

**Notice of completion of reconstruction of Gallerierne Hillerød A/S (under rekonstruktion)**

**To holders of the up to DKK 90,000,000 (or its equivalent in SEK and EUR) senior secured callable fixed rate SEK and EUR Bonds 2020/2021 with ISIN: SE0014957445 (SEK bonds) and ISIN: SE0014957452 (EUR bonds) (the "Senior Bonds") issued by Frederiksborg Ejendomme 2 ApS (the "Issuer") on 2 December 2020, 2 March 2021 and 16 June 2021**

**To holders of the up to DKK 30,000,000 (or its equivalent in SEK and EUR) second lien bonds with ISIN SE0012816726 and SE0012816734 issued by the Issuer on 2 September 2019 ("Junior Bonds")**

**To lenders under the subordinated direct loan of up to DKK 20,000,000 (or its equivalent in SEK and EUR) taken on by the Issuer pursuant to separate loan agreements subject to terms and conditions dated on or around 22 October 2021 (the "Direct Loan")**

This notice is to inform the bondholders and lenders under the Senior Bonds, the Junior Bond and the Direct Loan, respectively, that a reconstruction proposal has been adopted at a creditors' meeting held on 20 March 2023 at the Bankruptcy Court in Næstved for the completion of the reconstruction of the Issuer's 100 per cent owned subsidiary, Gallerierne Hillerød A/S (under rekonstruktion) (the "**PropCo**"). The reconstruction proposal entails that the PropCo will now complete a sale of the Properties and certain building materials for a cash purchase price of DKK 200 million pursuant to a purchase agreement entered into between the PropCo and KLK Momentum ApS.

The Senior Bondholders will receive proceeds from the sale of the Properties up to the amount of the Owner's Mortgages, respectively, DKK 70,644,000 and DKK 20,300,000, registered on the Properties and pledged in favour of the Security Agent as agent on behalf of the Senior Bondholders. The proceeds will (after deduction of certain costs and expenses) be paid to the Senior Bondholders and applied in the order of application stipulated by Clause 11.1 (*Order of Application*) of the Intercreditor Agreement.

The Junior Bondholders and lenders under the Direct Loan will not receive any proceeds from the sale of the Properties and should not expect to receive any distributions from the bankruptcy proceedings of the PropCo.

**1. Initiation of reconstruction proceedings against PropCo and adoption of reconstruction proposal to complete a sale of the Properties**

The Issuer owns 100 per cent of the shares issued by PropCo and 100 per cent of the shares issued by Frederiksborg Ejendomme ApS (the Issuer and its subsidiaries are collectively referred to as the "**Group**"). PropCo owns certain properties. The properties are registered with title no. 184b, Hillerød Bygrunde, situated at Hostrupsvej 32, 3400 Hillerød; owner occupied flat no. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 14, 15, 16, 20, 21, 23, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43 and 44, title no 186b, Hillerød Bygrunde, situated at Gallerierne 1-44, 3400 Hillerød; owner occupied flat no. 1 and 2, title no. 307a, Hillerød Bygrunde, situated at Hostrupsvej 22, 3400 Hillerød; owner-occupied flat no. 4, title no. 187a, Hillerød Bygrunde, situated at Slotgade 3E, 3400 Hillerød; and title no. 187b, Hillerød Bygrunde, situated at Hostrupsvej 24, 3400 Hillerød (together the "**Properties**").

Due to, *inter alia*, the recent pandemic caused by COVID-19, the Issuer has for an extended time experienced severe delays in the construction of the Properties. The pandemic has of obvious reasons caused significant interruptions in a variety of projects across the globe, including the contemplated project on the Properties. The delays caused by the pandemic in the case of the construction of the Properties have affected both delivery of necessary materials for the construction and delays with the work force. The delay in the construction phase has also caused in an increase of the total cost of the project. Additionally, the delay in finalizing the construction of the Properties has resulted in a

postponement of the scheduled take-over dates by the tenants pursuant to the signed lease agreements, which in turn has resulted in a significant pressure on the liquidity of the Issuer.

In December 2022, it was concluded by the Issuer that the PropCo was facing a potential bankruptcy and to prevent that, on 7 December 2022, the PropCo filed a petition for reconstruction (in Danish: *rekonstruktion*) with the Bankruptcy Court in Næstved. The reconstruction of the PropCo was initiated on 8 December 2022 and the Bankruptcy Court appointed attorney-at-law Thomas Weitemeyer from the law firm Moalem Weitemeyer Advokatpartnerselskab as reconstructor.

Reconstruction is a type of in-court insolvency proceeding regulated by the Danish Bankruptcy Act. Reconstruction may only be commenced if the debtor is insolvent, which pursuant to the Danish Bankruptcy Act is defined as the debtor's inability to pay his debts as they fall due, unless such inability is considered to be temporary. The reconstruction of a company must achieve one or more of the following statutory objectives: (1) the reconstruction of the business by means of a compulsory settlement (in Danish: *tvangsakkord*); (2) the termination of the business of the company by transferring the business; or (3) any combination of (1) and (2). The aim of a restructuring is therefore to salvage the business itself, but not necessarily thereby saving the company. If a reconstruction does not contain at least one of these required elements, the reconstruction proceedings will automatically seize and, provided the company is still insolvent, bankruptcy proceedings shall be initiated.

On 29 December 2022, a reconstruction plan was circulated to all known creditors of the PropCo. The reconstruction plan entailed that the reconstructor and the management of the PropCo would explore the possibility of a refinancing of the construction of the Properties and/or a sale of the Properties. At a creditor meeting held on 5 January 2023 at the Bankruptcy Court in Næstved, a majority of the creditors in the PropCo did not vote against continuation of the reconstruction of PropCo and the Bankruptcy Court therefore approved to continue the reconstruction of the PropCo.

On 13 March 2023, a reconstruction proposal was issued for the PropCo in accordance with the Danish Bankruptcy Act, and sent to the Bankruptcy Court in Næstved, all known creditors and others affected by the proposal, with a view to discussion and voting at a creditors' meeting held on 20 March 2023 at the Bankruptcy Court in Næstved in accordance with Section 13(1) of the Danish Bankruptcy Act.

The reconstruction proposal was adopted by the creditors represented at the creditors' meeting and confirmed by the Bankruptcy Court, cf. Section 13(f)(1) of the Danish Bankruptcy Act, as a majority of the claimants who were represented at the meeting and participated in the vote, did not vote against it, cf. Section 13(d)(1) of the Danish Bankruptcy Act. Only one creditor representing a claim of approximately DKK 6 million voted *against* approval of the reconstruction proposal.

As described further in section 3 below, adoption of the reconstruction proposal entails that the PropCo will now complete a sale of the Properties and certain building materials for a cash purchase price of DKK 200 million pursuant to the purchase agreement entered into between the PropCo and KLK Momentum ApS.

## **2. Exercise of voting rights by Senior Bondholders**

The Issuer has out of the proceeds from, inter alia, the Senior Bonds, Junior Bonds and Direct Loan granted downstream loans to the PropCo in an aggregate amount of approx. DKK 95.4 million as per 28 February 2023 (the "**Downstream Loan**").

The Issuer has assigned all rights with respect to the Downstream Loan in favour of the Security Agent acting as trustee and security agent on behalf of Senior Bond Creditors and the Junior Bond Creditors pursuant to an assignment agreement dated 26 November 2020 (the "**Assignment Agreement**").

On 27 December 2022, the Security Agent notified the Issuer that commencement of reconstruction proceedings against the PropCo constituted an Event of Default pursuant to Clause 14.5 (*Insolvency Proceedings*) of the Senior Bond Terms and Clause 14.5 (*Insolvency Proceedings*) of the Junior Bond Terms as well as an Insolvency Event under the intercreditor agreement dated 26 November 2020 between, inter alia, the Issuer, the Company and Intertrust (Sweden) AB (the "**Intercreditor Agreement**").

As a result of the occurrence of the Event of Default, the Security Agent notified the Issuer of exercise of its rights, remedies, powers and discretions under the Assignment Agreement to receive all payments in relation to the Downstream Loan, and consequently file a claim in PropCo in the amount of the Downstream Loan, and prove as creditor with respect to, the outstanding balance of the Downstream Loan.

The Downstream Loan constitutes a claim against the PropCo, which means that the voting rights attached to the claim may be exercised by the Security Agent as agent on behalf of the Secured Parties in connection with the reconstruction of the PropCo.

According to Clause 10.4(b) (*Exercise of voting rights*) of the Intercreditor Agreement, the Security Agent shall give instructions for the purpose of exercise of such voting rights as directed by the Instructing Party. The Instructing Party is the Senior Agent acting on behalf of the Senior Bondholders, meaning that the Senior Bondholders were entitled to instruct the Security Agent to exercise the voting rights attached to the Downstream Loan in connection with the reconstruction of the Company and pursuant to a written procedure, which ended on 17 March 2023, the Senior Bondholders approved to instruct the Security Agent to exercise the voting rights attached to the Downstream Loan in connection with the reconstruction of the PropCo and vote in favour of the reconstruction proposal.

As the Senior Bonds, the Junior Bonds and the Direct Loan constitute debt obligations owed by the Issuer, without any liability owed by the PropCo with respect to the performance of such debt obligations, no voting rights were attaching to the Senior Bonds, the Junior Bonds or the Direct Loan in the reconstruction of the PropCo.

### **3. The reconstruction proposal and application of proceeds from the sale of the Properties**

Adoption of the reconstruction proposal entails that the PropCo will complete a sale of the Properties and certain building materials for a cash purchase price of DKK 200 million pursuant to a purchase agreement entered into between the PropCo and KLK Momentum ApS

The sale of the Properties is expected to be completed on 5 April 2023.

Proceeds from the sale of the Properties will be applied in the following order as soon as practicable after completion of the sale:

1. Firstly, proceeds will be applied to repay the PropCo's outstanding 1st priority mortgage loan to Jyske Realkredit A/S, which amounts to approximately DKK 100.8 million.
2. Secondly, remaining proceeds up to the amount of the Owner's Mortgages, respectively, DKK 70,644,000 and DKK 20,300,000, pledged in favour of the Security Agent as agent on behalf of the Senior Bondholders, will (after deduction of certain costs and expenses) be paid to the Senior Bondholders and applied in the order of application stipulated by Clause 11.1 (*Order of Application*) of the Intercreditor Agreement.
3. Thirdly, any remaining proceeds will be applied towards payment of fees, costs and expenses relating to the reconstruction of the PropCo as well as fees, costs and expenses relating to the subsequent bankruptcy proceedings of the PropCo. The fees to the reconstructor and the

bankruptcy trustee will be approved by the Bankruptcy Court.

4. Fourthly, any remaining proceeds will be distributed by the PropCo's bankruptcy estate in accordance with the Danish Bankruptcy Act upon completion of the bankruptcy proceedings, i.e. pro rata to all unsecured creditors of the PropCo.

As the Properties and the building materials are the only material assets owned by the PropCo, the reconstruction proposal entails that the business of the PropCo is effectively terminated. The PropCo was therefore automatically commenced bankruptcy proceedings immediately following the creditors' meeting on 20 March 2023. The Bankruptcy Court appointed attorney-at-law Thomas Weitemeyer from the law firm Moalem Weitemeyer Advokatpartnerselskab as bankruptcy trustee.

It can currently not be confirmed whether there will be any funds left in the PropCo following the payments described above. Should any funds remain, those will be distributed in accordance with the ranking of claims pursuant to the Danish Bankruptcy Act. If any funds are left for distribution to unsecured creditors of the PropCo, those will be distributed pro rata among the unsecured creditors of the PropCo until such creditors have received payment in full.

It shall be noted that any distributions made on the Downstream Loan from the PropCo's bankruptcy estate will be applied in the order of application stipulated by Clause 11.1 (Order of Application) of the Intercreditor Agreement, which means that Senior Bondholders will receive any such proceeds until all amounts outstanding under the Senior Bond Documents have been repaid in full. Any further proceeds, if any, distributed from the PropCo's bankruptcy with respect to the Downstream Loan will be applied towards repayment of amounts owed under the Junior Bond Documents.

Consequently, the Junior Bonds and the Direct Loan should not expect to receive any distributions from the PropCo's bankruptcy estate.

Stockholm 27 March 2023

Intertrust (Sweden) AB