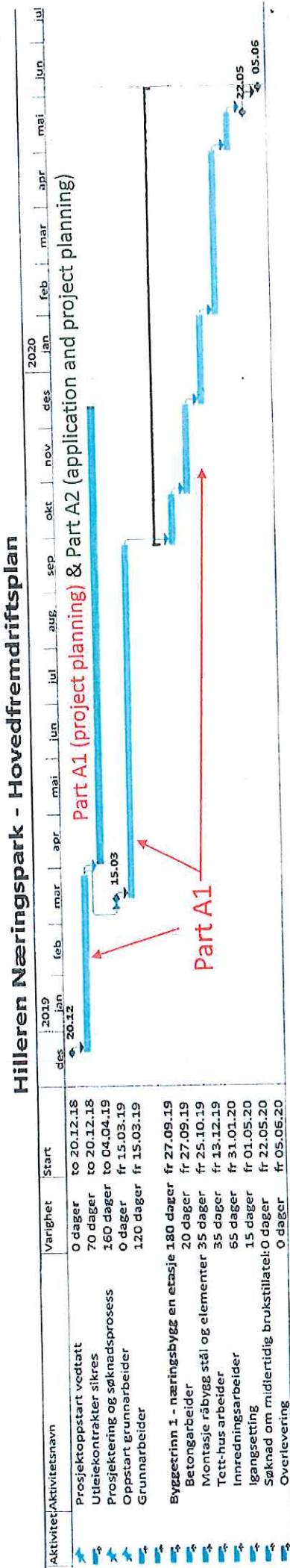
Project development— Part A2 Care

- Build care housing on floor 2 – 4 for rental to persons entitled to care housing, and other tenants, depending on interest
- Building of care housing by modules
 - Modules cost less than ordinary construction, even when the special needs by care housing are taken into account
 - Considerably shorter construction time
 - Docks in the immediate vicinity considerably simplifies the transportation and delivery of modules
- 800 persons in Bergen West on the waiting list for care housing (right of municipal care services at home), considerable lack of care housing
- Offer to the municipality
 - The municipality care service prioritizes who will be offered care housing
 - Strong interest from the municipality, as concentration of persons in need of care will make the municipality's care services much more efficient
 - The municipality may want to rent a small area for it's care service (office, stores, etc.)
 - If so, a simple decision process by the municipality
 - The municipality may also rent apartments directly from the project
- Each floor can be presold, including a partial settlement to investors at settlement
 - Several large players conducting care services will be interested

Illustration of Part A1, Part A2, Part B



Progress plan Part A1 (and Part A2)



Assistance by Addington Eiendom

- Owned and operated by Rossy Addington
- West Norway's most experienced and best reputed broker of commercial real estate
- Engineer (building and construction), Bergen Polytechnic, broker exam Norwegian Business School
- 11 years with Arne Sande (now Skanska), contractor, finished as site manager
- 6 years with Norman AS (now Rambøll), consulting and architects, project manager
- 1995-2016: DnB Eiendom and general manager of DnB Næringsmegling in West Norway from the start
 - Largest broker of commercial real estate in West Norway
- Addington Eiendom from 2017
 - Consulting in acquisition, sales, rental and valuation of real estate

Calculation 1 – A1 Foundation and Trade

- **Trade :** $4800 \text{ sqm} \times 1600 \text{ NOK/sqm} = 7,68 \text{ MNOK/year}$

- Yield 7 %

Sales value =>	$7,68 / 0,07 =$	110 MNOK
- Construction (incl. foundation)	90 MNOK	
- Finance	<u>3 MNOK</u>	
= Profit	17 MNOK	
+ Sale, plot for medic. centre	<u>5 MNOK</u>	
Sum Profit Part A1	<u>22 MNOK</u>	

Calculation 2 – Part A2 Care (building 1)

- **Care 6 000 sqm**

Sales price 40 000 NOK/sqm Below market level in Bergen

* Considers special needs in care,

$$\begin{array}{rcl} \text{- Construction * } & 25\,000 \text{ Nok/sqm} & \text{foundation covered in Part A1} \\ \hline = \text{Profit} & 15\,000 \text{ NOK/sqm} & \end{array}$$

$$\begin{array}{rcl} \text{Profit Part A2: } 6000 \text{ sqm} \times 15\,000 \text{ NOK/sqm} & = & 90 \text{ MNOK} \\ + \text{Profit Part A1 Foundation and Trade} & & 22 \text{ MNOK} \\ \hline = \text{Sum Profit Part A Traade and Care} & & 112 \text{ MNOK} \end{array}$$

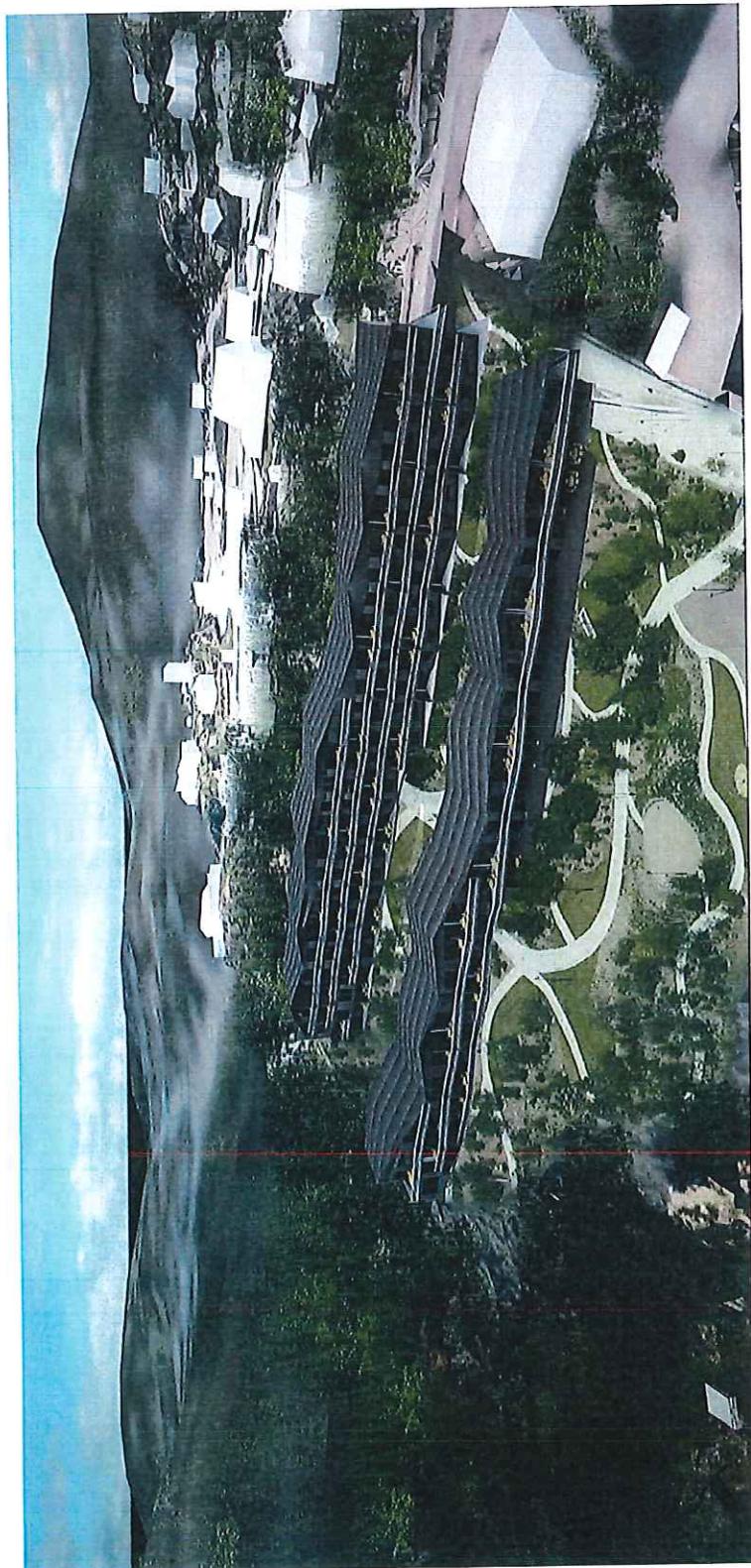
Calculation 3 – Further potential on upper plot

- The upper plot is approved for another 5000-10000 sqm commercial purposes in excess of the areas used for Part A1 Trade and Part A2 Care
 - This part of the plot can either be developed (Part B) or prepared for sale
 - The sales value of the plot
 - Will increase substantially as soon as the first building is completed and operations have commenced
 - Profit opportunities by development is considerably higher than by sale of the plot
 - This decision can be made later

Calculation 4 – Seafront property (Part C)

- Plot size 8 000 sqm
 - Approved for 16 000 sqm (offices, warehouses, light manufacturing)
 - On positive decision by the bondholders, application for additional purposes will be submitted immediately, aiming to build a seafront hotel or further care housing
 - This will add considerable value to the plot on sale or development
 - Improving the plot's potential until Part A1 and A2 are completed, aiming to sell the plot at the same time in the summer of 2020
 - The plot may also serve as additional security for the construction financing on the upper plot
- None of the building or application processes will lower the value
- The progress in the process will exclusivel increase the value

Part C Seafront property illustrated with housing



27.11.2018

Hillerøen Tomteselskap AS

Construction financing

- Meeting held with DNB on construction financing, discussing the main elements of the project
- DNB sets the following general requirements re the construction financing
 - If the existing debt is converted to equity, the company will be debt free and DNB will consider the plot as equity in the construction financing
 - DNB does not want to have to relate to other lenders or security holders in the project => conversion of debt to equity
 - With full conversion the bank can finance 100 % of the construction of Part A1 (Foundation and Trade)
 - The bank requires tenants for 60-70 % of the area prior to opening the construction financing
 - The bank is positive to Lars Jønsson AS as contractor responsible for the entire construction and to Knut-Jørgen Hauge as developer
 - The bank is positive to financing subsequent steps and expressed (unsolicited) that they could be creative in the further financing, should Part A2 Care come to realization

Tenants for 4 860 sqm in Part A1 Foundation and Trade

- Norgesgruppen v/Kiwi: Written agreement for 1 800 sqm
- Pizzabakeren: Oral agreement for 180 sqm – waiting for HTS to present agreement for signature
- Have already agreed to rent out 1 980 sqm including common areas
=> 41 % of the area
- 60 % of 4 860 kvm requires tenants for further 936 sqm
- 70 % of 4 860 kvm requires tenants for further 1 422 sqm

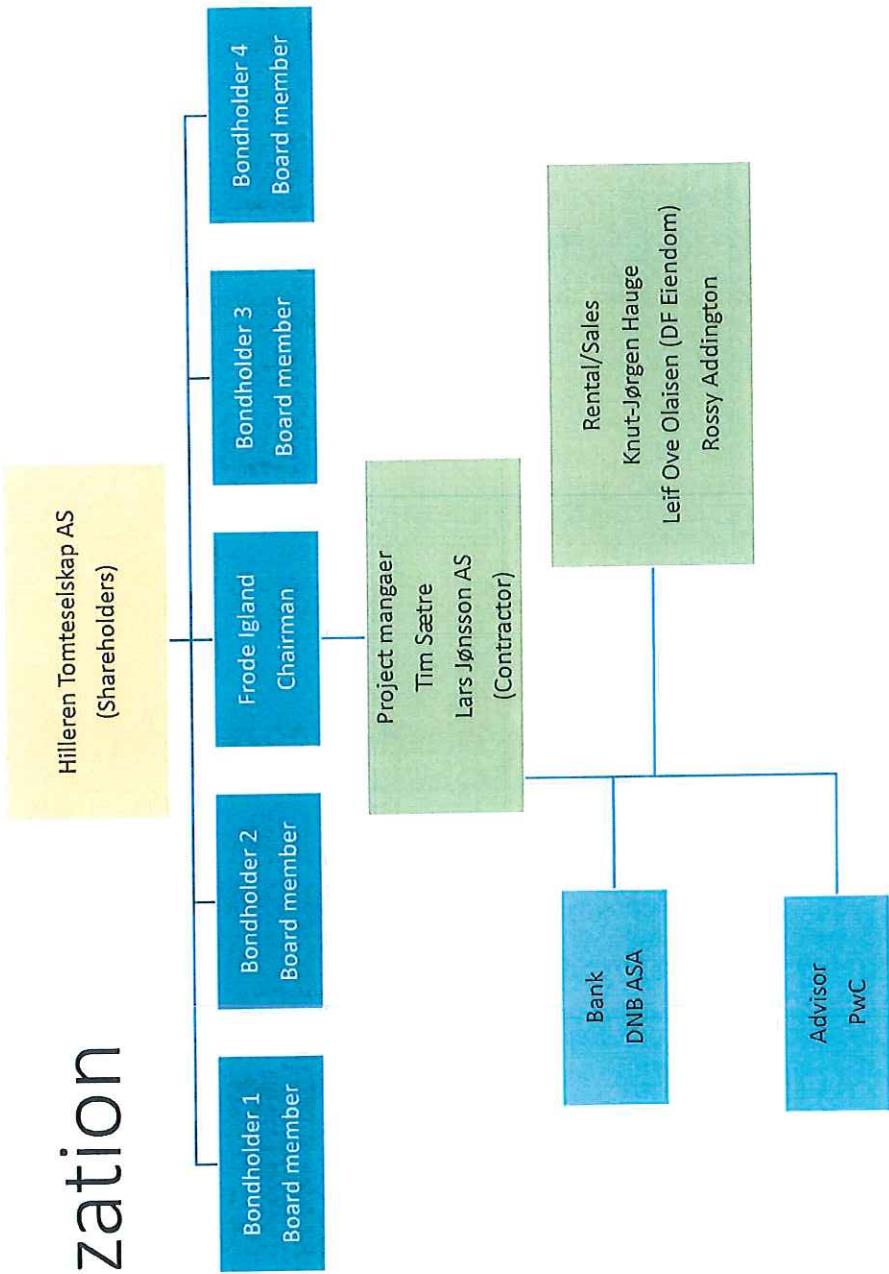
Liquidity

- No cash required from the bond holders
- Plans to sell the plot for the medical center for 3 MNOK - the doctors must be in by June 2020
- If the project moves on, Lars Jønsson AS will cover project costs until building starts
 - Confirmation from Lars Jønsson AS is attached
- When the project starts, the running costs to construction, administration, etc. will be financed by the construction financing
 - Confirmation from Lars Jønsson AS is attached
- Smaller cash flow needs may appear linked to documentation and implementation of conversion form debt to shares, financing and tax optimization
 - PwC has accepted the job and will invoice when building starts
- Some of the company's liquidity reserve, originally of 2 MNOK, is not used

Conversion of debt to equity

- Required to achieve construction financing and positive equity
 - Partial or stepwise conversion is not wanted by the construction financing bank
- Creates better flexibility for each bondholder's investment strategy
 - Can sell out and liquidate it's investment, or acquire shares, depending on it's investment/risk profile, and liquidity
- How to convert?
 - Distribution between senior/junior/other debt
 - Prices?
 - Different share classes with different preference on dividends?
 - Other models for distribution of risk and reward?
 - Dilution versus motivation of current owner?
 - Amounts to be converted?
- Tax matters for different conversion models?

Organization



Alternatives for investors

1. Terminate, liquidate the security with major loss
 - Rule of thumb on forced sale: 30 % of market value
 - Strongly advised against by external advisors competent in real estate
2. Sell the project with uncertain results, but certain loss
3. Convert, build and presell each section, with partial settlement on each section
 - Sale of «going concern» gives considerably better recovery than forced sale
 - Shares are considerably more flexible than a loan and create opportunities that:
 - Investors who want to invest further, can do it
 - Investors who want to sell, can easily sell shares

Conclusion

- Presented overviews show that all proceeds from the loans have been used in accordance with loan conditons
- Forced sale is clearly the worst alternative
- Continuing the planned projects
 - Creates value for the bondholders and can give full recovery
 - Construction must start by mid-March 2019
 - Construction financing requires conversion of all loans
 - No further cash is required from the bondholders
- Mr. Hauge wants to contribute to best possible recovery for the bondholders, and has a solid plan to make it happen
 - Mr. Hauge should be offered an small ownership (5-10 %) and a bonus if the principal is recovered

Recommendation of the Bondholders' Committee

1. Work on further development of the building projects aiming to realization and construction start mid-March 2019
2. Examine conversion models and consequences for bondholders and issuer
3. Present a proposal for conversion by _____

Attached documents – not included in the presentation

- Auditor's statement regarding payments and balances with other Hauge companies
- Offer from Lars Jønsson AS re Part A1 Foundation and Trade: 20 MNOK + 70 MNOK
- Confirmation that Lars Jønsson AS covers project costs until building starts

Appendix

- Balance sheet by 30 June 2018 (unaudited, not balanced)

Hilleren Tomteselskap AS – Balance sheet by 30 June 2018

Assets		Equity and Debt	
Fixed Assets		Equity	
Fixed Assets	500	Paid-in equity	10 100
Financial assets	60	Withheld profits	<u>-91 338 *</u>
Sum Fixed Assets	560	Sum Equity	-81 238
Current Assets		Debt	
Inventory (plots under dev.)	42 314	Bonds	144 916
		Subord. convertible loan	8 000
Receivable Dubo Eiendom	11 264	Other debt	<u>353</u>
Receivable Hilleren Invest	12 140	Sum Longterm debt	153 269
Other Receivables	2 519		
Sum Receivables	25 923	Suppliers	908
		Accrued interest bonds	16 592
Bank	1 169	Accr. int, Sub. conv. loan	911
		Debt Dubo Eiendom	3 828
Sum Current Assets	69 406	Debt other KJH comp.	906
Sum Assets	69 966	Solmunde	500
		Taxes	<u>11</u>
		Sum Current Debt	23 656
		Sum Debt	176 925
		Sum Debt and Equity	95 687

* Withheld profits must balance the accounts